

CITY OF SANTA FE, NEW MEXICO

AUTHORIZING THE EXECUTION AND DELIVERY OF A TAXABLE DRINKING WATER STATE REVOLVING LOAN FUND LOAN AGREEMENT BY AND BETWEEN THE CITY OF SANTA FE, NEW MEXICO (THE "GOVERNMENTAL UNIT") AND THE NEW MEXICO FINANCE AUTHORITY, EVIDENCING A SPECIAL LIMITED OBLIGATION OF THE GOVERNMENTAL UNIT TO PAY A PRINCIPAL AMOUNT OF NO MORE THAN \$15,150,000, WHICH INCLUDES AN EXPENSE FUND COMPONENT, TOGETHER WITH INTEREST AND ADMINISTRATIVE FEES THEREON, FOR THE PURPOSE OF FINANCING THE COSTS OF A NECESSARY DRINKING WATER PROJECT, BEING THE DESIGN AND ACQUISITION OF THE BUCKMAN DIRECT SURFACE DIVERSION PROJECT (THE "PROJECT"), AND INCLUDING BUT NOT NECESSARILY BEING LIMITED TO DESIGN AND ENGINEERING OF ANY AND ALL ELEMENTS OