CITY OF SANTA FE, NEW MEXICO

BILL NO. 2016-18

INTRODUCED BY:

Mayor Javier M. Gonzales

Councilor Joseph Maestas

Councilor Peter Ives

AN ORDINANCE

AUTHORIZING THE ISSUANCE AND SALE OF THE CITY OF SANTA FE, NEW MEXICO WATER UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2016 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $75,000,000 FOR THE PURPOSE OF DEFRAYING THE COST OF REFUNDING, PAYING, DEFEASING, DISCHARGING, AND/OR RESTRUCTURING CERTAIN OUTSTANDING WATER UTILITY SYSTEM/CAPITAL OUTLAY GROSS RECEIPTS TAX OBLIGATIONS OF THE CITY; PROVIDING THAT THE BONDS WILL BE PAYABLE AND COLLECTIBLE FROM THE NET REVENUES OF THE CITY'S WATER UTILITY SYSTEM; ESTABLISHING THE FORM, TERMS, MANNER OF EXECUTION AND OTHER DETAILS OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT AND ESCROW AGREEMENT; APPROVING CERTAIN OTHER AGREEMENTS AND DOCUMENTS IN CONNECTION WITH THE BONDS AND THE OUTSTANDING REFUNDED OR RESTRUCTURED WATER UTILITY SYSTEM/CAPITAL OUTLAY GROSS RECEIPTS TAX OBLIGATIONS; RATIFYING ACTION PREVIOUSLY TAKEN IN CONNECTION WITH THE BONDS; AMENDING

AND RESTATING ORDINANCE NO. 2006-47; REPEALING ALL ORDINANCES IN CONFLICT HEREWITH; AND RELATED MATTERS.

WHEREAS, the City is a legally and regularly created, established, organized and existing municipal corporation under the general laws of the State and is operating as a home rule city pursuant to Article X, Section 6 of the Constitution of the State and the Charter of the City; and

WHEREAS, the City now owns, operates and maintains a water utility system (the "System"); and

WHEREAS, pursuant to Ordinance No. 2004-50, passed and adopted by the Council on November 10, 2004, and subsequently approved at an election in the City conducted on March 8, 2005, the City imposed a 0.25% Capital Outlay Gross Receipts Tax pursuant to Section 7-19D-12 NMSA 1978, effective as of July 1, 2005 (the "Capital Outlay Gross Receipts Tax Revenues"); and

WHEREAS, the City, pursuant to the Act, intends to issue revenue bonds from time to time to acquire, extend, enlarge, better, repair and otherwise improve or maintain the System; and

WHEREAS, the City pursuant to the Act and Ordinance No. 2006-47 (the "Master Ordinance"), passed and adopted by the City Council (the "Council") on August 9, 2006, issued its $49,790,000 City of Santa Fe, New Mexico, Water Utility System/Capital Outlay Gross Receipts Tax Revenue Refunding Bonds, Series 2006D (the "2006D Bonds") with a first lien (but not an exclusive first lien) on the Net Revenues of the System and the Capital Outlay Gross Receipts Tax Revenues; and

WHEREAS, the City pursuant to the Act, the Master Ordinance and Ordinance No. 2008-19, passed and adopted by the Council on April 9, 2008, entered into a $15,150,000 Taxable Drinking Water Revolving Fund Loan Agreement, by and between the City and the New Mexico Finance Authority, dated May 16, 2008 (the "2008 Loan") with a subordinate lien (but not an exclusive subordinate lien) on the Net Revenues of the System and the Capital Outlay Gross Receipts Tax

Revenues; and

WHEREAS, the City pursuant to the Act, the Master Ordinance and Ordinance No. 2009-47, passed and adopted by the Council on November 10, 2009, issued its $18,080,000 Water Utility System/Capital Outlay Gross Receipts Tax Revenue Bonds, Series 2009A (Tax-Exempt) (the "2009A Bonds") and $41,890,000 Water Utility System/Capital Outlay Gross Receipts Tax Revenue Bonds, Series 2009B (Taxable Direct-Payment Build America Bonds) (the "2009B Bonds" and, together with the 2009A Bonds, the "2009 Bonds") with a first lien (but not an exclusive first lien) on the Net Revenues of the System and the Capital Outlay Gross Receipts Tax Revenues on a parity with the 2006D Bonds; and

WHEREAS, the City pursuant to the Act, the Master Ordinance and Ordinance No. 2013-13, passed and adopted by the Council on March 27, 2013, entered into a Drinking Water State Revolving Fund Loan and Subsidy Agreement, by and between the City and the New Mexico Finance Authority, in the maximum principal amount of $5,050,000 dated May 3, 2013 (the "2013 Loan") with a subordinate lien (but not an exclusive subordinate lien) on the Net Revenues of the System and the Capital Outlay Gross Receipts Tax Revenues on a parity with the 2008 Loan; and

WHEREAS, except for the outstanding 2006D Bonds, the 2008 Loan, the 2009 Bonds, and the 2013 Loan, there are no obligations presently outstanding to which Net Revenues of the System and the Capital Outlay Gross Receipts Tax Revenues have previously been pledged by the City; and

WHEREAS, the City desires to restructure and defease the obligations outstanding pursuant to the Master Ordinance and to restate and amend the Master Ordinance to remove the pledge of the Capital Outlay Gross Receipts Tax Revenues and to make other amendments as herein provided;

WHEREAS, pursuant to a Deposit Agreement between the City and BOKF, NA, as registrar and paying agent for the 2006D Bonds, the City intends to redeem and pay all of the outstanding 2006D Bonds on June 1, 2016; and

WHEREAS, the New Mexico Finance Authority has agreed to amend the 2008 Loan (the

"2008 Loan Amendment") and the 2013 Loan (the "2013 Loan Amendment") to remove the pledge of and lien on the Capital Outlay Gross Receipts Tax Revenues; and

WHEREAS, the Council hereby determines that issuance of the "City of Santa Fe, New Mexico Water Utility System Revenue Refunding Bonds, Series 2016" (the "Series 2016 Bonds") and the application of certain legally available moneys of the City for the purpose of refunding, refinancing, discharging and paying the outstanding 2009 Bonds (the "Refunded Bonds") on and prior to the optional redemption date of June 1, 2019, will eliminate certain restrictive covenants and contractual requirements, will release the pledge of and lien on the Capital Outlay Gross Receipts Tax Revenues, will permit the more effective arrangement of debt service requirements for System Bonds, and will effect other savings and economies, all to the benefit of the City, and consequently will provide for the public health, peace and safety of the City and its citizens; and

WHEREAS, the City has determined to pay all principal of, interest on and applicable prior redemption premium due in connection with the Refunded Bonds as the same become due at and prior to their optional prior redemption date, from the proceeds of the Series 2016 Bonds herein authorized and from other legally available sources; and

WHEREAS, the Council hereby determines that the issuance of the Series 2016 Bonds to finance the costs of the Series 2016 Project and the issuance, from time to time, of System Bonds for the purpose of extending, enlarging, bettering, repairing and otherwise improving the System will provide for the public health, peace and safety of the City and its citizens; and

WHEREAS, the City will pledge certain Net Revenues of the System from the operation of the System for the payment of the Series 2016 Bonds and the System Bonds; and

WHEREAS, the Council has determined that it is necessary and in the best interests of the City and the residents of the City that the Series 2016 Bonds and other System Bonds be authorized and issued in one or more series pursuant to the Act, or any part of the Act, and, except for the terms of the Series 2016 Bonds which are established in this Master Ordinance, that the specific terms of each series of System Bonds be specified in a Supplemental Ordinance within the limitations set forth in this Master Ordinance; and

WHEREAS, additional System Bonds may be issued as Parity Bonds or Subordinated Bonds.

BE IT ORDAINED BY THE COUNCIL, THE GOVERNING BODY OF THE CITY OF SANTA FE:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. ***Definitions***. As used in this Master Ordinance and in any Supplemental Ordinance, the following terms have the meanings specified, unless the context clearly requires otherwise:

"*Accretion Term Date*" means the maturity date of a Capital Appreciation Bond or the date on which a Capital Appreciation Bond converts to a Current Interest Bond.

"*Accreted Value*" means, unless stated otherwise in a Supplemental Ordinance, 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 Supplemental Ordinance. As of any date other than a Valuation Date, the Accreted Value shall mean the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (i) 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 between the preceding Valuation

Date and the next succeeding Valuation Date, and (ii) the difference between the Accreted Values for such Valuation Dates.

"*Acquisition Account*" means an account of the Acquisition Fund to be established for each series of System Bonds issued to fund a Project for the purposes stated in Article XIV.

"*Acquisition Fund*" means the "City of Santa Fe Water Utility System Revenue Bonds Project Acquisition Fund," established in Article XVII.

"*Act*" means Sections 3-31-1 to 3-31-12 NMSA, the Short-Term Interest Rate Act, the powers of the City under authority given by the Charter, the constitution and laws of the State and enactments of the Council relating to the issuance of System Bonds made by resolution or ordinance, including this Master Ordinance and, with respect to a particular series of System Bonds other than the Series 2016 Bonds, the Supplemental Ordinance pertaining to that series.

"*Authenticating Agent*" means the Registrar, or other Fiscal Agent if otherwise designated by the applicable Supplemental Ordinance, required to authenticate a series of System Bonds.

"*Authorized Denominations*" means:

(a) with respect to Current Interest Bonds, denominations of $5,000 or integral multiples of $5,000;

(b) with respect to Capital Appreciation Bonds, the original principal amount on an Individual Capital Appreciation Bond of a series of System Bonds or any integral multiple of that amount unless otherwise specified for a series of System Bonds in the applicable Supplemental Ordinance; and

(c) with respect to Variable Rate Bonds, denominations of $100,000 or integral multiples of $100,000 unless otherwise specified for a series of System Bonds in the applicable Supplemental Ordinance.

"*Authorized Officer*" means the City's Mayor, Manager, Finance Director and Treasurer, or other officer or employee of the City when designated by a certificate signed by the Mayor of the City from time to time.

"*Balloon Indebtedness*" means, with respect to any series of System Bonds, twenty-five percent (25%) or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such series of System Bonds which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of System Bonds of a series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such series which matures during any preceding Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such System Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date.

"*Bank*" or "*Insurer*" means any bank, insurance company or other financial institution which provides a Credit Facility or Reserve Account Insurance Policy for a series of System Bonds.

"*Bank Bond*" means any System Bond purchased and held by or on behalf of a Bank pursuant to a Credit Facility.

"*Bank Interest Rate*" means the interest rate payable on Bank Bonds as set forth in an applicable Supplemental Ordinance for a series of System Bonds.

"*Bond Counsel*" means an attorney at law or a firm of attorneys, designated by the City, of nationally recognized standing in matters pertaining to the issuance of bonds by states and their political subdivisions.

"*Bond Insurance Policy*" means a municipal bond insurance policy issued by a Bond Insurer insuring the payment when due of the principal of and interest on Insured Bonds.

"*Bond Insurer*" means with respect to Insured Bonds or a Reserve Account Insurance Policy, any insurance company or financial institution issuing a Bond Insurance Policy or Reserve Account Insurance Policy and listed in this Master Ordinance or a Supplemental Ordinance.

"*Bond Year*" means, unless otherwise specified for a series of System Bonds in the applicable Supplemental Ordinance, the twelve-month period ending on July 1, except that the first Bond Year for each series of System Bonds shall be the period of time from the date of the System Bonds of that series until the next succeeding July 1.

"*Business Day*" means, for a series of System Bonds, any day during which any Bank, trustee, paying agent, remarketing agent and tender agent for that series, the offices of the City and the New York Stock Exchange are all open for business during normal business hours unless otherwise defined in the Supplemental Ordinance for a series of System Bonds.

"*Capital Appreciation Bonds*" means the System Bonds described in a Supplemental Ordinance on which the first scheduled date for payment of principal and/or interest is the Accretion Term Date. For the purposes of (a) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity or (b) determining the principal amount of System Bonds held by the owner of a Capital Appreciation Bond in giving any notice, consent, request or demand pursuant to this Master Ordinance, Supplemental Ordinance or Related Documents for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value. 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.

"*Capital Outlay Gross Receipts Tax Revenues*" means (1) the monthly distribution of capital outlay gross receipts tax revenues to the City from the New Mexico Department of Taxation and Revenue pursuant to Sections 7-19D-12 and 7-1-6.15 NMSA 1978, which tax is imposed by City Ordinance No. 2004-50 passed and adopted on November 10, 2004 at a rate of 1/4th of one percent of the gross receipts on persons engaging in business in the City and (2) the portion of the gross receipts tax distribution to the City made pursuant to Section 7-1-6.46 NMSA 1978, which represents the capital outlay gross receipts tax revenues that would have been remitted to the City but for the deductions provided by Sections 7-9-92 and 7-9-93 NMSA 1978 and any similar distributions made to the City in lieu of capital outlay gross receipts tax revenues.

"*Charter*" means the home rule charter of the City approved by the voters of the City on December 9, 1997, as amended and supplemented.

"*City*" means the City of Santa Fe in the State of New Mexico.

"*Code*" means 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 provision 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 Master Ordinance means that Section of the Code and such applicable regulations, rulings, announcements, notice, procedures and determinations pertinent to that Section.

"*Completion Date*" means the date of completion of the acquisition, construction and installation of a Project as certified pursuant to Article XIV.

"*Consultant*" means any consultant, consulting firm, engineer, architect, engineering firm, financial advisor, investment banker, accountant or accounting firm or other expert independent and not under the domination of the City and which does not have any substantial interest, direct or indirect, with the City and is not connected with the City as an officer or employee, recognized to be well-qualified for work of the character required and retained by the City to perform acts and carry out the duties provided for such consultant in this Master Ordinance.

"*Consulting Engineer*" means any registered or licensed professional engineer or firm of engineers or Independent Accountant, entitled to practice and practicing as such under the laws of the State, retained and compensated by the City but not in the regular employ of the City; but, as to any construction drawings and specifications prepared for the System by City employees under the supervision of the City Engineer, this term may include the City Engineer.

"*Cost*" or "*cost*" of a Project means the costs of the City properly attributable to the financing, acquisition, construction, modification or improvement of such Project, and all expenses preliminary and incidental thereto incurred by the City in connection therewith and in connection with the issuance of System Bonds to finance such Project, including but not limited to:

(1) the costs of acquiring, constructing, modifying or improving such Project and placing the same in service;

(2) the initial or acceptance fee of any Fiscal Agents in connection with the issuance of such System Bonds;

(3) such amounts, if any, as shall be necessary to reimburse the City in full for advances and payments previously made or costs previously incurred by the City for any item of Cost of such Project;

(4) the costs of obtaining insurance policies, surety bonds or similar devices with respect to such Project during the period of the acquisition and construction of the Project;

(5) audit fees and expenses for maintenance of construction records kept with respect to such Project;

(6) costs of litigation and costs of obtaining permits, licenses and rulings with respect to such Project;

(7) Expenses in connection with the issuance of such System Bonds;

(8) the amount, if any, to be deposited into the Acquisition Fund or a Debt Service Account to pay interest on the System Bonds to the Completion Date of the Project and for up to twenty-four months thereafter;

(9) the amounts, if any, to provide necessary working capital;

(10) the amount, if any, to be deposited into the Reserve Account to satisfy all or a portion of the Reserve Requirement; and

(11) any other expenses and costs related to such Project, including the fees and expenses of any Fiscal Agents during the acquisition, construction, modification or

improvement of such Project.

"*Council*" means the governing body in which is vested the legislative power of the City.

"*Counsel*" means an attorney at law (who may be counsel to the City).

"*Credit Facility*" or "*Credit Facilities*" means a letter of credit, standby bond purchase agreement, line of credit, Bond Insurance Policy or Reserve Account Insurance Policy, guaranty or similar agreement provided by a Bond Insurer, Bank or Insurer whose senior unsecured debt is rated no lower than the current rating on the applicable System Bonds and whose policies of insurance or other credit facility would not in and of itself adversely affect the rating on the applicable System Bonds by S&P or by Moody's in effect at the time such credit facility is initially entered into, including any substitute therefor, to provide support to pay the purchase price of, or the payment when due of the principal of and interest on, System Bonds and which is approved in a Supplemental Ordinance for a series of System Bonds.

"*Current Interest Bonds*" means System Bonds on which interest is payable semiannually or at another regular interval stated in the Supplemental Ordinance for a series of System Bonds and which are not described as Capital Appreciation Bonds in that Supplemental Ordinance.

"*Debt Service Account*" means an account of the Debt Service Fund to be established for each series of System Bonds into which deposits are to be made of the payment of Debt Service Requirements on that series of System Bonds.

"*Debt Service Fund*" means the Debt Service Fund established in Article XVII.

"*Debt Service Requirements*," for any given period, means the sum of: (a) the amount required to pay the interest becoming due on the applicable System Bonds during that period, or to make reimbursements for payments of interest; and (b) the amount required to pay the principal or Accreted Value becoming due on the applicable System Bonds during that period, whether at maturity, the Accreted Term Date or upon mandatory sinking fund redemption dates, or to make reimbursements for payments of that principal or Accreted Value. For purposes of calculating the maximum annual Debt Service Requirements, the following assumptions shall be used:

(a) in determining the principal due in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on System Bonds in accordance with any amortization schedule established by this Master Ordinance, the Supplemental Ordinance or Related Documents setting forth the terms of such System Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds maturing or scheduled for redemption in such year; in determining the interest due in each year, interest payable at a fixed rate shall (except to the extent subsection (b), (c), (d), (e) or (f) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates;

(b) if all or any portion or portions of an Outstanding series of System Bonds constitute Balloon Indebtedness, or if all or any portion or portions of a series of System Bonds then proposed to be issued would constitute Balloon Indebtedness, then, for purposes of determining Debt Service Requirements, each maturity which constitutes Balloon Indebtedness shall, unless provision (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of 20 years commencing in the year the stated maturity of such Balloon Indebtedness occurs and with substantially level annual debt service payments; the interest rate used for such computation shall be that rate determined by a Consultant to be a reasonable market rate for 20-year fixed-rate System Bonds issued under this Master Ordinance on the date of such calculation, with no credit enhancement and taking into consideration whether such System Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any series of System Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in (a) above or such other provision of this definition as shall be applicable and, with respect to any series or that portion of a series which constitutes Balloon

Indebtedness, all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness shall be treated as described in (a) above or such other provision of this definition as shall be applicable;

(c) any maturity which constitutes Balloon Indebtedness as described in provision (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation is made, shall be assumed to become due and payable on the stated maturity date and provision (b) above shall not apply thereto unless there is delivered to the entity making the calculation a certificate of an Authorized Officer stating that the City intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the City is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Debt Service Requirements, provided that such assumption shall not result in an amortization period longer than or an interest rate lower than that which would be assumed under provision (b) above;

(d) if any of the Outstanding series of System Bonds constitute Tender Indebtedness or if System Bonds then proposed to be issued would constitute Tender Indebtedness, then, for purposes of determining Debt Service Requirements, Tender Indebtedness shall be treated as if the principal amount of such System Bonds were to be amortized over a term of 25 years commencing in the year in which such series is first subject to tender and with substantially level annual debt service payments; the interest rate used for such computation shall be that rate determined by a Consultant to be a reasonable market rate for 25-year fixed-rate System Bonds issued under this Master Ordinance on the date of such calculation, with no credit enhancement and taking into consideration whether such System Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to all principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender such payments shall be treated as described in (a) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date shall be determined as provided in (e) or (f) below, as appropriate;

(e) if any Outstanding System Bonds constitute Variable Rate Bonds (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Tender Indebtedness applies), the interest rate on such System Bonds and the interest rate for funding any Reserve Requirement for such Variable Rate Bonds shall be assumed to be the lesser of the 30-year Revenue Bond Index (published by The Bond Buyer no more than two weeks prior to date of sale), as certified by the City's financial advisor, the Purchaser of the System Bonds or other investment banker, as designated by the City from time to time or the maximum allowable rate permitted under Section 6.03(b)(i) of this Master Ordinance. The prospective computations of interest payable on Variable Rate Bonds relating to the issuance of additional Parity Bonds required by Article XXIV shall be as described in Article XXIV. The prospective computations of interest payable on Variable Rate Bonds required by the Rate Covenant shall be made on the lesser of the maximum short-term rate prevailing in the preceding twelve months or the maximum allowable rate permitted under Section 6.03(b)(i) of this Master Ordinance;

(f) in any computation relating to the issuance of additional System Bonds or the Rate Covenant, there shall be deducted from the computation of the Debt Service Requirements amounts and investments (unless funded by Net Revenues during the applicable period) which are irrevocably committed to make designated payments on System Bonds during the applicable period, including, without limitation, money on deposit in a Debt Service Account for a series of System Bonds, amounts representing capitalized interest for a series of System Bonds and amounts on deposit in an escrow account irrevocably committed to make designated payments on System Bonds during the applicable period;

(g) interest or principal being paid for reimbursements of Debt Service Requirements made pursuant to a Credit Facility, if such obligations rank on a parity with the obligation to pay System Bonds, or if a System Bond is a Bank Bond on the date of computation, shall be considered in the computation of Debt Service Requirements; and

(h) should the City enter into an interest rate swap contract or its equivalent with respect to all or a portion of any series of System Bonds, the amount of interest required to be paid with respect to that series shall be the interest rate paid by the City under its interest rate swap contract, so as to properly reflect the actual savings of the swap. Any termination or similar fees which may become payable by the City pursuant to such swap contract or its equivalent shall not be considered in the computation of Debt Service Requirements. Such swap contract or its equivalent shall be approved by the New Mexico Board of Finance or any other governmental entity if required by State law.

"*Defeasance Obligations*" means to the extent permitted by the laws of the State, for defeasance of the System Bonds pursuant to Article XXXII:

(a) Cash

(b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series--"SLGS")

(c) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities

(d) Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

(e) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P.

If, however, the System Bonds are only rated by S&P (e.g., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or "AAA- rated" pre-refunded municipals to satisfy this condition.

(f) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

(i) U.S. Export-Import Bank (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership

(ii) Farmers Home Administration (FmHA)

Certificates of beneficial ownership

(iii) Federal Financing Bank

(iv) General Services Administration

Participation certificates

(v) U.S. Maritime Administration

Guaranteed Title XI financing

(vi) U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

"*Depository*" means The Depository Trust Company, New York, New York, or such other securities depository as may be designated by an officer of the City.

"*EMMA*" means the Municipal Securities Rulemaking Board's Electronic Municipal Market

Access system located on its website at emma.msrb.org.

"*Escrow Agent*" means [BOKF, NA], Albuquerque, New Mexico.

"*Escrow Agreement*" means the escrow agreement relating to the Series 2016 Project among the City and the Escrow Agent.

"*Escrow Fund*" means Escrow Fund established in Article XVII.

"*Expenses*" means the reasonable and necessary fees, costs and expenses incurred by the City with respect to System Bonds and Related Documents, including, without limitation, fees paid to the Credit Facility, Consultant fees, premiums for any Bond Insurance Policy and Reserve Account Insurance Policy, rating agency fees and expenses, the fees, compensation, costs and expenses to be paid to any Fiscal Agent and Escrow Agent and expenses incurred in connection with the sale, issuance, remarketing, payment and administration of any series of System Bonds, including attorneys' fees. Expenses do not include any swap termination payments, payment of or reimbursement for the payment of Debt Service Requirements or premiums on System Bonds.

"*Fiscal Agent*" means any trustee, paying agent, tender agent, registrar, remarketing agent, Bank, Insurer, Bond Insurer or other agent employed with respect to the sale, issuance, remarketing, payment, purchase, administration or otherwise in connection with any series of System Bonds.

"*Fiscal Agreement*" means any remarketing agreement, tender agreement, investment agreement, trust agreement, paying agent agreement, escrow agreement or other document required for the remarketing, purchase, payment, security or administration of any series of System Bonds. A copy of any Fiscal Agreement with respect to a series of Parity Bonds shall be provided to Moody's with a reasonable time for its review, prior to execution and delivery of such Fiscal Agreement by the City.

"*Fiscal Year*" means 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 City or other appropriate authority may establish as the fiscal year for the System.

"*Fitch*" means Fitch, Inc., a corporation organized and existing under the laws of the State of New York, its successor and their assigns, and, if such corporation shall not provide a rating for a series of System Bonds, "Fitch" shall be deemed to refer to any other nationally recognized securities rating that series of System Bonds.

"*Gross Revenues*" means all income and revenues directly or indirectly derived by the City from the operation and use of the System, or any part of the System, and includes, without limitation, all revenues received by the City, or any municipal corporation or agency succeeding to the rights of the City, from the System and from the sale and use of water or water facilities furnished to the inhabitants in the Service Area. Such term also includes:

(a) All income derived from the investment of any money in the Acquisition Fund, Income Fund, Debt Service Fund, Reserve Fund and Rate Stabilization Fund and from surplus Net Revenues;

(b) Money released from the Rebate Fund to the City;

(c) Money released from the Rate Stabilization Fund to the extent that the amount released is used to pay Operation and Maintenance Expenses or Debt Service Requirements on System Bonds in the year released;

(d) 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

(e) Such other amounts that may be designated as Gross Revenues in a Supplemental Ordinance.

Gross Revenues do not include:

(a) any money received as (i) grants or gifts from the United States of America, the State or other sources or (ii) 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;

(b) gross receipts taxes, other taxes and/or fees collected by the City and remitted to other governmental agencies; and

(c) condemnation proceeds or the proceeds of any insurance policy, except any insurance proceeds derived in respect of loss of use or business interruption.

"*Historic Test Period*" means any period of 12 consecutive months out of the 18 calendar months next preceding the delivery of additional Parity Bonds pursuant to Section 24.02.

"*Income Fund*" means the "City of Santa Fe Water Utility System Gross Income Fund" which is authorized to be continued in Article XVII.

"*Independent Accountant*" means (i) the State Auditor and any accountant working under the supervision and control of the State Auditor, and (ii) 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 City who (a) is, in fact, independent and not under the domination of the City, (b) does not have any substantial interest, direct or indirect, with the City, and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or similar audits of the books or records of the City.

"*Individual Capital Appreciation Bond*" means a Capital Appreciation Bond having an original principal amount which is payable as to principal and interest at the Accretion Term Date of that Capital Appreciation Bond in the amount of $5,000 or other amount stated in a Supplemental Ordinance.

"*Insured Bank*" means a bank insured by an agency of the United States.

"*Insured Bonds*" means a series of System Bonds insured by a Bond Insurance Policy as designated in a Supplemental Ordinance.

"*Interest Payment Date*" means June 1 and December 1 of each year (or if such day is not a Business Day, then the next succeeding Business Day) unless otherwise stated in a Supplemental Ordinance for a specified series of System Bonds.

"*Master Ordinance*" means this Ordinance, as amending and restating Ordinance No. 2006-47, and as this Ordinance is amended or supplemented from time to time in accordance with its terms.

"*Moody's*" means Moody's Investors Service, 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 a series of System Bonds, "Moody's" shall be deemed to refer to any other nationally recognized securities rating organization rating that series of System Bonds.

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

"*Net Revenues*" means Gross Revenues after deducting Operation and Maintenance Expenses.

"*Operation and Maintenance Expenses*" means all reasonable and necessary current expenses of the System, for any particular Fiscal Year or period to which such term is applicable, paid or accrued, related to operating, maintaining and repairing the System, including, without limiting the generality of the foregoing:

(a) legal and overhead expenses of the various City departments directly related and reasonably allocable to the administration of the System;

(b) 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;

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

(d) Expenses other than Expenses paid from the proceeds of System Bonds;

(e) the costs of audits of the books and accounts of the System;

(f) amounts required to be deposited in the Rebate Fund;

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

(h) any fees required to be paid under any operation, maintenance and/or management agreement with respect to the System.

Operation and Maintenance Expenses do not include any allowance for depreciation, payments in lieu of taxes, franchise fees payable or other transfers to the City's general fund, liabilities incurred by the City as a result of its negligence or other misconduct in the operation of the System, any charges for the accumulation of reserves for capital replacements or any Operation and Maintenance Expenses payable from moneys other than Gross Revenues.

"*Operation and Maintenance Fund*" means the "City of Santa Fe Water Utility System Operation and Maintenance Fund" which is authorized to be continued in Article XVII.

"*Outstanding*" or "*outstanding*" when used in reference to System Bonds means, on any particular date, the aggregate of all such System Bonds issued and delivered under the applicable Supplemental Ordinance authorizing the issuance of such bonds, except:

(a) those cancelled at or prior to such date or delivered to or acquired by the City at or prior to such date for cancellation;

(b) those which have been paid or are deemed to be paid in accordance with the City ordinance authorizing the issuance of the applicable bonds or otherwise relating thereto, provided that the payment of Insured Bonds with the proceeds of a Bond Insurance Policy shall not result in those Insured Bonds ceasing to be Outstanding;

(c) in the case of Tender Indebtedness, bonds deemed tendered but not yet presented for payment; and

(d) those in lieu of or in exchange or substitution for which other bonds shall have been delivered, unless proof satisfactory is presented to the City and the paying agent for the applicable bonds that any bond for which a new bond was issued or exchanged is held by a bona fide holder or in due course.

As used in this definition, the term "bond" includes System Bonds and any other evidence of a repayment obligation.

"*Owner*" means the registered owner or owners of any System Bond as shown on the registration books for the applicable series of System Bonds maintained by the Registrar for that series.

"*Parity Bonds*" means System Bonds issued with a lien on the Net Revenues on parity with the Series 2016 Bonds.

"*Paying Agent*" means (a) BOKF, NA for the Series 2016 Bonds and (b) the City Finance Director and Treasurer or any trust company, national or state banking association or financial institution qualified to act and appointed as the paying agent for a series of System Bonds in a Supplemental Ordinance or by an Authorized Officer from time to time.

"*Permitted Investments*" means, unless otherwise stated in the applicable Supplemental Ordinance, any of the following which at the time are legal investments for the City for the money to be invested:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself);

(i) <u>U.S. Export-Import Bank</u> (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership.

(ii) Farmers Home Administration (FmHA)

Certificates of beneficial ownership

(iii) Federal Financing Bank

(iv) Federal Housing Administration Debentures (FHA)

(v) General Services Administration

Participation certificates

(vi) Governmental National Mortgage Association (GNMA or "Ginnie Mae")

GNMA - guaranteed mortgage-backed bonds

GNMA - guaranteed pass-through obligations

(vii) U.S. Maritime Administration

Guaranteed Title XI financing

(viii) U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System

Senior debt obligations

(ii) Federal Home Loan Mortgage Corporation (FILMC or "Freddie Mac")

Participation Certificates

Senior debt obligations

(iii) Federal National Mortgage Association (FNMA or "Fannie Mae")

Mortgage-backed securities and senior debt obligations

(iv) Student Loan Marketing Association (SLMA or "Sallie Mae")

Senior debt obligations

(v) Resolution Funding Corp. (REFCORP) obligations

(vi) Farm Credit System

Consolidated systemwide bonds and notes

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAAm; or AAm and if rated by Moody's rated Aaa, Aal or Aa2.

(e) Certificates of deposit secured at all times by collateral described in paragraphs (a) and/or (b) of this definition. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Owners, or the City on behalf of the Owners, must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(g) Investment agreements, including GIC's, acceptable to the Bond Insurer for any applicable series of System Bonds.

(h) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and

"A-1" or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(k) Repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/ borrower) to the City (buyer/lender), and the transfer of cash from the City to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the City in exchange for the securities at a specified date. Repurchase agreements must satisfy the following criteria:

(i) Repurchase agreements must be between the City and dealer banks or securities firms which are (A) primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by S&P and Moody's, or (B) banks rated "A" or above by S&P and Moody's;

(ii) The written repurchase contract must include the following: (A) securities which are acceptable for transfer are (1) Direct U.S. governments, or (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC) (B) the collateral must be delivered to the City, Paying Agent (if Paying Agent is not supplying the collateral) or third party acting as agent for the Paying Agent (if the Paying Agent is supplying the collateral) before/simultaneous with payment (i.e., perfection by possession of certificated securities); (C) (1) the securities must be valued weekly, marked-to market at current market price plus accrued interest and

(2) the value of collateral must be equal to 104% of the amount of cash transferred by the City to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the City, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%; and

(iii) a legal opinion must be delivered to the City to the effect that the repurchase agreement meets guidelines under State law for legal investment of public funds.

(l) The State Treasurer's short-term investment fund created pursuant to Section 6-10-10.1, NMSA, and operated, maintained and invested by the State Treasurer.

(m) Such other investments as may be hereafter authorized as legal investments for the City by the legislature of the State under Section 6-10-10, NMSA, a similar statutory provision or the home rule powers of the City.

"*Project*" means properties (real, personal or mixed), facilities, fixtures and equipment which are acquired, constructed, modified or improved to extend, enlarge, improve, repair, replace or equip the System or any portion thereof, including the payment of working capital expenditures and the acquisition of water, water rights or other commodities necessary for the System or the right to receive deliveries in future of water, water rights or other commodities necessary for the System. Each project shall be designated as a "Project" by the City in a Supplemental Ordinance authorizing the issuance of System Bonds to finance the Cost of such Project.

"*Purchaser*" means ____________________ with respect to the Series 2016 Bonds and the original purchasers of a series of System Bonds set forth in the Supplemental Ordinance for that series of System Bonds.

"*Rate Covenant*" means the covenant in Section 26.03(b) relating to charging rates for use of the System to pay Debt Service Requirements.

"*Rate Stabilization Fund*" means the Rate Stabilization Fund for System Bonds established in Article XVII.

"*Rebate Fund*" means the Rebate Fund for System Bonds established in Article XVII.

"*Redemption Date*" means June 1, 2018 or such other subsequent date determined by the City on which the Refunded Bonds shall be redeemed.

"*Record Date*" means, unless otherwise stated in a Supplemental Ordinance, (a) with respect to any System Bond with a term or tender period of less than one year, the first Business Day preceding each Interest Payment Date and (b) with respect to any System Bond with a term or tender period of one year or more, the fifteenth day of the calendar month (whether or not a Business Day) preceding each Interest Payment Date.

"*Refunded Bonds*" means the City of Santa Fe, New Mexico, Water Utility System/Capital Outlay Gross Receipts Tax Revenue Bonds, Series 2009A (Tax-Exempt) maturing on and after June 1, 2019 and the City of Santa Fe, New Mexico Water Utility System/Capital Outlay Gross Receipts Tax Revenue Bonds, Series 2009B (Taxable Direct-Payment Build America Bonds) maturing on and after June 1, 2019.

"*Registrar*" means (a) BOKF, NA for the Series 2016 Bonds and (b) the City Finance Director and Treasurer or any trust company, national or state banking association or financial institution qualified to act and appointed as the registrar for a series of System Bonds in a Supplemental Ordinance or by an Authorized Officer from time to time.

"*Related Documents*" means the Fiscal Agreements, Credit Facilities, disclosure documents, bond purchase agreements and such other agreements as may be required for one or more series of System Bonds.

"*Replacement Fund*" means the Replacement Fund established in Article XVII.

"*Reserve Account*" means each account of the Reserve Fund established for any series of outstanding System Bonds with a Reserve Requirement.

"*Reserve Account Insurance Policy*" means any policy of insurance, surety bond, letter of credit or other financial instrument issued to the City, the proceeds of which shall be used to prevent deficiencies in the payment of the principal of or interest on a series of System Bonds resulting from insufficient amounts being on deposit in the Debt Service Account for that series of System Bonds to make the payment of principal of and interest on that series as the same become due. Each Reserve Account Insurance Policy shall comply with the terms set forth herein. If the Reserve Account Insurance Policy is in the form of a surety bond, the surety bond must be from an insurance company experienced in insuring municipal bonds whose policies of insurance would not in and of itself adversely affect the rating on System Bonds by Moody's or by S&P in effect at the time such policy is initially deposited in or credited to the reserve account of the applicable System Bonds or, if the Reserve Account Insurance Policy is in the form of a letter of credit, the letter of credit must be from a bank experienced in providing letters of credit whose letter of credit would not in and of itself adversely affect the rating on System Bonds by Moody's or by S&P in effect at the time such letter of credit is issued.

"*Reserve Account Insurer*" means any Bond Insurer, Bank or Insurer which issues a Reserve Account Insurance Policy.

"*Reserve Fund*" means the Reserve Fund established in Article XVII.

"*Reserve Requirement*" means for any series of Parity Bonds for which the City chooses to create a reserve account, and, unless otherwise defined in a Supplemental Ordinance for a series of additional Parity Bonds, an amount equal to the lesser of (i) ten percent (10%) of the Outstanding principal amount of the series of additional Parity Bonds, (ii) the maximum annual Debt Service Requirements on the series of additional Parity Bonds or (iii) 125% of average annual Debt Service

Requirements on the series of additional Parity Bonds, in each case calculated on the date of initial issuance of the series.

"*Series 2006D Bonds*" means the "City of Santa Fe, New Mexico, Water Utility System/Capital Outlay Gross Receipts Tax Revenue Refunding Bonds, Series 2006D" issued on August 9, 2006 in the original par amount of $49,790,000.

"*Series 2009A Bonds*" means the "City of Santa Fe, New Mexico, Water Utility System/Capital Outlay Gross Receipts Tax Revenue Bonds, Series 2009A (Tax-Exempt)" issued on November 10, 2009 in the original par amount of $18,080,000.

"*Series 2009B Bonds*" means the "City of Santa Fe, New Mexico, Water Utility System/Capital Outlay Gross Receipts Tax Revenue Bonds, Series 2009B (Taxable Direct-Payment Build America Bonds)" issued on November 10, 2009 in the original par amount of $41,890,000.

"*Series 2009 Bonds*" means collectively the Series 2009A Bonds and the Series 2009B Bonds.

"*Series 2016 Escrow Account*" means the "City of Santa Fe, New Mexico Water Utility System Revenue Refunding Bonds, Series 2016 Escrow Account," created in Section 17.02.

"*Series 2016 Bonds*" means the "City of Santa Fe, New Mexico Water Utility System Revenue Refunding Bonds, Series 2016" issued pursuant to this Master Ordinance.

"*Series 2016 Debt Service Account*" means the "City of Santa Fe, New Mexico Water Utility System Revenue Refunding Bonds, Series 2016 Debt Service Account", created in Section 17.02.

"*Series 2016 Interest Account*" means the interest sub-account of the Series 2016 Debt Service Account.

"*Series 2016 Principal Account*" means the principal sub-account of the Series 2016 Debt Service Account.

"*Series 2016 Project*" means refinancing, paying and discharging the outstanding principal amount of the Refunded Bonds including the payment of Expenses.

"*Series 2016 Rebate Account*" means the account for the deposit of certain amounts that are required to be rebated to the United States Government designated as the "City of Santa Fe, New Mexico Water Utility System Revenue Refunding Bonds, Series 2016 Rebate Account," created in Section 17.02.

"*Service Area*" means the customer service area that the City serves by the System.

"*Short-Term Interest Rate Act*" means Sections 6-18-1 to 6-18-16 NMSA, as amended and supplemented.

"*S&P*" means Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies, Inc., its successors and assigns, and, if such entity shall not provide a rating for a series of System Bonds, "S&P" shall be deemed to refer to any other nationally recognized securities rating organization rating that series of System Bonds.

"*State*" means the State of New Mexico.

"*Subordinated Bonds*" means all bonds and other obligations of the City hereafter issued with a lien on the Net Revenues subordinate to the lien of Parity Bonds on the Net Revenues.

"*Supplemental Ordinance*" means, except with respect to the Series 2016 Bonds which are authorized and issued pursuant to the terms of this Master Ordinance, an ordinance and all resolutions, amendments and supplements relating thereto of the Council adopted prior to the initial issuance and delivery of each series of System Bonds, authorizing the issuance of a series of System Bonds, the sale and administration thereof and approving specific terms with respect to that series of System Bonds.

"*System*" means the municipally owned public utility designated as the City's water utility system consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, condemnation, construction or otherwise, including all expansions, extensions, enlargements and improvements of or to the water utility system, and used in connection therewith or relating thereto, and any other related activity or enterprise of the City designated by the Council as part of the water utility system, whether situated within or without the limits of the City.

"*System Bonds*" means the Series 2016 Bonds, additional Parity Bonds, Subordinated Bonds and other similar obligations payable solely or primarily from Net Revenues which may from time to time be issued pursuant to this Master Ordinance.

"*Tender Indebtedness*" means any System Bonds or portions of System Bonds a feature of which is an option, on the part of the Owners, or an obligation, under the terms of such System Bonds, to tender all or a portion of such System Bonds to the City or to any Fiscal Agent or other fiduciary or agent or Credit Provider for payment or purchase and requiring that such Bonds or portions of Bonds be purchased if properly presented.

"*2008 Loan*" means the Taxable Drinking Water Revolving Fund Loan Agreement, by and between the City and the New Mexico Finance Authority, dated May 16, 2008 in the original par amount of $15,150,000.

"*2013 Loan*" means the Drinking Water State Revolving Fund Loan and Subsidy Agreement, by and between the City and the New Mexico Finance Authority, dated May 3, 2013 in the maximum principal amount of $5,050,000.

"*Valuation Date*" means, unless stated otherwise in a Supplemental Ordinance, each June 1 and December 1 while Capital Appreciation Bonds are Outstanding, being the dates on which the Accreted Value of Individual Capital Appreciation Bonds are listed in the applicable Supplemental Ordinance.

"*Variable Rate Bonds*" means System Bonds, including Bank Bonds, and reimbursement obligations pursuant to an advance or draw on a Credit Facility made to pay Debt Service Requirements on System Bonds the interest rate on which is subject to change from time to time.

Section 1.02. ***Rules of Construction.*** For purposes of this Master Ordinance and any Supplemental Ordinance, unless otherwise expressly provided or unless the context requires otherwise:

(a) Unless otherwise stated in this Master Ordinance or a Supplemental Ordinance, all references in this Master Ordinance or the Supplemental Ordinance to designated Articles and other sections are to the designated Article and other section of this Master Ordinance or Supplemental Ordinance, as applicable.

(b) The words "herein," "hereof," "hereunder" and "herewith" and other words of similar import refer to this Master Ordinance or Supplemental Ordinance, as applicable, as a whole and not to any particular Article or section.

(c) All accounting terms not otherwise defined in this Master Ordinance or a Supplemental Ordinance have the meanings assigned to them in accordance with generally accepted accounting principles.

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

(e) The headings used in this Master Ordinance and any Supplemental Ordinance are for convenience of reference only and shall not define or limit the provisions of this Master Ordinance or Supplemental Ordinance.

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

ARTICLE II

RATIFICATION

All action previously taken (not inconsistent with the provisions of this Master Ordinance) by the Council and the officers of the City, directed toward the authorization, issuance and sale of the System Bonds is ratified, approved and confirmed.

ARTICLE III

FINDINGS

The Council declares that it has considered all relevant information and data and makes the following findings:

(a) *Benefit to Public.* The issuance of the System Bonds from time to time under the Act in one or more series and the issuance of the Series 2016 Bonds to refund and defease the Refunded Bonds is necessary and in the interest of the public health, safety and welfare of the residents of the City.

(b) *Short-Term Interest Rate Act.* Prior to the issuance of a series of System Bonds governed by the Short-Term Interest Rate Act, appropriate findings shall be made by the Council in a Supplemental Ordinance as required by the Short-Term Interest Rate Act.

ARTICLE IV

WATER UTILITIES

The municipal water facilities shall constitute a municipally owned water utility (i.e., the System shall be operated and maintained as such).

ARTICLE V

AUTHORIZATION OF SERIES 2016 PROJECT AND EXPENSES

Section 5.01. ***Series 2016 Project.*** The Series 2016 Project, and the payment of Expenses, are authorized and approved. The Refunded Bonds shall be defeased by depositing into the Escrow Fund, on or about the date of delivery of the Series 2016 Bonds, proceeds of the Series 2016 Bonds sufficient to pay the principal and interest on the Refunded Bonds until the Redemption Date and to pay the redemption price of the Refunded Bonds on the Redemption Date.

Section 5.02. ***Debt Service Reserve.*** The funding of a Reserve Account with System Bond proceeds, Net Revenues or a Reserve Account Insurance Policy in the amount of the Reserve Requirement, if any, for each series of System Bonds is hereby authorized and approved.

ARTICLE VI

SYSTEM BONDS; SERIES 2016 BONDS

Section 6.01. ***Authorization of System Bonds.*** This Master Ordinance has been adopted by the affirmative vote of a majority of all of the members of the Council. For the purpose of protecting the public health, conserving the property, protecting the general welfare and prosperity of the citizens of the City, refunding the Refunded Bonds and financing the Costs of and acquiring, constructing and improving one or more Projects, it is necessary that the City issue, and the City is hereby authorized to issue, pursuant to the Act, its negotiable, fully registered System Bonds in one or more series to be designated "City of Santa Fe, New Mexico Water Utility System Revenue Bonds" with appropriate series and other designations.

Section 6.02. ***Series 2016 Bonds.*** There is hereby authorized a series of System Bonds designated as the "City of Santa Fe, New Mexico Water Utility System Revenue Refunding Bonds, Series 2016."

Section 6.03. ***Details of System Bonds.***

(a) *General.* System Bonds shall be issued as fully registered bonds, in Authorized Denominations and numbered with such prefixes or other distinguishing designations as the Registrar may determine necessary or appropriate to distinguish one System Bond of a series from another. Each series of System Bonds shall be dated, have such principal amounts and have such maturity dates (no later than 50 years, or other shorter period of time permitted by law when a series of System Bonds is originally issued, from the date of issuance of that series) as set forth in this Master Ordinance or the applicable Supplemental Ordinance for that series.

(b) *Interest.* Interest on System Bonds shall be payable at the rates set forth in this Master Ordinance or the applicable Supplemental Ordinance and may be payable on a variable rate bonds or on a fixed rate basis. The interest on each series of System Bonds shall be payable on each Interest Payment Date for that series. System Bonds may be issued as Current Interest Bonds or Capital Appreciation Bonds as set forth in this Master Ordinance or the applicable Supplemental Ordinance or Related Documents in compliance, however, with any applicable limitations established by this Master Ordinance.

Unless otherwise stated in a Supplemental Ordinance, each series of System 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 applicable System Bonds until maturity or until redeemed if called for redemption prior to maturity. Unless otherwise stated in a Supplemental Ordinance, interest on System 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 or Accreted Value of any System Bond is not made as required by this Master Ordinance, interest on the unpaid principal amount or Accreted Value of such System Bond shall continue to accrue at the interest rate stated or described in that System Bond until the principal amount or Accreted Value of that System Bond is paid in full.

Unless otherwise stated in a Supplemental Ordinance of the City adopted by the Council after the date on which this Master Ordinance is adopted:

(i) The maximum interest rate and the maximum net effective interest rate on System Bonds issued and delivered on any given date which are governed by the Short-Term Interest Rate Act shall be 20% per annum in the case of Bank Bonds and 15% per annum in the case of other System Bonds. Prior to the issuance of any System Bonds governed by the Short-Term Interest Rate Act the Council, pursuant to a Supplemental Ordinance, shall make the findings required by the Short-Term Interest Rate Act.

(ii) The maximum net effective interest rate on System Bonds issued and delivered on any given date which are not governed by the Short-Term Interest Rate Act shall be 12% per annum unless the State Board of Finance approves a higher net effective interest rate in which case the maximum net effective interest rate shall be that approved by the State Board of Finance.

(iii) The maximum interest rate and net effective interest rate payable to a Bank pursuant to its Credit Facility shall be 20% per annum.

(iv) Any other method of determining an interest rate or cost on System Bonds other than net effective interest rate as used in (ii) and (iii) above may be used in lieu of that term as set forth in the Supplemental Ordinance for a series of System Bonds, if permitted by law.

(v) Notwithstanding the right of the City to state maximum interest rates and maximum net effective interest rates other than those set forth in (i) and (iii) above, upon issuance of any Variable Rate Bonds or Tender Indebtedness, the Supplemental Ordinance authorizing issuance of Variable Rate Bonds or Tender Indebtedness shall specify a maximum interest rate payable on Variable Rate Bonds or Tender Indebtedness and the maximum interest rate payable to a Bank or Credit Facility related to such Variable Rate Bonds or Tender Indebtedness.

(c) *Priority on Net Revenues.* All System Bonds shall be payable from Net Revenues. After the issuance of the Series 2016 Bonds, additional System Bonds may be issued as Parity Bonds by complying with the requirements for the issuance of additional Parity Bonds set forth in Section 24.02 or Article XXV, as applicable, or as Subordinated Bonds. Subordinated Bonds may be converted to Parity Bonds by the City at any time by resolution or ordinance of the Council upon satisfaction of the conditions for issuing additional Parity Bonds set forth in Section 24.02.

(d) *Multiple Modes and Terms.* The System Bonds may be issued in one or more modes with one or more terms for each mode and may be converted from one mode and term to another as provided in the applicable Supplemental Ordinance and Related Documents. The term for any mode shall not terminate later than the final maturity date of the applicable series of System Bonds. System Bonds may be subject to optional and mandatory tender for purchase as set forth in the applicable Supplemental Ordinance and Related Documents.

The Supplemental Ordinance or Related Documents shall provide the method, if any, of converting from one mode to another mode. Except as otherwise provided in the applicable Supplemental Ordinance, System Bonds which bear interest at a fixed rate per annum to their maturity date shall not be converted to Variable Rate Bonds. The interest rate on Variable Rate Bonds and the interest rate on System Bonds being converted from Variable Rate Bonds to a fixed rate or from one fixed rate mode or term to another fixed rate mode or term shall be determined as set forth in the applicable Supplemental Ordinance or Related Documents.

(e) *Credit Facility*. The City may enter into or obtain a Credit Facility providing for the purchase of, securing or providing for the payment of the principal of and interest on, one or more series, or part of a series, of System Bonds. While any Parity Bonds are subject to optional or mandatory tender by Owners, the City shall have in effect a Credit Facility providing for the payment of the purchase price of Parity Bonds subject to tender which are not remarketed or purchased by the City. Requirements and procedures for any optional or mandatory tender of System Bonds shall be set forth in the applicable Supplemental Ordinance and Related Documents.

The terms of any Credit Facility shall be approved by the applicable Supplemental Ordinance or another Council ordinance relating to the applicable System Bonds. Each Credit Facility shall include an index or formula to determine the Bank Interest Rate or other rate of interest to be charged by the Bank, if applicable. The collateral securing payment by the City of its obligations to a Bank shall be limited to the collateral described in Article X.

(f) *Other Related Documents*. The City may enter into other Related

Documents relating to the sale, issuance, delivery, remarketing, purchase, registration or other administration of the System Bonds and pay reasonable fees and expenses to the Fiscal Agents charged with the administration of the System Bonds and Related Documents.

(g) *Interest Rate Swap Contracts.* The City may enter into interest rate swap contracts with respect to a series of System Bonds. The interest rate swap contracts shall be in compliance with the applicable Supplemental Ordinance and the laws of the State governing interest rate swap contracts. Any termination payment payable by the City with respect to an interest rate swap contract will be subordinate to the payment of debt service on Parity Bonds.

Section 6.04. ***Securities Depository.*** One or more series of System Bonds may be issued, in whole or in part, in book-entry form with no physical distribution of bond certificates made to the public. A Depository will act as securities depository for System Bonds issued in book-entry form. A single certificate for each maturity date of those System Bonds will be delivered to the Depository and immobilized in its custody. The book-entry system will evidence ownership of the System Bonds in Authorized Denominations, with transfers of ownership effected on the books of the Depository and its participants ("Participants"). As a condition to delivery of any series of System Bonds in book-entry form, the Purchaser of that series will, immediately after acceptance of delivery thereof, deposit the System Bond certificates with the Depository, registered in the name of the Depository or its nominee. Principal, premium, if any, and interest will be paid to the Depository or its nominee as the registered Owner of System Bonds in book-entry form. 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 System Bonds ("Beneficial Owners") by Participants will be the responsibility of such Participants and other nominees of Beneficial Owners maintaining a relationship with Participants ("Indirect Participants"). The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by the Depository, Participants or

Indirect Participants.

If (a) a series of System Bonds are not eligible for the services of the Depository, (b) the Depository determines to discontinue providing its services with respect to that series of System Bonds or (c) the City determines that a continuation of the system of book-entry transfers through the Depository ceases to be beneficial to the City or the Owners of a series of System Bonds, the City will either identify another Depository or System Bond certificates for that series will be delivered to Beneficial Owners or their nominees and the Beneficial Owners or their nominees, upon authentication of the System Bonds and registration of those System Bonds in the Beneficial Owners' or nominees' names, will become the Owners of that series of System Bonds for all purposes. In that event, the City 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 System 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 6.04.

The terms of this Section 6.04 may be changed with respect to a series of System Bonds by the Supplemental Ordinance relating to those System Bonds.

Section 6.05. ***Redemption.***

(a) Each series of System Bonds may be subject to optional, mandatory sinking fund and/or extraordinary redemption, in whole or in part, upon the conditions, on the dates and upon payment of the redemption prices set forth in this Master Ordinance, the Supplemental Ordinance or Related Documents for that series.

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

(c) If less than all of a series of System Bonds subject to redemption are to be redeemed at any one time, the System Bonds of that series to be redeemed, other than System Bonds redeemed pursuant to mandatory sinking fund redemption provisions, shall be selected by the Registrar in the manner determined by the City or as otherwise set forth in the applicable Supplemental Ordinance. However, if less than all System Bonds of a series of a given maturity are redeemed, the System Bonds to be redeemed within that maturity shall be selected by lot in such manner as determined by the Registrar. Part of a System Bond may be redeemed if the amount of that System Bond which remains outstanding is also in an Authorized Denomination.

(d) Notice of redemption of System Bonds shall be given by the Registrar by sending a copy of such notice by first-class, postage prepaid mail not less than 30 days prior to the redemption date to the Owner of each System 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. Unless waived by the Registrar, the City shall give the Registrar notice of System Bonds to be called for optional or extraordinary redemption at least fifteen (15) days prior to the date that the Registrar is required to give Owners notice of redemption specifying the System Bonds and the principal amount or Accreted Value thereof to be called for redemption and the applicable redemption date. System Bonds to be called for mandatory sinking fund redemption shall be called for redemption by the Registrar without the necessity of any notice to the Registrar from the City. If the City has not designated the System Bonds to be called for redemption on the dates specified above, the Registrar shall select the System Bonds to be redeemed by lot. Neither the City's failure to give such notice, the Registrar's failure to give such notice to the registered Owner of any System Bonds, or any defect therein, 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 System Bonds for which proper notice was given. Notices shall specify the series, number or numbers and maturity date or dates of the System Bonds to be redeemed (if less than all System Bonds of a series are to be redeemed), the principal amounts or Accreted Value of any System Bonds to be redeemed in part, the date fixed for redemption, and shall further state that on such redemption date there will become and be due and payable upon each System Bond or part thereof to be redeemed at the office of the Paying Agent the principal amount or Accreted Value, as applicable, 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 System 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, the System Bonds or part thereof called for redemption shall become due and payable on the redemption date designated and, if an amount of money sufficient to redeem all System Bonds called for redemption shall be on deposit with the Paying Agent on the redemption date, the System Bonds or part thereof to be redeemed 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 System 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 System Bonds, upon satisfaction of the terms of any other arrangement between the Paying Agent and the Depository, the Paying Agent will pay such System Bond or portion thereof called for redemption.

The Registrar shall also send a copy of the notice of redemption by certified mail or by overnight delivery to each Depository and to an Information Service. Failure to provide notice to any Depository or the Information Service shall not affect the validity of proceedings for the redemption of System Bonds.

(e) If money or Defeasance Obligations sufficient to pay the redemption price of the System Bonds to be called for redemption are not on deposit with the Paying Agent prior to the giving of notice of redemption pursuant to paragraph (d) of this Section, such notice shall state such System Bonds will be redeemed in whole or in part on the redemption date in a principal amount equal to that part of the redemption price received by the Paying Agent on the applicable redemption date. If the full amount of the redemption price is not received as set forth in the preceding sentence, the notice shall be effective only for those System Bonds for which the redemption price is on deposit with the Paying Agent. If all System Bonds called for redemption cannot be redeemed, the System Bonds to be redeemed shall be selected in a manner deemed reasonable and fair by the City and the Registrar shall give notice, in the manner in which the original notice of redemption was given, that such money was not received and the information required by paragraph (d) of this Section. In that event, the Registrar shall promptly return to the Owners thereof the System Bonds or certificates which it has received evidencing the part thereof which have not been redeemed.

(f) The terms of this Section 6.05 may be changed with respect to a series of System Bonds by the Supplemental Ordinance relating to those System Bonds.

Section 6.06. ***Payment of System Bonds.*** The principal of and premium, if any, on Current Interest Bonds and the Accreted Value of Capital Appreciation Bonds shall be payable upon presentation and surrender of the System Bonds at the principal office of the Paying Agent at or after their maturity or prior redemption dates. However, if the book-entry system is in effect for a series of System Bonds, an Authorized Officer and the Depository may make other arrangements for the payment of the principal of or Accreted Value and premium, if any, on those System Bonds. Interest on Current Interest 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) on or before each Interest Payment Date (or if such Interest Payment Date is not a business day, on the next succeeding business day). However, an Owner of Current Interest Bonds with a principal amount of $1,000,000 or more may request interest payments on those System Bonds to be transmitted by wire transfer to an account of the Owner maintained with a commercial bank located within the United States of America if the Owner provides deposit or transfer instructions to the Paying Agent not less than five Business Days prior to the applicable Record Date. The Owner shall be deemed to be that person or entity shown on the registration books for the applicable series of System 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 Owners of the applicable Current Interest Bonds (or of one or more predecessor Current Interest Bonds) as of the Record Date, but shall be payable to the Owners of those Current Interest Bonds (or of one or more predecessor Current Interest 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 moneys become available for payment of the overdue interest and notice of the special record date shall be given, by first-class mail, to the Owners of such Current Interest 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 or Accreted Value of any System Bond presented for payment remains unpaid at maturity, the unpaid principal or Accreted Value shall bear interest at the rate designated in that System Bond. Interest on Capital Appreciation Bonds shall not compound after the Accretion Term Date. Payments of System Bonds shall be made without deduction for exchange or collection charges. Changes may be made with respect to the payment of principal of, premium, if any, Accreted Value and interest on a series of System Bonds by the Supplemental Ordinance relating to that series of System Bonds.

Section 6.07. ***Registration, Transfer, Exchange and Ownership of System Bonds.***

(a) The City shall cause books for registration, transfer and exchange of each series of System Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any System Bond at the principal office of the Registrar duly endorsed by the Owner or its 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 City shall execute and the Registrar shall authenticate and deliver in the name of the transferee or Owner, as appropriate, a new System Bond or Bonds of the same series, maturity, interest terms and same aggregate principal amount in Authorized Denominations. Current Interest Bonds may be exchanged and transferred only for other Current Interest Bonds. Capital Appreciation Bonds may be exchanged or transferred only for other Capital Appreciation Bonds.

(b) The person in whose name any System 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 interest on Current Interest Bonds in Section 6.06. Payment of either the principal of or interest on any System Bond shall be made only to or upon the order of its Owner or its legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability on System Bonds to the extent of the amount paid.

(c) If any System Bond is lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of that System Bond if mutilated, and the evidence, information or indemnity which the Registrar may reasonably require, authenticate and deliver a replacement System Bond or Bonds of the same series, aggregate principal amount or Accreted Value, maturity and interest terms, bearing a number or numbers not then outstanding. Current Interest Bonds may be replaced only with other Current Interest Bonds. Capital Appreciation Bonds may be replaced only with Capital Appreciation Bonds. If any lost, stolen, destroyed or mutilated System Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that System Bond in lieu of replacement.

(d) Exchanges and transfers of System 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) Except for any System Bond which may be and is tendered for purchase, the Registrar shall not be required to transfer or exchange (i) any System Bond of a series during the five-day period preceding the mailing of notice calling System Bonds of that series for redemption and (b) any System Bond called for redemption.

Section 6.08. ***Details of Series 2016 Bonds.***

(a) *Authorization and Necessity.* For the purposes set forth in this Master Ordinance, to protect the public health, safety and welfare of the residents of the City, it is hereby declared necessary that the City, pursuant to the Act, issue its negotiable, fully registered Series 2016 Bonds to be designated "City of Santa Fe, New Mexico Water Utility

System Revenue Refunding Bonds, Series 2016", in the aggregate principal amount of $_________ to defray the cost of refunding the Refunded Bonds. The Series 2016 Bonds shall be payable, as to principal and interest and any prior redemption premium, solely from Net Revenues and also, with respect to interest payments on the Series 2016 Bonds, from accrued interest, if any, from the initial sale of the Series 2016 Bonds.

(b) *Details*. The Series 2016 Bonds shall be dated the date of issuance, issued only as fully registered bonds in Authorized Denominations and numbered consecutively with such prefixes or other distinguishing designations as the Registrar may determine necessary or appropriate to distinguish one Series 2016 Bond from another. The Series 2016 Bonds shall bear interest until maturity 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 Series 2016 Bonds, payable on December 1, 2016 and semiannually thereafter on June 1 and December 1 in each year. The Series 2016 Bonds shall bear interest at the rates per annum and shall mature on June 1 in the years and principal amounts as follows:

Years Maturing	**Amounts Maturing**	**Interest Rates (Per Annum)**
2017	$	%
2018		%
2019		%
2020		%
2021		%
2022		%
2023		%
2024		%
2025		%
2026		%
2027		%
2028		%
2029		%
2030		%
2031		%
2032		%
2033		%
2034		%
2035		%

2036	%
2037	%
2038	%
2039	%

The proceeds of the Series 2016 Bonds shall be allocated to refunding the Refunded Bonds, the Series 2016 Interest Account, and the payment of Expenses all as provided in Section 17.11 hereof.

The Council hereby finds and declares that the net effective interest rate on the Bonds does not exceed the maximum rate of twelve percent (12%) per annum permitted by the laws of the State.

Section 6.09. ***Optional Prior Redemption of Series 2016 Bonds.*** The Series 2016 Bonds maturing on and after June 1, 20__ are subject to redemption prior to maturity, at the option of the City, in whole or in part, in Authorized Denominations, on June 1, 20___ and on any date thereafter in such order of maturities as the City may determine or, if the City has not designated the maturities of the Series 2016 Bonds to be redeemed, in inverse order of maturities (and by lot if less than all of the Bonds of any maturity is called, such selection by lot to be made by the Registrar). Series 2016 Bonds shall be redeemed pursuant to this paragraph (a) at the redemption prices equal to 100% of the principal amount of the Series 2016 Bonds to be redeemed plus accrued interest, if any to the redemption date

ARTICLE VII

FILING OF SIGNATURES

Prior to the execution of any System Bond pursuant to Sections 6-9-1 to 6-9-6 NMSA, the Mayor and City Clerk may 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 applicable System Bonds.

ARTICLE VIII

EXECUTION AND CUSTODY OF SYSTEM BONDS

Section 8.01. ***Execution.*** The System Bonds shall be signed with the facsimile of the signature, or the manual signature, of the Mayor and the manual or facsimile signature of the City Clerk. There shall be placed on each System Bond the printed, engraved, stamped or otherwise placed facsimile or imprint of the City's corporate seal. System 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 City, notwithstanding that before delivery of those System Bonds, any or all of the persons who executed those System Bonds shall have ceased to fill their respective offices. The Mayor and City Clerk, at the time of the execution of the System 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 System Bonds or certificates pertaining to the System Bonds.

Section 8.02. ***Custody.*** The Authenticating Agent or its designee shall hold in custody all System Bonds signed and attested by the Mayor and City Clerk until ready for delivery to the purchaser, transferee or Owner. The City shall, from time to time, at the written request of the Authenticating Agent, provide the Authenticating Agent an adequate supply of System Bonds.

Section 8.03. ***Authentication.*** No System 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 System Bonds of a series.

ARTICLE IX

NEGOTIABILITY; PREFERENCE

Except as otherwise stated in this Master Ordinance or a Supplemental Ordinance, System

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. Except as otherwise set forth in this Master Ordinance, a Supplemental Ordinance or Related Documents, System Bonds of a series shall in all respects be equally and ratably secured, without preference, priority or distinction on account of the dates or the actual times of the issuance or maturities of the System Bonds of that series.

ARTICLE X

SPECIAL LIMITED OBLIGATIONS

All of the System Bonds and all payments of principal of, premium, if any, Accreted Value and interest on System Bonds, the purchase price of System Bonds and the fees, costs, expenses and other obligations of the City under the Related Documents, together with the interest accruing thereon, including obligations owed to any Credit Facility provider shall be special limited obligations of the City and shall be payable, collectible and reimbursable solely from Net Revenues, System Bond proceeds and the earnings thereon. However, the City may, subject to the provisions of the Act, in its sole discretion, by Supplemental Ordinance, pledge special fund revenues in addition to Net Revenues, other than ad valorem property tax revenues, to the payment of any series of System Bonds. Owners, the Bond Insurer, the Bank and obligees under the Related Documents may not look to any general or other municipal fund for the payment of the principal of, premium, if any, Accreted Value or interest on such obligations or such fees, costs and expenses, except the designated special funds specifically pledged for that series of System Bonds as set forth in or permitted by this Section. Notwithstanding the foregoing, the City may, in its sole discretion, use any other funds legally available to the City, without having pledged such funds, for the payment of System Bonds. Neither the System Bonds, the Related Documents, nor such costs, fees and expenses of the City shall constitute an indebtedness of the City 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 City, and each of the System Bonds shall recite that it is payable and collectible solely out of Net Revenues, the proceeds of that series of System Bonds and other specified revenues if pledged by a Supplemental Ordinance, the income from which is so pledged, and that the Owners may not look to any general or other municipal fund for the payment of the principal of, premium, if any, Accreted Value or interest on the System Bonds.

ARTICLE XI

SALE AND REMARKETING OF SYSTEM BONDS

Section 11.01. ***Sale of System Bonds.*** Each series of System Bonds shall be sold at a public sale or at a negotiated sale in accordance with a bond purchase agreement to the Purchaser. System Bonds delivered shall be sold at an underwriters' discount, including expenses and fees of the Purchaser and an original issue discount, if any, in accordance with the terms of the Supplemental Ordinance for such series. After the System Bonds of a series have been duly executed and authenticated and, upon receipt of the purchase price for that series, that series of System Bonds shall be delivered to the Purchaser by an Authorized Officer in accordance with the applicable bond purchase agreement. However, if a series of System Bonds is in book-entry form, those System Bonds shall be delivered to the Depository.

Section 11.02. ***Sale of Series 2016 Bonds.*** The Series 2016 Bonds are hereby sold to the Purchaser in accordance with a bond purchase agreement between the City and the Purchaser (the "Series 2016 Bond Purchase Agreement") at the purchase price set forth therein.

ARTICLE XII

FORMS OF SYSTEM BONDS

Section 12.01. ***Forms of System Bonds.*** The forms of each series of System Bonds shall be substantially as set forth in the Supplemental Ordinance for that series, with such terms and provisions as are not inconsistent with this Master Ordinance.

Section 12.02. ***Form of Series 2016 Bonds.*** The form of the Series 2016 Bonds shall be substantially as set forth below:

(Form of Series 2016 Bond)

UNITED STATES OF AMERICA

STATE OF NEW MEXICO

COUNTY OF SANTA FE

No.__________ $__________________

CITY OF SANTA FE, NEW MEXICO

WATER UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2016

INTEREST RATE	MATURITY DATE	SERIES DATE	CUSIP
______% per annum	June 1, ____	June __, 2016	

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The City of Santa Fe (herein "City"), in the County of Santa Fe and State of New Mexico, for value received, hereby promises to pay upon presentation and surrender of this bond, solely from the special funds provided therefor as hereinafter set forth, to the registered owner named above, or registered assigns, on the Maturity Date specified above (unless this bond, if subject to prior redemption, shall have been called for prior redemption in which case on such redemption date), upon the presentation and surrender hereof at the office of BOKF, NA, Albuquerque, New Mexico, or its successor (herein the "Paying Agent"), the Principal Amount stated above, in coin or currency of the United States of America, and to pay to the registered owner hereof as of the Regular Record Date, being the 15th day of the calendar month (whether or not a business day) preceding each regularly scheduled interest payment date as defined in Ordinance No. ____, adopted May 11, 2016, which authorizes this bond (the "Bond Ordinance"), by check or draft mailed to such registered owner, on or before each interest payment date as hereinafter provided (or, if such interest payment date is not a business day, on the next succeeding business day), at his address as it last appears on the Regular Record Date on the registration books kept for that purpose by BOKF, NA, Albuquerque, New Mexico, as registrar (i.e., transfer agent) for the bonds, or its successor (herein the "Registrar"), interest on said sum in coin or currency of the United States of America from the Series Date specified above or the most recent interest payment date to which interest has been fully paid or duly provided for in full (as more fully provided in the Bond Ordinance) until maturity at the per annum Interest Rate specified above, payable on December 1, 2016 and semiannually thereafter on June 1 and December 1 in each year. An owner of bonds with a principal amount of $1,000,000 or more may request interest payments on the bonds to be transmitted by wire transfer to an account of the owner maintained with a commercial bank located within the United States of America if the owner provides deposit or transfer instructions to the Paying Agent not less than five days prior to the applicable record date. Any such interest not so timely paid or duly provided for shall cease to be payable to the registered owner as of the Regular Record Date but shall be payable to the registered owner at the close of business as of a special record date, as further provided in the Bond Ordinance. If the principal amount of this bond remains unpaid after presentation and surrender at maturity, interest hereon shall continue at the rate herein designated until the principal hereof is paid in full. If the Bonds are issued in book-entry only form, an authorized officer of the City and the applicable securities depository ("Depository") may make other arrangements for the payments on the Bonds.

The bonds of the series of which this bond is a part maturing on and after June 1, 20__, are subject to redemption prior to maturity at the City's option in one or more units of principal of $5,000 on June 1, 20__ and on any date thereafter in whole or in part, at any time, in such order of maturities as the City may determine or, if the City has not designated the bonds to be redeemed, in inverse order of maturities (and by lot if less than all of the Bonds of any maturity is called, such selection by lot to be made by the Registrar), for the principal amount of each $5,000 unit of principal so redeemed, at the redemption prices equal to 100% of the bonds or portions thereof to be redeemed plus accrued interest to the redemption date, if any. Redemption shall be made upon mailed notice to each registered owner of each bond selected for redemption as shown on the registration books kept by the Registrar in the manner and upon the conditions provided in the Bond Ordinance.

The bonds of the series of which this is one are fully registered (i.e., registered as to payment of both principal and interest), and are issuable in the denomination of $5,000 or any denomination which is an integral multiple of $5,000. Upon surrender for transfer or exchange of any of such bonds at the principal office of the Registrar duly endorsed by the owner or its 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, such bond may be transferred or exchanged for an equal aggregate principal amount of such bonds of the same maturity of other authorized denominations, subject to such terms and conditions as set forth in the Bond Ordinance.

The City and the Registrar and Paying Agent may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of making payment and for all other purposes, except as may otherwise be provided with respect to the payment of interest.

This bond is one of a series of bonds designated "City of Santa Fe, New Mexico Water Utility System Revenue Refunding Bonds, Series 2016," of like tenor and date, except as to interest rate, number and maturity, authorized for the purposes of refunding the City's outstanding Water Utility System/Capital Outlay Gross Receipts Tax Revenue Bonds, Series 2009A (Tax-Exempt) and the City's outstanding Water Utility System/Capital Outlay Gross Receipts Tax Revenue Bonds, Series 2009B (Taxable Direct-Payment Build America Bonds) related to the City's water utility system (the "System"), as set forth in the Bond Ordinance.

This bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of New Mexico.

This bond does not constitute an indebtedness of the City within the meaning of any constitutional, charter or statutory provision or limitation, shall not be considered or be held to be a general obligation of the City, and is payable and collectible solely out of the City's Net Revenues (as defined in the Bond Ordinance) of the System pursuant to the pledge made by and as defined in the Bond Ordinance, which revenues are so pledged; and the holder of this bond may not look to any general or other municipal fund for the payment of the principal of, premium, if any, or interest on this obligation, except the special funds pledged therefor. For a description of the funds, the nature and extent of the security afforded thereby for the payment of the principal of and interest on the bonds, and other details concerning the bonds, reference is made to the Bond Ordinance. The bonds of the series of which this bond is one are equally and ratably secured by a lien on the Net Revenues; the bonds of the series of which this bond is one constitute an irrevocable lien, but not necessarily an exclusive lien, upon the Net Revenues. System bonds, in addition to the series of which this bond is one, may be issued for System purposes and made payable from the Net Revenues having a lien thereon inferior and junior to the lien or, subject to designated conditions, having a lien thereon on a parity with the lien of the bonds of the series of which this bond is one, in accordance with the provisions of the Bond Ordinance.

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

This bond is subject to the conditions, and every registered owner hereof by accepting the same agrees with the obligor and every subsequent registered owner hereof, that the principal of and the interest on this bond shall be paid, and this bond is transferable, free from, and without regard to, any equities between the obligor and the original or any intermediate registered owner hereof for any setoffs or cross-claims.

It is further certified, recited and warranted that all the requirements of law have been fully complied with by the City Council and officers of the City in the issuance of this bond; and that it is issued pursuant to and in strict conformity with the Constitution and laws of the State of New Mexico, and particularly the terms and provisions of Sections 3-31-1 through 3-31-12, NMSA 1978, as amended, and all laws thereunto enabling and supplemental thereto.

This bond shall not be valid or obligatory for any purpose until the Registrar shall have manually signed the certificate of authentication herein.

IN WITNESS WHEREOF, the City of Santa Fe has caused this bond to be signed, subscribed, and executed and attested with the signatures of its Mayor and its City Clerk, respectively; and has caused its corporate seal to be affixed on this bond, all as of the Series Date.

APPROVED AS TO FORM:

____

KELLEY A. BRENNAN, CITY ATTORNEY

(Form of Registrar's Certificate of Authentication)

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

Date of Authentication: ____________________

This is one of the bonds described in the within-mentioned Bond Ordinance, and this bond has been duly registered on the registration books kept by the undersigned as Registrar for such Bonds.

BOKF, NA

as Registrar

By:____

Authorized officer

(End of Form of Registrar's Certificate of Authentication)

(Form of Assignment)

ASSIGNMENT

For value received, ____

hereby sells, assigns and transfers unto ________________ the within bond and hereby irrevocably constitutes and appoints _____________________ attorney, to transfer the same on the books of the Registrar, with full power of substitution in the premises.

Signature Guaranteed: ____

Name and Address of Transferee

_________________________ ____________________________________

____

Dated:_____________________ Social Security Number or other

Tax Identification Number

____

____

(End of Form of Assignment)

(End of Form of Series 2016 Bond)

ARTICLE XIII

PERIOD OF SYSTEM'S USEFULNESS

The period of usefulness of the projects funded with the proceeds of the Refunded Bonds is in excess of the final maturity date of the Series 2016 Bonds.

ARTICLE XIV

USE OF PROCEEDS; PROJECT COMPLETION; PURCHASERS NOT RESPONSIBLE

Section 14.01. ***Proceeds, Project Completion.***

(a) Proceeds from the sale of the Series 2016 Bond shall be deposited as provided in Section 17.11. Proceeds from the sale of a series of System Bonds shall be deposited as follows:

(i) The proceeds of a series of System Bonds designated for the payment of interest on that series may be deposited in the Acquisition Account or the Debt Service Account for that series of System Bonds (if such System Bonds are Parity Bonds) or comparable accounts established by Supplemental Ordinance for a series of Subordinated Bonds. Money on deposit in an Acquisition Account for the payment of interest on a series of System Bonds shall be transferred to the Debt Service Account for that series (or comparable account for a series of Subordinated Bonds) in the amounts, and prior to the due dates, of the interest payments to be made on that series of System Bonds.

(ii) Proceeds of a series of System Bonds may be used to satisfy all or part of the Reserve Requirement for that series of System Bonds by depositing proceeds of that series in the Reserve Account for that series (if such System Bonds have a Reserve Account and Reserve Requirement) or comparable account established by Supplemental Ordinance for a series of Subordinated Bonds.

(iii) If System Bonds are issued to refund Outstanding System Bonds, proceeds from the sale of the refunding System Bonds shall be deposited in an escrow fund or account established for the payment of the System Bonds to be refunded, may be used to pay Expenses relating to the refunding or the refunded System Bonds, and for such other purposes relating to the refunding or incidental to the issuance or administration of the refunding System Bonds as are permitted in this Master Ordinance or the applicable Supplemental Ordinance.

(iv) The balance of the proceeds shall be deposited in the Acquisition Account established for that series and applied to the Project for which that series was issued, for the payment of Expenses of or relating to System Bonds and for any other purpose related to the Project or incidental to the issuance or administration of System Bonds permitted in this Master Ordinance or applicable Supplemental Ordinance. Earnings on amounts on deposit in an Acquisition Account may be used to pay costs of the Project or, with the prior approval from Bond Counsel, Debt Service Requirements on the System Bonds for which the Acquisition Account was established.

(b) The Completion Date for the part of the Project financed by the issuance of a series of System Bonds shall be evidenced by a certificate signed by the director of the System or other City official responsible for the System stating that the part of the Project being funded by that series of System Bonds has been completed. As soon as practicable, and in any event not more than 60 days after the Completion Date of the part of the Project for which a series of System Bonds was issued, any balance remaining in the Acquisition Account established for that part of the Project (other than any amount retained by the City for costs of that part of the Project not then due and payable) shall be used by the City for the payment of the principal of or interest next coming due on the System Bonds issued to finance that part of the Project or as otherwise provided in the applicable Supplemental Ordinance.

Section 14.02. ***Purchasers Not Responsible For Use of Proceeds.*** Purchasers of System Bonds shall not be responsible for the application or use by the City of the proceeds of System Bonds.

ARTICLE XV

SUFFICIENCY OF ESCROW

The proceeds of refunding System Bonds, together with any other money of the City available to pay principal of, premium, if any, and interest on System Bonds being refunded, deposited in an escrow fund or account established to refund outstanding System Bonds shall be sufficient to pay when due the principal of, premium, if any, and interest on the System Bonds to be refunded. The escrow agent shall invest the money on deposit in the escrow fund or account as permitted in the Supplemental Ordinance and the escrow agreement pertaining to the refunding System Bonds. The investment obligations held by the escrow agent shall mature at such times as are necessary to insure the prompt payment of the principal of, premium, if any, and interest on the System Bonds to be refunded as they become due and such obligations shall not permit the redemption thereof at the option of the issuer of such obligations.

ARTICLE XVI

APPROVAL AND USE OF DOCUMENTS

Section 16.01. ***Council Approval.*** Prior to the issuance of any series of System Bonds, documents necessary for the award of such series of System Bonds to the best bidder therefore at a public sale, the private placement of such series of System Bonds or a bond purchase agreement, and a preliminary disclosure document or form of final disclosure document and, to the extent applicable to a series of System Bonds, an escrow agreement, Credit Facility or trust agreement, with terms which are not inconsistent with the terms of this Master Ordinance and the applicable Supplemental Ordinance, shall be submitted to the Council for approval or ratification. Other Related Documents with terms which are consistent with this Master Ordinance and Supplemental Ordinance may be approved by an Authorized Officer. An Authorized Officer may consent to any changes in Related Documents as are not inconsistent with this Master Ordinance and applicable Supplemental Ordinance. With respect to any series of System Bonds, an Authorized Officer is:

(a) authorized to execute a bond purchase agreement, subject to either prior approval or effective upon ratification by the Council, with terms of the applicable System Bonds and of the sale to the Purchaser of the System Bonds within the parameters set forth in this Master Ordinance and any applicable Supplemental Ordinance; and

(b) if applicable, authorized to execute and deliver such documents as may be required for tax compliance purposes and to enable the Purchaser to comply with applicable securities law requirements; and

(c) authorized and directed to execute and deliver, either in printed or electronic format, disclosure documents, Related Documents and other documents to which the City is a party or which the City is required to execute and any extension of or changes or amendments thereto or any substitutions therefor approved by the Authorized Officer substantially in the form presented to the Council, if applicable, and which are not inconsistent with this Master Ordinance and any applicable Supplemental Ordinance. The execution of a Related Document by an Authorized Officer, or any extensions thereof or substitutions therefor, in its final form shall constitute conclusive evidence of the Authorized Officer's approval of that Related Document and compliance with this Section. The City Clerk is authorized to fix the seal of the City to and to attest any Related Documents, as required.

Section 16.02. ***Further Acts.*** From and after the adoption of this Master Ordinance, the officers, agents, attorneys and employees of the City 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 this Master Ordinance, any Supplemental Ordinance and any Related Document.

Section 16.03. ***Use of Disclosure Documents.*** The Purchaser of each series of System Bonds is authorized to use the disclosure documents relating to that series of System Bonds in connection with the offering and sale of that series.

Section 16.04. ***Approval of Related Documents for the Series 2016 Bonds; Authority of Authorized Officers.*** The form, terms and provisions of the Series 2016 Bond Purchase Agreement between the City and the Purchaser, a continuing disclosure undertaking within the meaning of Securities and Exchange Commission Rule 15c-2(12)(b)(5) (the "Series 2016 Continuing Disclosure Undertaking"), a preliminary official statement dated May __, 2016 (the "Series 2016 Preliminary

Official Statement"), a final official statement dated May 11, 2016 (the "Series 2016 Official Statement"), the Amendment to the 2008 Loan Agreement, the Amendment to the 2013 Loan Agreement, and an Escrow Agreement between the City and the Escrow Agent, in the forms presented at this meeting, are in all respects approved, authorized and confirmed. The Authorized Officers of the City be, and they hereby are, authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Master Ordinance, including, without limiting the generality of the foregoing, the refunding, redemption and prepayment of the Refunded Bonds in accordance with their terms (including the deposit and use of other legally available funds of the City for refunding, redemption and prepayment of the Refunded Bonds), the distribution of material relating to the Series 2016 Bonds, the printing, execution and distribution of the Series 2016 Official Statement, with such changes therein not inconsistent with this Master Ordinance as the Authorized Officers of the City deem necessary or desirable, and the execution of the Series 2016 Bond Purchase Agreement, the Series 2016 Continuing Disclosure Undertaking, and such other certificates and agreements as may be required by the purchasers of the Series 2016 Bonds or Bond Counsel. The use and distribution of the Series 2016 Preliminary Official Statement and the Series 2016 Official Statement in connection with the sale of the Series 2016 Bonds to the public are hereby ratified, authorized, approved and acknowledged.

ARTICLE XVII

FUNDS AND ACCOUNTS

Section 17.01. ***Income Fund.*** The City shall continue the Income Fund as a separate, distinct and segregated fund. As long as any System Bonds are Outstanding, all Gross Revenues shall continue to be set aside and credited to the Income Fund.

Section 17.02. ***Acquisition Fund.*** The Acquisition Fund is established as a separate and distinct fund of the City to be maintained and controlled by the City or its designee. The City shall establish a separate Acquisition Account in the Acquisition Fund for each series of System Bonds which finance the Project and may establish separate subaccounts in any such account for the payment of capitalized interest and for other purposes permitted by this Master Ordinance or the applicable Supplemental Ordinance.

Section 17.03. ***Debt Service Fund.*** The City shall continue the Debt Service Fund as a separate and distinct fund of the City to be maintained and controlled by the City or its designee for the payment of the Debt Service Requirements on Parity Bonds and, if applicable, proceeds of Parity Bonds to be used for the payment of Parity Bonds. The City shall establish a separate Debt Service Account in the Debt Service Fund for each series of Outstanding Parity Bonds and may establish separate subaccounts in any such account for each series of Outstanding Parity Bonds. The City hereby establishes the Series 2016 Debt Service Account, the Series 2016 Interest Account, and the Series 2016 Principal Account.

Section 17.04. ***Reserve Fund.*** The City shall continue the Reserve Fund as a separate and distinct fund to be maintained and controlled by the City or its designee for the purposes described in Section 18.03. The City shall establish a separate Reserve Account in the Reserve Fund for each series of Parity Bonds for which there is a Reserve Requirement. The City hereby determines not to establish a Reserve Account for the Series 2016 Bonds.

Section 17.05. ***Escrow Fund.*** The Escrow Fund is established as a separate and distinct fund of the City to be maintained and controlled by the Escrow Agent or its designee.

Section 17.06. ***Subordinate Lien Funds and Accounts.*** The City may establish separate and distinct funds and accounts to be maintained and controlled by the City or its designee to pay Debt Service Requirements on, and to fund Reserve Accounts for, Subordinated Bonds.

Section 17.07. ***Rebate Fund.*** The City shall continue the Rebate Fund as a special and separate fund to be maintained and controlled by the City or its designee. The City shall, to the extent that rebate payments may be required to be made pursuant to Section 148(f) of the Code, establish within the Rebate Fund a separate account for each series of System Bonds. The City hereby establishes the Series 2016 Rebate Account.

Section 17.08. ***Replacement Fund.*** The City shall continue the Replacement Fund as a special and separate fund to be maintained and controlled by the City or its designee for the purposes described in Section 18.06.

Section 17.09. ***Rate Stabilization Fund.*** The City shall continue the Rate Stabilization Fund as a special and separate fund to be maintained and controlled by the City or its designee for the purposes described in Section 18.07.

Section 17.10. ***Operation and Maintenance Fund.*** The City shall continue the Operation and Maintenance Fund as a special and separate fund to be maintained and controlled by the City or its designee for the purposes described in Section 18.01.

Section 17.11. ***Other Funds.*** Other funds and accounts relating to any series of System Bonds, including escrow funds and accounts if System Bonds are to be refunded, may be established by the Council or an officer of the City to be controlled and maintained by the City or its designee.

Section 17.12. ***Deposit of Proceeds of Series 2016 Bonds.*** On the date of issuance and delivery of the Series 2016 Bonds, the net proceeds from the sale of the Series 2016 Bonds (after payment of underwriter's discount, original issue discount and Expenses) and other amounts stated in this Section shall be deposited or used as follows:

(a) $__________ of proceeds of the Series 2016 Bonds shall be deposited with the Escrow Agent in the Escrow Fund pursuant to the Escrow Agreement used to pay the interest on and the principal and redemption price of the Refunded Bonds.

(b) $__________ of proceeds of the Series 2016 Bonds shall be used to pay Expenses.

The City Finance Director and Treasurer may approve variations in the amounts to be deposited, transferred and used as set forth in Paragraphs (a) and (b) of this Section as necessary or desirable.

ARTICLE XVIII

ADMINISTRATION OF INCOME FUND AND OTHER FUNDS AND ACCOUNTS

Section 18.01. ***Use of Gross Revenues.*** As long as any System Bonds are Outstanding, all Gross Revenues shall be deposited in the Income Fund and transferred from that Fund to the following funds and accounts or for payment of the following amounts in the order listed:

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

(b) *Debt Service Accounts for Parity Bonds.* Net Revenues shall be transferred to the Debt Service Account established for the Series 2016 Bonds and each series of Outstanding Parity Bonds in approximately equal amounts each month to provide an amount sufficient to pay Debt Service Requirements on the Series 2016 and such series of Parity Bonds as they become due.

(c) *Reserve Account.* Net Revenues shall be transferred to the Reserve Account for each series of Parity Bonds with a Reserve Requirement each month to the extent that deposits are required to be made as a result of any draws on a Reserve Account Insurance Policy or deficiency in the Reserve Requirement for a series of Parity Bonds.

(d) *Subordinated Bonds.* Net Revenues shall be transferred to such funds and accounts as may be established by Supplemental Ordinance with respect to one or more series of Subordinated Bonds and used to pay Debt Service Requirements on Subordinated Bonds and to fund any Reserve Requirement for Subordinated Bonds.

(e) *Replacement Fund.* At the option of the City, Net Revenues may be transferred to the Replacement Fund to be used for the purposes stated in Section 18.06.

(f) *Rate Stabilization Fund.* At the option of the City, Net Revenues may be transferred to the Rate Stabilization Fund to be used for the purposes stated in Section 18.07.

(g) *Surplus Net Revenues*. Net Revenues shall be retained in the Income Fund or used for any other lawful System purpose including, but not limited to, redeeming or purchasing System Bonds or paying costs and expenses of the City relating to the administration of System Bonds but shall not be transferred to the general fund of the City except for Operation and Maintenance Expenses owed by the System to the City and except for taxes, payments in lieu of taxes, franchise fees, surcharges, assessments and other municipal or governmental charges of the City lawfully levied or assessed upon the System.

(h) *Accumulation of Revenues*. Gross Revenues need not be retained for any use or in any fund or account described in this Section 18.01 in excess of the Gross 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 period until the next payment date for Debt Service Requirements on System Bonds.

Section 18.02. ***Debt Service Fund.*** Net Revenues shall be transferred in approximately equal amounts each month to each Debt Service Account sufficient to pay when due the Debt Service Requirements on each series of Parity Bonds.

(a) Except as stated in Section 18.04 or required by the Supplemental Ordinance relating to a series of Parity Bonds, approximately equal monthly deposits of Net Revenues shall be made to each Debt Service Account beginning six months before each Interest Payment Date for the Series 2016 Bonds and any Parity Bonds in order to make the next payment of interest on each such System Bond when due. However, if the first Interest Payment Date for a series of System Bonds is less than seven months after the date of the original issuance of that series of System Bonds, 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 that series of System Bonds.

(b) Except as stated in Section 18.04 or as required by the Supplemental Ordinance relating to a series of System Bonds, substantially equal monthly deposits of Net Revenues shall be made to each Debt Service Account beginning 12 months before each principal or Accreted Value payment date for the Series 2016 Bonds and any Parity Bonds in order to make the next scheduled payment of principal or Accreted Value on each such System Bond when due whether at maturity on a mandatory sinking fund redemption date or other Accretion Term Date. However, if the first principal payment date for a series of System Bonds is less than thirteen months after the date of the original issuance of that series of System Bonds, 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 that series of System Bonds. Principal payments include scheduled payments at maturity, by mandatory sinking fund installment or otherwise scheduled payments of principal. Accreted Value payments include scheduled payments on the Accretion Term Date, if any, and as otherwise stated in the applicable Supplemental Ordinance.

If in the month immediately preceding any payment date for the Series 2016 Bonds and any series of Parity Bonds, the City determines that there are not sufficient funds accumulated in a Debt Service Account to pay the amount becoming due on such series of System Bonds on the payment date, the City shall promptly deposit any available Net Revenues in that Debt Service Account in an amount equal to the deficiency. If, prior to any payment date for a series of System Bonds, there has accumulated in the applicable Debt Service Account the entire amount necessary to pay the amount becoming due on those System Bonds on that payment date, no additional Net Revenues need be deposited in that Debt Service Account prior to that payment date. In making the determinations permitted by this paragraph, the City may take into account the amount on deposit in any other fund or account or escrow relating to the applicable series of System Bonds irrevocably set aside for the next payment of those System Bonds.

Unless otherwise stated in the Supplemental Ordinance relating to any series of Parity Bonds, amounts deposited in any Debt Service Account shall be applied first to the payment of interest and then to pay or satisfy any sinking fund requirements for the payment of principal.

Except as provided in Section 18.04, money in a Debt Service Account shall be used only to pay the Debt Service Requirements on the Series 2016 Bonds and any series of System Bonds for which the Debt Service Account was created. Transfers of amounts equal to the Debt Service Requirements shall be made by the City on a timely basis to the appropriate Fiscal Agent.

Any amount owed by the City to a Bond Insurer for payment of Debt Service Requirements on the Series 2016 Bonds or Insured Bonds of a series of Parity Bonds pursuant to a Bond Insurance Policy shall be paid from Net Revenues with the same priority as other payments of Debt Service Requirements on that series of Parity Bonds.

Section 18.03. ***Reserve Account.*** As provided in a Supplemental Ordinance, the City may establish a separate Reserve Account in the Reserve Fund for each series of Parity Bonds for which there is a Reserve Requirement. The City hereby determines not to establish a Reserve Account for the Series 2016 Bonds. Each Reserve Account may be funded with the proceeds of the applicable series of Parity Bonds, a Reserve Account Insurance Policy, Net Revenues or any combination thereof. A Reserve Account Insurance Policy may be substituted for an equivalent amount of cash in a Reserve Account.

No payments need be made into a Reserve Account, if created, as long as the sum of the money in that Reserve Account and the insurance in effect under any Reserve Account Insurance Policy for the applicable series of Parity Bonds is equal to or greater than the Reserve Requirement for that series of System Bonds and all proceeds of the Reserve Account Insurance Policy used to pay

Debt Service Requirement have been repaid. Money in each Reserve Account shall be accumulated and maintained as a continuing reserve to be used, except as provided in this Section 18.03 and Section 18.04, only to prevent deficiencies in the payment of the principal of, Accreted Value or interest on the series of Parity Bonds for which the Reserve Account was established and to reimburse the Insurer under any applicable Reserve Account Insurance Policy.

If the amount on deposit in the Debt Service Account for a series of Parity Bonds on a payment date for that series of System Bonds and available Net Revenues are not enough to pay the amount becoming due on that series on that date, an amount equal to the deficiency shall be transferred from the applicable Reserve Account to the Debt Service Account for that series of Parity Bonds. If the amount of money on deposit in the Reserve Account is not sufficient to make up the deficiency in the Debt Service Account for that series of Parity Bonds when due, a demand for payment shall be made on any applicable Reserve Account Insurance Policy.

A sum equal to the amount in such other Reserve Account and the proceeds of a Reserve Account Insurance Policy used to pay Debt Service Requirements on a series of Parity Bonds plus interest, if any, owed on amounts advanced pursuant to a Reserve Account Insurance Policy shall be deposited in that Reserve Account from the first Net Revenues received by the City which are not required by Section 18.01 to be used for another purpose. The amount received shall first be used to reimburse the Reserve Account Insurer for amounts paid under the Reserve Account Insurance Policy used to pay Debt Service Requirements, second to replace amounts of money drawn from the Reserve Account and third to pay interest or fees owed to a Reserve Account Insurer for amounts advanced pursuant to a Reserve Account Insurance Policy. Any interest or fees due to a Reserve Account Insurer shall be subordinate to any amounts required to be paid for the benefit of the Owners of the series of Parity Bonds. The priority for the use of money deposited in a Reserve Account for a series of System Bonds may be changed by the Supplemental Ordinance for that Series.

If all proceeds drawn on a Reserve Account Insurance Policy and accrued interest thereon for a series of Parity Bonds have been reimbursed and paid, any amount on deposit in the Reserve Account relating to that series of System Bonds in excess of the Reserve Requirement for that series (taking into consideration the amount of insurance in effect under any applicable Reserve Account Insurance Policy) may be withdrawn at any time from the Reserve Account and deposited in the Replacement Fund. However, any excess which represents original proceeds of a series of Outstanding System Bonds or interest thereon shall first be used to pay Debt Service Requirements on that series of System Bonds or costs of the Project for which that series of System Bonds was issued.

If a Reserve Account Insurance Policy is used to satisfy the Reserve Requirement for a series of Parity Bonds, the City shall give notice thereof to each rating agency providing a rating for that series of System Bonds.

Section 18.04. ***Termination Upon Deposits to Maturity.*** No payments need be made into the Debt Service Account or Reserve Account for a series of Parity Bonds if the sum of the amounts in that Debt Service Account and Reserve Account (without regard for the coverage available under any Reserve Account Insurance Policy) is not less than the Debt Service Requirements due and to become due on and before the final maturity date of that series of Parity Bonds, both accrued and not accrued, and all proceeds paid under any Reserve Account Insurance Policy and Bond Insurance Policy for that series of Parity Bonds have been reimbursed. Unless otherwise provided in the Supplemental Ordinance applicable to a series of Parity Bonds, the money retained in those two accounts shall be used only to pay the Debt Service Requirements on that series of System Bonds when due except that any money on deposit in any such Debt Service Account which is not necessary to pay such Debt Service Requirements shall be used as surplus Net Revenues and any money on deposit in any such Reserve Account which is not necessary to pay such Debt Service Requirements (other than proceeds of Outstanding Parity Bonds) shall be deposited in the Replacement Fund.

Section 18.05. ***Subordinated Bonds.*** Net Revenues shall be used as required by the applicable ordinances of the Council authorizing the issuance of Subordinated Bonds, the payment of Debt Service Requirements thereof and the funding of reserves for Subordinated Bonds. Subordinated Bonds shall have the order of priority with respect to other Subordinated Bonds as set forth in the Supplemental Ordinances authorizing the issuance of Subordinated Bonds.

Section 18.06. ***Replacement Fund.*** In addition to Net Revenues, the City shall deposit in the Replacement Fund, all money released from a Reserve Account for a series of System Bonds in excess of the Reserve Requirement for that series pursuant to Section 18.03, except for any such excess which is designated for another System purpose by resolution or ordinance of the Council or which is proceeds of Outstanding System Bonds, together with such other moneys from other sources as may be designated by the Council.

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

Section 18.07. ***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. If deposits to the Rate Stabilization Fund are made by the City from sources of legally available moneys other than Gross Revenues, then such deposits shall be excluded from computations required pursuant to Article XXIV and Section 26.03 of this Master Ordinance.

Section 18.08. ***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, the Net Revenues available shall be deposited first in the Debt Service Accounts and then in the Reserve Accounts, in each case, pro rata based upon the amount required to be deposited in each Account to the total Net Revenues available for deposit.

Reimbursements owed to a Bond Insurer, Reserve Account Insurer or provider of another

Credit Facility for amounts used to pay Debt Service Requirements on a series of System Bonds 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, with respect to the applicable series of Parity Bonds (or comparable accounts with respect to a series of Subordinated Bonds).

Section 18.09. ***Variable Rate Bonds.*** In making computations required by this Article, interest on Variable Rate Bonds which cannot be determined exactly for a future period shall be deemed to bear the interest rate required by the definition of Debt Service Requirements in this Master Ordinance or the applicable Supplemental 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 Bonds shall be made whenever there is a change in the interest rate on the applicable Variable Rate Bonds except that the computation need not be made more often than once in any month.

ARTICLE XIX

TRANSFERS TO PAY PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON SYSTEM BONDS; PAYMENT OF EXPENSES

Section 19.01. ***Transfer to Paying Agent.*** The City shall transfer legally available funds for the payment of Debt Service Requirements on each series of System Bonds to the applicable Paying Agent on or before the date on which each such payment is due.

Section 19.02. ***Expenses.*** The City or its designee shall pay all Expenses directly to the party entitled thereto from proceeds of a series of System Bonds, from amounts on deposit in the Acquisition Account for a series of System Bonds and from other Net Revenues, as applicable.

ARTICLE XX

GENERAL ADMINISTRATION OF FUNDS

The funds and accounts designated in Articles 17 and 18 shall be administered as follows:

Section 20.01. ***Investment of Money.*** To the extent practicable, any money in any such fund or account shall be invested in Permitted Investments within any limitations imposed by any applicable Supplemental Ordinance. 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 this Master Ordinance, a Supplemental Ordinance or Related Document (subject to withdrawal at any time for the uses directed and permitted for such money by this Master Ordinance, Supplemental Ordinance and Related Documents), and any loss resulting from such investment shall be charged to that fund or account. The City Finance Director and Treasurer 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 transfer from that fund or account.

Section 20.02. ***Deposits of Funds.*** The money and investments which are part of the funds and accounts designated in Articles 17 and 18 shall be maintained and kept in an Insured Bank or Banks or may be held in book-entry form in the name of the City by an agent or custodian of or for the City for the benefit of the City, as permitted by State law. 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 Master Ordinance, a Supplemental Ordinance or Related Documents. The City 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 City.

Section 20.03. ***Valuation of Investments.*** In the computation of the amount in any account or fund for any purpose under this Master Ordinance, except as otherwise expressly provided in this Master Ordinance or applicable Supplemental 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 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 City 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. No loss or profit on Permitted Investments shall be deemed to take place as a result of fluctuations in the market quotations prior to the sale or maturity thereof.

Section 20.04. ***Reserve Fund Investments.*** Unless otherwise stated in a Supplemental Ordinance, amounts contained in each Reserve Account in the Reserve Fund may be invested only in Permitted Investments. Amounts contained in a Reserve Account may be invested only in Permitted Investments, with maturities of not longer than five years (except for investment agreements, as described in paragraph (g) of the definition of Permitted Investments, which may have maturities in excess of five years). The Permitted Investments on deposit shall be marked to their fair market value on and as of July 1 of each year. Any deficiency in the Reserve Account as a result of such annual valuation shall be paid into the Reserve Account by the City from moneys on deposit in the Income Fund within one month of such valuation.

ARTICLE XXI

BOND INSURANCE, RESERVE ACCOUNT INSURANCE AND CREDIT FACILITY

Section 21.01. ***Credit Facility for Payment of System Bonds.*** Payments of all or any part of the Debt Service Requirements on any series of System Bonds may be guaranteed by a Credit Facility as and to the extent set forth in the Supplemental Ordinance and Related Documents for that series.

Section 21.02. ***Consent of Bank or Bond Insurer.*** Any provision of this Master Ordinance or Supplemental Ordinance expressly recognizing or granting rights in or to a Bank or Bond Insurer may not be amended in any manner which affects the rights of the Bank or Bond Insurer without the prior written consent of that Bank or Bond Insurer.

Section 21.03. ***Consent of Bond Insurer in Addition to Owner's Consent.*** With respect to Insured Bonds, the Owners' consent shall be effective only to the extent that the applicable Bond Insurer also gives its consent when required for the (i) execution and delivery of any supplement or amendment to this Master Ordinance (other than a Supplemental Ordinance authorizing issuance of a series of System Bonds) or applicable Supplemental Ordinance and (ii) initiation or approval of any action not described in clause (i) of this paragraph which requires Owners' consent.

Section 21.04. ***Consent of Bond Insurer upon an Event of Default.*** With respect to Insured Bonds, anything in this Master Ordinance to the contrary notwithstanding, while Insured Bonds are outstanding, upon the occurrence and continuance of an event of default with respect to a series of System Bonds, the Bond Insurer of the applicable Bond Insurance Policy shall be entitled to control and direct the enforcement of all rights and remedies to the extent granted to the Owners of those Insured Bonds under this Master Ordinance and, to the same extent that the Owners of Insured Bonds have the right, to approve all waivers of any event of default with respect to the Insured Bonds of that series.

Section 21.05. ***Payment Procedure Pursuant to Bond Insurance Policy.*** As long as a Bond Insurance Policy is in full force and effect and Insured Bonds are outstanding, the City and applicable Paying Agent agree to follow the procedures for a draw on that Bond Insurance Policy as set forth in the Supplemental Ordinance or Credit Facility.

Section 21.06. ***Book-Entry Bonds.*** If Insured Bonds are issued in book-entry form, principal, Accreted Value and interest paid by a Bond Insurer of Insured Bonds shall be distributed to any Owner of those Insured Bonds only upon evidence satisfactory to that Bond Insurer that the ownership interest of that Owner and the right to payment of such principal, Accreted Value and interest has been effectively transferred to that Bond Insurer on the books maintained for such purpose. Any Bond Insurer paying principal or interest on Insured Bonds shall be fully subrogated to all of the rights of Owners of those Insured Bonds to payment of principal, Accreted Value and interest to the extent of the insurance disbursement so made.

Section 21.07. ***Reserve Account Insurance.*** In lieu of depositing Net Revenues or proceeds of System Bonds into a Reserve Account, the City may satisfy all or a part of the Reserve Requirement, if any, for a series of System Bonds by the purchase of a Reserve Account Insurance Policy.

Section 21.08. ***Payment Procedures Pursuant to Reserve Account Insurance Policy.*** As long as a Reserve Account Insurance Policy is in full force and effect for a series of System Bonds, the City and Paying Agent agree that if money on deposit in the applicable Debt Service Account (or comparable account for a series of Subordinated Bonds) is not available to pay the amount of Debt Service Requirements coming due on that series of System Bonds, the Paying Agent and City will follow the procedures for a draw on that Reserve Account Insurance Policy as set forth in the applicable Supplemental Ordinance or Credit Facility.

Section 21.09. ***Notices to be Given to Bond Insurer and Reserve Account Insurer.*** While a Bond Insurance Policy and/or Reserve Account Insurance Policy are in effect, the City shall furnish to the Bond Insurer and/or Reserve Account Insurer:

(a) As soon as practicable after the filing thereof, a copy of the financial statements of the City and a copy of any audit and annual report of the City;

(b) A copy of any notice or certificate to be given to the Owners of Insured Bonds or System Bonds for which there is a Reserve Account Insurance Policy in effect including, without limitation, notice of any redemption or defeasance of Insured Bonds or System Bonds for which there is a Reserve Account Insurance Policy in effect;

(c) A copy of any notice or information provided pursuant to any continuing disclosure undertaking of the City with respect to System Bonds; and

(d) Such additional information as the Bond Insurer or Reserve Account Insurer reasonably request.

The City will permit each Bond Insurer and Reserve Account Insurer to discuss with appropriate officers of the City the affairs, finances and accounts of the City or any information the Bond Insurer or Reserve Account Insurer may reasonably request regarding the security for the Insured Bonds or System Bonds for which there is a Reserve Account Insurance Policy in effect. The City will permit each Bond Insurer and Reserve Account Insurer at any reasonable time to have access to and to make copies of all books and records relating to the Insured Bonds or System Bonds for which there is a Reserve Account Insurance Policy in effect.

Notwithstanding any of the provisions of this Master Ordinance, the City shall notify each Bond Insurer and Reserve Account Insurer if at any time there is an insufficient amount of money to pay the Debt Service Requirements on the Insured Bonds or System Bonds for which there is a Reserve Account Insurance Policy in effect as and when required and immediately upon the occurrence of any event of default under this Master Ordinance.

Section 21.10. ***Nonexistence of or Default under Bond Insurance Policy or Reserve Account Insurance Policy; Payment in Full of Insured Bonds.***

(a) Notwithstanding anything in this Master Ordinance or a Supplemental Ordinance to the contrary: (i) if there is no Bond Insurance Policy or if there are no Insured Bonds outstanding, then the references in this Master Ordinance relating to the Bond Insurance Policy and the Bond Insurer under the Bond Insurance Policy shall have no force and effect and (ii) if a Bond Insurer under a Bond Insurance Policy is under bankruptcy or receivership protection or has failed to make a payment in accordance with or has otherwise declared its intention to abrogate or dishonor its obligation to pay under the terms of a Bond Insurance Policy, any rights or benefits conferred on that Bond Insurer by this Master Ordinance or applicable Supplemental Ordinance shall be suspended until such time as that Bond Insurer has emerged from such bankruptcy or receivership protection, fully cured such payment default or has formally rescinded such declaration.

(b) Notwithstanding anything in this Master Ordinance to the contrary, if there is no Reserve Account Insurance Policy, then the references in this Master Ordinance relating to the Reserve Account Insurance Policy and the Reserve Account Insurer shall have no force and effect and if a Reserve Account Insurer is under bankruptcy or receivership protection or has failed to make a payment in accordance with the terms of the applicable Reserve Account Insurance Policy, any rights or benefits conferred on that Reserve Account Insurer by this Master Ordinance or applicable Supplemental Ordinance shall be suspended until such time as that Reserve Account Insurer has emerged from such bankruptcy or receivership protection or fully cured such default.

Section 21.11. ***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 Master Ordinance or a Supplemental Ordinance, the City shall consider the effect on such Owner as if there were no Bond Insurance Policy or Reserve Account Insurance Policy in effect.

Section 21.12. ***Consent or Demand by Owners of Insured Bonds.*** When in this Master Ordinance the action of the Owners of a stated percentage in principal amount and Accreted Value of System Bonds then Outstanding is required for the giving of any consent or demand, the consent or demand of the Owners of Insured Bonds shall be considered only if the Bond Insurer joins in such consent or demand.

Section 21.13. ***Changes to Insurance Terms.*** Changes and additions may be made for a series of System Bonds with respect to the terms set forth in this Section by the Supplemental Ordinance relating to that series of System Bonds.

Section 21.14. ***Other Credit Facility.*** The rights and obligations of any Bank or Insurer under any Credit Facility shall be as set forth in this Master Ordinance, applicable Supplemental Ordinance or Related Documents. The City shall promptly notify any rating agency then rating the applicable System Bonds of changes to a Credit Facility.

ARTICLE XXII

PLEDGE OF NET REVENUES AND LIEN OF SYSTEM BONDS

The Net Revenues are hereby pledged for the payment of the System Bonds and the reimbursement of obligations of the City for the proceeds of any Credit Facility used to pay Debt Service Requirements on System Bonds and such obligations of the City shall continue to have an irrevocable lien upon the Net Revenues until paid. Net Revenues shall be applied to the payment of such obligations with the priorities set forth in Article XVIII.

ARTICLE XXIII

EQUALITY OF SYSTEM BONDS

Except as set forth in this Master Ordinance, Supplemental Ordinances, or Related Documents, System 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 that the lien on the Net Revenues in favor of any Subordinated Bonds shall be subordinate to the lien on the Net Revenues in favor of the Series 2016 Bonds and any additional Parity Bonds.

ARTICLE XXIV

ADDITIONAL SYSTEM BONDS

Section 24.01. ***Limitations Upon Issuance of System Bonds.*** Subject to the limitations of this Article and Article XXV, nothing in this Master Ordinance shall be construed to prevent the issuance by the City of additional System Bonds.

Section 24.02. ***Parity Bonds.*** Parity Bonds in addition to the Series 2016 Bonds may be issued for the System purposes including, but not limited to, (i) financing the Costs of a Project; or (ii) providing additional funds for deposit into a Reserve Account or the Replacement Fund and paying the costs incident to the issuance of such Parity Bonds or any combination of the foregoing.

The tests required in this Section 24.02 shall be performed without adjustment for payments to or withdrawals from the Rate Stabilization Fund or interest accrued (other than amounts representing capitalized interest) in the Acquisition Fund. Except as permitted herein and by Article XXV, prior to the issuance of additional Parity Bonds, the City shall be current in making all deposits required by Article XVIII and the following test shall be satisfied:

(a) a certificate prepared by an Authorized Officer of the City showing that the Net Revenues for the Historic Test Period were at least equal to 125% of the maximum combined annual Debt Service Requirements for all Outstanding Parity Bonds after the issuance of the proposed Parity Bonds, or

(b) a certificate prepared by a Consulting Engineer showing that:

(i) the Net Revenues for the Historic Test Period were at least equal to 125% of the maximum combined annual Debt Service Requirements for all Outstanding Parity Bonds immediately preceding the issuance of the proposed additional Parity Bonds;

(ii) for each Fiscal Year during the period from the date of delivery of such certificate until the latest estimated Completion Date of the Project being financed, the Consulting Engineer estimates that the City will be in compliance with the Rate Covenant; and

(iii) the estimated Net Revenues for each of the three Fiscal Years immediately following the latest estimated Completion Date for the specified Project to be financed with proceeds of the proposed additional Parity Bonds, as certified to the Consulting Engineer by an Authorized Officer of the City, will be at least equal to 125% of the maximum combined annual Debt Service Requirements for all Outstanding Parity Bonds which will be outstanding immediately after the issuance of the proposed additional Parity Bonds.

For purposes of subsections (b)(i) and (ii) above, in estimating Net Revenues, the Consulting Engineer may take into account (1) reasonable Gross Revenues from specified Projects expected to become available, (2) any increase in fees, rates, charges, rentals or other sources of Gross Revenues which have been approved by the City and will be in effect during the period for which the estimates are provided, and (3) any other increases in Gross Revenues for such period which the Consulting Engineer certifies to be reasonable for purposes of such certificate. With respect to Operation and Maintenance Expenses, the Consulting Engineer shall use such assumptions as the Consulting Engineer believes to be reasonable, and taking into account, (i) historical Operation and Maintenance Expenses, (ii) Operation and Maintenance Expenses associated with the specified Projects and (iii) such other factors, including inflation and changing operations or policies of the City, as the Consulting Engineer believes to be appropriate. The Consulting Engineer shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of the maximum combined annual Debt Service Requirements, which calculations may be based upon information provided by another Consulting Engineer or Consultant.

For purposes of preparing the certificate or certificates described above, the Consulting Engineer or Consulting Engineers may rely upon financial statements prepared by the City which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Officer of the City shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Section 24.03. ***Certificates.*** In determining whether additional Parity Bonds may be issued pursuant to Section 24.02, a written certificate or opinion of an Authorized Officer of the City or a Consulting Engineer shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver the additional Parity Bonds.

Section 24.04. ***Superior Obligations Prohibited.*** As long as Parity Bonds are outstanding, the City shall not issue additional System Bonds having a lien on the Net Revenues prior and superior to the lien of Parity Bonds on Net Revenues.

Section 24.05. ***Subordinate Obligations Permitted.*** Nothing contained in this Master Ordinance shall be construed to prevent the City from issuing Subordinated Bonds pursuant to the provisions set forth in a Supplemental Ordinance authorizing the issuance thereof.

Section 24.06. ***Variable Rate Bonds and Tender Indebtedness.***

(a) In making the computations required by this Article, to determine if additional System Bonds may be issued, Variable Rate Bonds shall be deemed to bear a rate of interest at the 30-year Revenue Bond Index (published by The Bond Buyer no more than two weeks prior to the date of sale) certified as described in the definition of Debt Service Requirements.

(b) No Variable Rate Bonds or Tender Indebtedness shall be issued unless such series of System Bonds is rated, based upon a Credit Facility or otherwise, at the time of issuance "P-1+" by Moody's and/or "A-1" by S&P.

(c) If the computations required by this Article are made assuming (i) interest at the maximum interest rate payable to the Bank providing a Credit Facility for the Variable Rate Bonds or Tender Indebtedness and (ii) the accelerated principal repayment schedule due to such Bank, then the acceleration of principal payments and excess interest due to such Bank may be on a parity with the payment of Debt Service Requirements on Parity Bonds; provided, however, if such assumptions are not made in making the computations required by this Article, then any accelerated principal payments due to such Bank or any interest due in excess of the rate on the Variable Rate Bonds or Tender Indebtedness must be subordinated to the payment of Debt Service Requirements on Parity Bonds.

(d) Any Bank providing a Credit Facility for liquidity support of Variable Rate Bonds or Tender Indebtedness must be rated in the highest short-term rating category assigned by Moody's and/or by S&P.

(e) Any trustee, tender agent or paying agent employed with respect to Variable Rate Bonds or Tender Indebtedness must be a commercial bank with trust powers and any remarketing agent employed with respect to Variable Rate Bonds or Tender Indebtedness must have trust powers if it is responsible for holding monies or receiving bonds.

(f) The provisions of this Section 24.06 and the other provisions of this Master Ordinance stating terms and conditions relating to the issuance of Variable Rate Bonds and Tender Indebtedness may be modified at the time of issuance of Variable Rate Bonds or Tender Indebtedness in accordance with the Supplemental Ordinance authorizing issuance thereof.

ARTICLE XXV

REFUNDING BONDS

The provisions of Article XXIV of this Master Ordinance are subject to the following exceptions:

(a) Privilege of Issuing Refunding Obligations. If at any time while System Bonds remain Outstanding, the City desires to refund any Outstanding System Bonds or other obligations payable from Net Revenues, those System Bonds 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 Bonds on the Net Revenues is changed (except as provided in Sections 24.04 and in subsections (b) and (c) of this Article).

(b) Limitations Upon Issuance of Refunding Parity Bonds. No refunding bonds or other refunding obligations shall be issued as Parity Bonds unless:

(i) there is delivered a certificate of the Authorized Officer of the City showing that the combined Debt Service Requirements on all Outstanding Parity Bonds for any Fiscal Year after the issuance of refunding Parity Bonds will not exceed the combined Debt Service Requirements for such Fiscal Year on all Outstanding Parity Bonds authorized prior to the issuance of such refunding Parity Bonds by more than ten percent (10%) in any such Fiscal Year, and the City is in current compliance with the Rate Covenant, or

(ii) The refunding Parity Bonds are issued in compliance with Section 24.02.

(c) Limitations Upon Issuance of Any Refunding System Bonds. Any refunding System Bonds shall be issued with such details as the Council may provide by appropriate proceedings but without impairment of any contractual obligation imposed upon the City by any proceedings authorizing the issuance of any unrefunded portion of the series of System Bonds or other obligations payable from Net Revenues to which the refunding was applicable.

ARTICLE XXVI

PROTECTIVE COVENANTS

Section 26.01. ***Use of System Bond Proceeds.*** The City covenants and agrees that it will promptly apply the proceeds of each series of System Bonds to the Project for which they were issued or for the refunding of Outstanding System Bonds, as applicable, and for the other purposes permitted by this Master Ordinance or applicable Supplemental Ordinance.

Section 26.02. ***Payment of System Bonds.*** The City covenants and agrees that it will promptly pay the Debt Service Requirements on System Bonds at the place, on the dates and in the manner specified in this Master Ordinance, the applicable Supplemental Ordinance, Related Documents and the System Bonds.

Section 26.03. ***Rate Covenant.***

(a) The City covenants that it will at all times fix rates and collect charges for each class of service rendered by the System, and to, from time to time, amend or adjust such rates so that Gross Revenues of the System shall always be sufficient to provide for the payment of expenses of administration, Operation and Maintenance Expenses, other expenses which may be necessary to preserve the System in good repair and working order, including the necessary reserves therefor and all other payments necessary to meet ongoing legal obligations to be paid at that time; and

(b) The City further covenants that it will at all times fix, charge and collect such rates and charges as shall be required in order that in each Fiscal Year the Net Revenues shall at least equal 125% of the Debt Service Requirements on the Series 2016 Bonds and any additional Parity Bonds Outstanding in such Fiscal Year.

(c) Failure by the City to comply with the foregoing Rate Covenant in any Fiscal Year will not constitute an event of default under this Master Ordinance so long as the City, within 180 days after the end of any such Fiscal Year, adopts the schedule of rates and charges recommended or approved by a Consulting Engineer which would bring the City into compliance with the Rate Covenant. The City is also required under this Master Ordinance in each Fiscal Year to complete a review of its financial condition for the purpose of estimating whether the Net Revenues for such Fiscal Year and for the next succeeding Fiscal Year will be sufficient to comply with the Rate Covenant set forth above. If the City determines that the Net Revenues may not be so sufficient, it shall forthwith cause the Consulting Engineer to make a study for the purpose of recommending a schedule of fees, rates and charges for the System which, in the opinion of the Consulting Engineer, will cause sufficient Gross Revenues to be collected in such Fiscal Year to comply with the Rate Covenant set forth above and will cause additional Gross Revenues to be collected in such Fiscal Year sufficient to eliminate the amount of any deficiency at the earliest practicable time within such Fiscal Year. The City shall as promptly as practicable adopt and place in effect the schedule of fees, rates and charges recommended or approved by the Consulting Engineer pursuant to this

Master Ordinance. In the alternative of establishing fees, rates and charges necessary to meet the Rate Covenant set forth above, the City may implement reductions in Operation and Maintenance Expenses for the System in an amount sufficient to meet the Rate Covenant.

Section 26.04. ***Lien on Lands Serviced by System.*** State law grants the City a lien upon each lot or parcel of land for the charges imposed for water and sanitary sewer services supplied by the System to the owner of such lot or parcel (except as otherwise provided in Section 3-23-6 NMSA). The City will cause each lien to be perfected in accordance with the provisions of Sections 3-23-6 and 3-36-1 through 3-36-5 NMSA. The City 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 for the use of the System.

Section 26.05. ***Levy of Charges.*** The City will promptly fix, establish and levy the rates and charges which are required by Section 26.03. Unless contrary to any provision of applicable law, any resolution or ordinance adopted by the Council to fix, establish and levy such rates and charges shall be deemed an administrative or executive matter not subject to the referendum provisions of the Charter or State law. No reduction in any initial or existing rate schedule for the System may be made unless:

(a) the City has fully complied with the requirements of the Rate Covenant contained in Section 26.03 for any 12 consecutive months out of the 16 calendar months immediately preceding the reduction of the rate schedule, and

(b) the audit required by Section 26.09 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 Net Revenues resulting from the proposed reduced rate schedule would have been sufficient to meet the Rate Covenant contained in Section 26.03 during the applicable 12-month period.

Section 26.06. ***Efficient Operation.*** The City 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 Service Area.

Section 26.07. ***Records.*** So long as System Bonds remain Outstanding, proper books of record and account will be kept by the City, separate from all other records and accounts, showing complete and correct entries of all transactions relating to the System. However, pursuant to Section 6-14-10(E) NMSA, records with regard to the ownership or pledge of System Bonds are not subject to inspection or copying.

Section 26.08. ***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.

Section 26.09. ***Audits.*** Within 180 days following the close of each Fiscal Year, the City 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.

Section 26.10. ***Billing Procedure.*** Bills for water or water facilities furnished by or through the System shall be rendered to customers on a regular basis each month following the month in which the service was rendered and shall be due as required by the applicable ordinance of the City. If permitted by law, if a bill is not paid within the period of time required by such ordinance, water service shall be discontinued as required by such 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.

Section 26.11. ***Charges and Liens Upon System.*** The City 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 City will not create or permit any lien or charge upon the System or the Net Revenues except as permitted by this Master 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 or the Net Revenues. However, the City 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.

Section 26.12. ***Insurance.*** Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions, in its operation of the System, the City will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting the System and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Council, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by municipalities which operate water systems. "Qualified Self Insurance" means insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the City may have a material interest and of which the City may have control, either singly or with others. Each plan of Qualified Self Insurance shall be established in accordance with law, shall provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the City determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self 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 thereafter, any remainder may be used to redeem System Bonds or be treated as Gross Revenues and used in the manner provided in Article XVIII.

Section 26.13. ***Competing System.*** Unless contrary to any provision of, or required by, applicable law, as long as System Bonds are outstanding, the City will not grant any franchise or license to a competing water utility system, or permit any person, association, firm or corporation to sell water utility services or facilities to any consumer, public or private, within the Service Area of the System; provided, however, that nothing shall prevent the City from annexing land into its boundaries solely due to the fact that there is a competing utility system or person, association, firm or corporation providing such utility services or facilities within or for the land to be annexed.

Section 26.14. ***Alienating System.*** While the System Bonds are Outstanding, the City shall not, except as permitted below, transfer, sell or otherwise dispose of the System. For purposes of this Section, any transfer of an asset over which the City retains or regains substantial control shall not, for so long as the City has such control, be deemed a disposition of the System.

The City may transfer, sell or otherwise dispose of the System only if such transfer, sale or disposition complies with one or more of the following provisions:

(a) The property being disposed of is inadequate, obsolete or worn out; or

(b) The property proposed to be disposed of and all other property of the System disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion of the System determined as described below and the proceeds are deposited into the Income Fund to be used as described below; or

(c) The City receives fair market value for the property, the proceeds are deposited into the Income Fund to be used as described below and, prior to the disposition of such property, there is delivered to the Fiscal Agent a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the City as evidenced by a certificate of an Authorized Officer, the Consultant estimates that the City will be in compliance with the Rate Covenant during each of the five Fiscal Years immediately following such disposition.

For purposes of this Section, the term "Significant Portion" of the System means property of the System which, if such property had been disposed of by the City at the beginning of the Fiscal Year which includes the month of commencement of the 12-month period referred to in (b) above would have resulted in a reduction in Net Revenues for such Fiscal Year of more than 4% when the actual Net Revenues for such Fiscal Year are decreased by the revenues directly attributable to such property of the System and increased by the expenses of the City directly attributable to such property of the System.

Proceeds of the disposition of assets under (b) or (c) above shall be deposited into the Income Fund and used, within a reasonable period of time, not to exceed three years, to (i) provide additional revenue-producing properties to the System, (ii) redeem System Bonds or (iii) create an escrow fund pledged to pay specified System Bonds and thereby cause such System Bonds to be deemed to be paid as provided in Article XXXI.

Properties of the System which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes shall not be disposed of, except under the terms of provision (a) above, unless the City has first received a written opinion of Bond Counsel to the effect that such disposition will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

No such disposition shall be permitted which would cause the City to be in default of any other covenant contained in this Master Ordinance.

Section 26.15. ***Extending Interest Payments.*** To prevent any accumulation of claims for interest after maturity, except as permitted by this Master Ordinance, Supplemental Ordinance or Related Documents, the City will not directly or indirectly extend or assent to the extension of the time for the payment of any claim for interest on System 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 Master Ordinance, Supplemental Ordinance or

Related Documents, to the benefit or security of this Master Ordinance, Supplemental Ordinance or Related Documents until the prior payment in full of the principal of, Accreted Value and interest on all other System Bonds then outstanding.

Section 26.16. ***Competent Management.*** The City shall employ experienced and competent personnel to manage the System.

Section 26.17. ***Performing Duties.*** The City will faithfully and punctually perform all duties with respect to the System required by State and City 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.

Section 26.18. ***Other Liens.*** Other than as stated in or provided by this Master Ordinance or applicable disclosure document for a series of System Bonds, there are no liens or encumbrances of any nature whatsoever, on or against the System, the Gross Revenues or the Net Revenues.

Section 26.19. ***City's Existence.*** The City will maintain its corporate identity and existence as long as System Bonds remain outstanding unless another political subdivision by operation of law succeeds to the liabilities and rights of the City, without adversely affecting to any substantial degree the privileges and rights of any Owner. However, the City may, annex or de-annex land if the City complies with other applicable covenants contained in this Master Ordinance.

Section 26.20. ***Tax Compliance.***

(a) With respect to System Bonds to be issued as tax-exempt bonds under Sections 103 and 141 of the Code, the City will restrict the use and investment of the proceeds of the System Bonds and any funds reasonably expected to be used to pay the System Bonds to the extent necessary so that the System Bonds will not constitute arbitrage bonds under Section 148 of the Code. Authorized Officers having responsibility for issuing System Bonds will give appropriate certificates of the City for inclusion in transcripts of proceedings for System Bonds setting forth the reasonable expectations of the City regarding the amount and use of all the proceeds of the System Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of interest on System Bonds.

(b) With respect to System Bonds to be issued as tax-exempt bonds under Sections 103 and 141 of the Code, the City (i) will take or cause to be taken such actions that may be required of it for the interest on the System Bonds to be and remain excluded from gross income for federal income tax purposes, and (ii) will not take or permit to be taken any action that would adversely affect such exclusion, and the City will, among other acts of compliance to the extent necessary to assure the exclusion of interest on System Bonds under the Code, (A) apply, or cause to be applied, the proceeds of the System Bonds to the governmental purpose of the borrowing, (B) restrict the yield as necessary on investment property defined in Section 148(b)(2) of the Code acquired with gross proceeds of the System Bonds, (C) make timely rebate payments to the federal government in accordance with Section 148(f) of the Code, the Rebate Regulations (as defined in Article XXVII) and this Master Ordinance, (D) maintain proper books and records and make, or have made, calculations and reports, and (E) refrain from certain uses of System Bond proceeds. Authorized officers are authorized and directed to take action, make or have made calculations and rebate payments, and make or give covenants, representations, reports and certifications as may be required or appropriate to assure the exclusion of interest on the System Bonds from gross income for federal income tax purposes.

(c) The City covenants that it will not make or cause to be made any investment or deposit described or permitted in this Master Ordinance at other than the value permitted for any such investment or deposit under Sections 1.148-0 through 1.148-11 and 1.150-1 and 1.150-2 of the Regulations or any successor provision applicable to the System Bonds.

(d) The provisions of this Section 26.20 shall not apply to the System Bonds, or any series of System Bonds, if at any time and to the extent that the City receives an opinion of Bond Counsel that the failure to comply will not adversely affect the exclusion from gross income of interest on the System Bonds for federal income tax purposes under Section 103(a) of the Code.

(e) The City may issue System Bonds that are not tax-exempt bonds under the Code.

Section 26.21. ***Free Services Prohibited.*** No free service, facilities nor commodities shall be furnished by the System. Should the City use water services or facilities supplied by the System for municipal purposes, or any combination thereof, or in any other manner use the System, or any part thereof, any use of the System by or of the services rendered thereby to the City, or any department, board or agency thereof, will be paid for from the City's general fund or other available revenues at the reasonable value of the use so made, or service so rendered, which shall in no event be less than the rates charged to a System customer with similar consumption; and all the revenue so derived from the City shall be deemed to be income derived from the operation of the System, to be used and accounted for in the same manner as any other income derived from the operation of the System.

ARTICLE XXVII

REBATE FUND

The Rebate Fund has been established for the deposit of certain amounts that may be required to be paid to the United States in compliance with Section 148(f) of the Code and Sections 1.148-0 through 1.148-11 and 1.150-1 and 1.150-2 of the Regulations issued thereunder or any successor provision applicable to any series of the System Bonds (the "Rebate Regulations"). Notwithstanding any other provision in this Master Ordinance, amounts credited to the Rebate Fund shall be free and clear of any lien under this Master Ordinance and shall be held only for the purposes stated in this Article.

Concurrently with the issuance and delivery of any series of System Bonds which are tax-exempt bonds under Sections 103 and 141 of the Code, the City will execute certain certificates and agreements (collectively, the "Tax Certificate"), which will set forth the undertakings of the City to achieve compliance with Section 148(f) of the Code. All relevant definitions regarding such compliance will be contained in the Rebate Regulations or the Tax Certificate.

Within 25 days of the end of each Bond Year of each applicable series of System Bonds or at such other times provided in the Tax Certificate, the City shall (a) calculate or cause to be calculated the amount that would be considered "rebatable arbitrage" within the meaning of Section 1.148-3 of the Rebate Regulations and the Tax Certificate, using as the "computation dates" for this purpose the dates set forth in the Tax Certificate, and (b) deposit or cause to be deposited into the applicable account of the Rebate Fund for each series of System Bonds, from Gross Revenues or any other money of the City lawfully available for such purpose, an amount that, together with amounts already held in that account of the Rebate Fund, will cause the amount held in that account immediately after such deposit to be equal to the rebatable arbitrage calculated for that series of System Bonds. If the amount held in that account of the Rebate Fund is in excess of the rebatable arbitrage calculated as of the end of such Bond Year for that series of System Bonds, the City shall withdraw or cause to be withdrawn such excess from that account and such excess shall be considered as Gross Revenues.

The City shall make payments to the United States in such manner, at such times and in such amounts as prescribed by the Rebate Regulations and the Tax Certificate. The City shall keep such records of the computations made pursuant to this Article as are required under Section 148(f) of the Code and the Rebate Regulations and the Tax Certificate.

The City need not make further payments to the Rebate Fund with respect to all or a portion of an issue to the extent it satisfies one of the exemptions from rebate set forth in the Rebate Regulations or the Tax Certificate. Any amounts then on deposit in the Rebate Fund may be withdrawn and used as Gross Revenues.

ARTICLE XXVIII

CONTINUING DISCLOSURE UNDERTAKING

In connection with issuance of System Bonds pursuant to this Master Ordinance or a Supplemental Ordinance, the City will enter into written undertakings for the benefit of the holders of System Bonds (including beneficial owners) as required under Securities and Exchange Commission Rule 15c2-12, as amended, in order to assist Purchasers of System Bonds in complying with Rule 15c2-12(b)(5). When such undertakings are executed and delivered on behalf of the City as herein provided, the undertakings will be binding on the City and the officers, employees and agents of the City, and the officers, employees and agents of the City are hereby 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 undertakings as executed. Notwithstanding any other provision of this Master Ordinance, the sole remedies for failure to comply with the undertakings shall be the ability of the beneficial owner of any System Bond to seek mandamus or specific performance by court order, to cause the City to comply with its obligations under the undertakings.

ARTICLE XXIX

EVENTS OF DEFAULT

Each of the following events is declared an "event of default" under this Master Ordinance:

(a) Failure to pay the principal or Accreted Value of any Parity Bonds when due and payable, whether at maturity, by mandatory sinking fund redemption or otherwise.

(b) Failure to pay any installment of interest on Parity Bonds when due and payable.

(c) Failure to pay the purchase price of any Parity Bonds when such purchase price shall be due and payable upon an optional or mandatory tender date as provided in the Parity Bond.

(d) For any reason, the City becomes incapable of fulfilling its obligations under this Master Ordinance.

(e) Default by the City in the due and punctual performance of its covenants, conditions, agreements and provisions contained in System Bonds or in this Master Ordinance and the continuance of such default (other than a default set forth in subsections (a) and (b)) for thirty days after written notice specifying such default and requiring the same to be remedied has been given to the City by the Owners of at least 25% in principal amount and Accreted Value of the System Bonds then Outstanding.

(f) The City files or is otherwise placed into bankruptcy pursuant to Chapter 9 of the United States Bankruptcy Code, or any successor chapter or provision.

(g) The occurrence of any other event of default as is provided in a Supplemental Ordinance.

ARTICLE XXX

REMEDIES UPON DEFAULT

Section 30.01. ***Remedies.*** Upon the happening and continuance of any of the events of default stated in Article XXIX:

(a) the applicable Fiscal Agent shall proceed with any available remedies under any Credit Facility; and

(b) the Owners of not less than 66% in principal amount and Accreted Value of the System Bonds then Outstanding, including but not limited to a trustee or trustees therefor, may proceed against the City, the Council and its agents, officers and employees to:

(i) 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 Master Ordinance or any Related Document 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;

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

(iii) to require the Council to act as if it were the trustee of an express trust; or

(iv) any combination of those remedies.

All proceedings shall be instituted and maintained for the equal benefit of all Owners of System Bonds then outstanding, subject to the provisions of Section 30.03 of this Master Ordinance, with respect to the application of Gross Revenues. The failure of any Owner to exercise any right granted by this Article shall not relieve the City 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.

Acceleration of System Bonds shall never be a remedy upon the happening and continuance of an event of default.

Section 30.02. ***Accounting and Examination of Records after Default.*** The City covenants that if an event of default shall have happened and shall not have been remedied, the books of record and accounts of the City and all other records of the City relating to the System shall at all times be subject to the inspection and use of the Owners of the System Bonds, any receiver appointed pursuant to Section 30.04 and their respective agents and attorneys. The City covenants that if an event of default shall have happened and shall not have been remedied, the City, upon demand of the Owners of at last 25% in principal amount and Accreted Value of System Bonds then Outstanding, will account, as if it were the trustee of an express trust, for all Gross Revenues and other money, securities and funds pledged or held under this Master Ordinance for such period as shall be stated in such demand.

Section 30.03. ***Application of Revenues and Other Money After Default.*** During the continuance of an event of default, the Net Revenues and such money, securities and funds and the income therefrom shall be applied as follows and in the following order of priority, provided that moneys and amounts held or available in each of the Debt Service Accounts and each of the Reserve Accounts shall be used solely for the payment of the Debt Service Requirements then due on the series of System Bonds corresponding to such accounts in accordance with subsection (c) of this Section.

(a) to the payment of the reasonable and proper charges and expenses of any receiver appointed pursuant to Section 30.04 and the reasonable fees and disbursements of its counsel and agents;

(b) to the payment of the Operation and Maintenance Expenses;

(c) to the payment of the Debt Service Requirements then due on the Series 2016 Bonds and any additional Parity Bonds as follows:

FIRST: to the payment to the persons entitled thereto of all installments of interest when due on the Series 2016 Bonds and any additional Parity Bonds in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

SECOND: to the payment to the persons entitled thereto of the unpaid principal, Accreted Value or redemption price of any of the Series 2016 Bonds and any additional Parity Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Series 2016 Bonds and any additional Parity Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal, Accreted Value or redemption price due on such date, to the persons entitled thereto, without any discrimination or preference; and

(d) to the payment of the Debt Service Requirements then due on any Subordinated Bonds then outstanding in such order of priority as shall be designated in the Supplemental Ordinance authorizing the issuance of such Subordinated Bonds.

Section 30.04. ***Appointment of Receiver.*** Upon the occurrence of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Owners of the System Bonds, the Owners of at least 25% in principal amount and Accreted Value of System Bonds then Outstanding, shall be entitled, as a matter of right, to the appointment of a receiver or receivers to protect the rights of Owners and, if desirable, to enter and take possession of and operate and maintain the System and to prescribe rates, fees or charges and collect, receive and apply all Gross Revenues as required by this Master Ordinance, with such additional powers as a court making such appointment may confer.

Section 30.05. ***Non-Waiver.*** Nothing in this Article or in any other provision of this Master Ordinance or in the System Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal, Accreted Value and redemption price of and interest on the System Bonds to the respective Owners of the System Bonds at the respective dates of maturity, or upon call for redemption, as herein provided, out of the Net Revenues, funds, accounts and other money, securities and funds herein pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the System Bonds. No delay or omission of any Owner of the System Bonds to exercise any right or power arising upon the happening of any event of default shall impair any such right or power or shall be construed to be a waiver of any such event of default or an acquiescence therein, and every power and remedy given by this Article to the Owners of System Bonds may be exercised from time to time and as often as shall be deemed expedient by the Owners of the System Bonds.

Section 30.06. ***Limitation on Remedies.*** Notwithstanding any other provision in this Master Ordinance, no recourse shall be had for the payment of any System Bonds or obligation arising from any Related Document or for any claim based on any other obligation, consent or agreement contained in this Master Ordinance or any Related Document against any past, present or future officer, employee or agent of the city or member of the City Council, 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 this Master Ordinance, the execution of Related Documents and the issuance of System Bonds.

ARTICLE XXXI

DUTIES UPON DEFAULT

Upon the happening of any of the events of default listed in Article XXIX, the City 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 Bonds and for the payment of the Debt Service Requirements on the System Bonds promptly as the same become due. As long as any of the System Bonds are Outstanding, all Gross Revenues shall be distributed and used for the purposes and with the priorities set forth in Article XVIII. If the City fails or refuses to proceed as provided in this Article, the Owners of not less than 66% in principal amount and Accreted Value of the System Bonds then Outstanding, after demand in writing, may proceed to protect and enforce the rights of the Owners as provided in this Master Ordinance.

ARTICLE XXXII

DEFEASANCE

Section 32.01. ***Defeasance of System Bonds.*** When all principal, Accreted Value, interest and prior redemption premiums, if any, in connection with all or any part of the System Bonds included within a series of System Bonds have been paid or provided for, the pledge and lien and all obligations under this Master Ordinance with respect to those System Bonds shall be discharged and those System Bonds shall no longer be deemed to be outstanding within the meaning of this Master Ordinance.

Without limiting the preceding paragraph, there shall be deemed to be such payment when: (a) the Council 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, Accreted Value, interest and prior redemption premium, if any, on the System Bonds to be defeased as the same become due to their final maturities or upon designated prior redemption dates, and (b) any System Bonds to be redeemed prior to maturity shall have been duly called for redemption or irrevocable instructions to call such System Bonds for redemption have been given to the Registrar or other appropriate Fiscal Agent. 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 System 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 or Accreted Value and premium, if any, and interest on the System 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 Council 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 City to the applicable Bond Insurer, if the principal, Accreted Value and/or interest due on Insured Bonds is paid by a Bond Insurer pursuant to a Bond Insurance Policy, the applicable Insured Bonds shall remain outstanding, shall not be defeased or otherwise satisfied and shall not be considered to be paid by the City. In such case the assignment and pledge of the Net Revenues for the payment of the Insured Bonds paid by the Bond Insurer and all covenants, agreements and other obligations of the City to the Owners of those Insured Bonds shall continue to exist and shall run to the benefit of that Bond Insurer, and that Bond Insurer shall be subrogated to the rights of the owners of those Insured Bonds, until all obligations of the City to that Bond Insurer have been paid.

If any System Bonds are deemed to be paid and discharged pursuant to this Section, within 15 days after the date of defeasance, the City shall cause written notice to be given to each Owner of System Bonds deemed paid and discharged at the address shown on the bond register for the applicable series of System Bonds on the date on which those System Bonds are deemed paid and discharged. The notice shall state the numbers of the System Bonds deemed paid and discharged (if less than all System Bonds of such series are deemed paid and discharged), describe the Defeasance Obligations and specify any date or dates on which the System 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.

ARTICLE XXXIII

SYSTEM BONDS NOT PRESENTED WHEN DUE

If any System 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 System Bonds is on deposit with the Paying Agent for those System Bonds, and, in the case of System Bonds to be redeemed, if notice of redemption has been given as provided in this Master Ordinance, Supplemental Ordinance or Related Documents, all liability of the City to the Owners of those System Bonds shall be discharged, those System Bonds shall no longer be Outstanding and it shall be the duty of that Paying Agent to segregate and to hold such money in trust, without liability for interest thereon, for the benefit of the Owners of those System Bonds.

ARTICLE XXXIV

DELEGATED POWERS

The officers, attorneys and employees of the City are authorized and directed to take all action from time to time which is necessary or appropriate to effectuate the provisions of this Master Ordinance, any Supplemental Ordinance, System Bonds and any Related Document including, without limitation, the delivery of a "deemed final" certificate relating to the disclosure document for each series of System Bonds, the publication of a summary of this Master Ordinance substantially in the form set out in Article XX, the distribution of material related to System Bonds, the printing of System Bonds and the execution of Related Documents and certificates pertaining to the System, System Bonds, the delivery of and security for System Bonds, as may be reasonably required by the Purchaser, any Fiscal Agent, Bank or Insurer and the execution of such other certificates and documents necessary to preserve that the interest paid on the System Bonds is excluded from gross income for federal income tax purposes. The officers, attorneys and employees of the City are authorized and directed to take all action from time to time which is desirable or necessary for the City with respect to arbitrage rebate requirements under Section 148(f) of the Code.

ARTICLE XXXV

AMENDMENT OF MASTER ORDINANCE OR SUPPLEMENTAL ORDINANCE

Section 35.01. ***Limitations upon Amendments.*** This Master Ordinance and any Supplemental Ordinance may be amended by ordinance of the Council without the consent of Owners:

(a) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in this Master Ordinance or Supplemental Ordinance;

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

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

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

(e) To make any other changes in this Master Ordinance or Supplemental Ordinance which, in the opinion of Bond Counsel, is not materially adverse to the Owners; and

(f) To make any changes required by the Bond Insurer or the rating agencies.

Section 35.02. ***Additional Amendments.*** Except as provided above, this Master Ordinance and any Supplemental Ordinance may only be amended or supplemented by ordinance adopted by the Council in accordance with the laws of the State, without receipt by the City of any additional consideration, but with the written consent of the Owners of a majority of the principal amount and Accreted Value of each series of System Bonds then outstanding which are affected by the amendment or supplement (not including System Bonds which are then owned by or for the account of the City, but including refunding System Bonds which are not owned by the City) and of any Bank or Insurer providing a Credit Facility which is in effect and which pertains to a series of System Bonds affected by the amendment or supplement if the Bank or Insurer is not in default in its obligations under the Credit Facility; provided, however, that no such ordinances, without the written consent of all such Owners or entities affected by the proposed amendment or supplement, shall have the effect of permitting:

(a) An extension of the maturity of any System Bond;

(b) A reduction in the principal amount of, premium, if any, Accreted Value, purchase price or interest rate on any System Bond;

(c) The creation of a lien on or a pledge of Net Revenues ranking prior to the lien or pledge of Parity Bonds on Net Revenues; or

(d) A reduction of the principal amount and Accreted Value of System Bonds required for consent to such amendment or supplement.

Section 35.03. ***Proof of Instruments.*** The fact and date of the execution of any instrument under the provisions of this Article may be proved by the certificate of any officer in any jurisdiction who by the laws of the 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 35.04. ***Proof of System Bonds.*** The principal amount and Accreted Value and numbers of System Bonds owned by any person executing such instrument and the date of holding that instrument may be proved by a certificate executed by a bank or trust company showing that on the date mentioned that person had on deposit with the bank or trust company the System Bonds described in the certificate.

ARTICLE XXXVI

MASTER ORDINANCE IRREPEALABLE

After any of the System Bonds are issued, this Master Ordinance shall be and remain irrepealable until the Debt Service Requirements on all System Bonds are fully paid, canceled and discharged, as provided in this Master Ordinance, or there has been defeasance of all System Bonds as provided in this Master Ordinance.

ARTICLE XXXVII

SEVERABILITY CLAUSE

If any section, paragraph, clause or provision of this Master 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 Master Ordinance.

ARTICLE XXXVIII

REPEALER CLAUSE

All bylaws, orders, resolutions and ordinances, or parts thereof, inconsistent with this Master 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.

ARTICLE XXXIX

DEFEASANCE AND PRIOR REDEMPTION FOR THE REFUNDED BONDS

The City has elected and does hereby declare its intent to exercise on the behalf and in the name of the City its option to defease and redeem the Refunded Bonds maturing on and after June 1, 2019, at a redemption price equal to 100.00% of the principal amount of the Refunded Bonds to be redeemed, plus accrued interest to the redemption date, pursuant to the terms of the Escrow Agreement.

ARTICLE XXXX

EFFECTIVE DATE AND

GENERAL SUMMARY FOR PUBLICATION

Upon due adoption of this Master Ordinance, it shall be recorded and preserved by the City Clerk, authenticated by the signature of the Mayor and City Clerk, and the seal of the City impressed hereon, and the title and general summary of the subject matter contained in this Master Ordinance (set out below) shall be published in a newspaper which maintains an office and is of general circulation in the City and this Master Ordinance shall be in full force and effect thereafter as provided by the City Charter and the laws of the State.

Pursuant to the general laws of the State, 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)

City of Santa Fe, New Mexico

Notice of Adoption of Ordinance

Notice is hereby given of the title and of a general summary of the subject matter contained in Ordinance No. 2016-__, duly adopted and approved by the Council of the City of Santa Fe, New Mexico, on May 11, 2016. Complete copies of the Ordinance are available for public inspection during the normal and regular business hours of the City Clerk, City of Santa Fe, City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico.

The title of the Ordinance is:

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF THE CITY OF SANTA FE, NEW MEXICO WATER UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2016 IN AN AGGREGATE PRINCIPAL AMOUNT OF [$75,000,000] FOR THE PURPOSE OF DEFRAYING THE COST OF REFUNDING, PAYING, DEFEASING, DISCHARGING, AND/OR RESTRUCTURING CERTAIN OUTSTANDING WATER UTILITY SYSTEM/CAPITAL OUTLAY GROSS RECEIPTS TAX OBLIGATIONS OF THE CITY; PROVIDING THAT THE BONDS WILL BE PAYABLE AND COLLECTIBLE FROM THE NET REVENUES OF THE CITY'S WATER UTILITY SYSTEM; ESTABLISHING THE FORM, TERMS, MANNER OF EXECUTION AND OTHER DETAILS OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT AND ESCROW AGREEMENT; APPROVING CERTAIN OTHER AGREEMENTS AND DOCUMENTS IN CONNECTION WITH THE BONDS AND THE OUTSTANDING REFUNDED OR RESTRUCTURED WATER UTILITY SYSTEM/CAPITAL OUTLAY GROSS

RECEIPTS TAX OBLIGATIONS; RATIFYING ACTION PREVIOUSLY TAKEN IN CONNECTION WITH THE BONDS; AMENDING AND RESTATING ORDINANCE NO. 2006-47; REPEALING ALL ORDINANCES IN CONFLICT HEREWITH; AND RELATED MATTERS.

The title sets forth a general summary of the subject matter contained in the Ordinance. A complete copy of the Ordinance is on file in the office of the City Clerk at the City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico, and are available for inspection and/or purchase during regular office hours. This notice also constitutes compliance with Section 6-14-6, NMSA 1978.

(End of Summary of Ordinance for Publication)

APPROVED AS TO FORM:

Kelley A. Brennan

KELLEY A. BRENNAN, CITY ATTORNEY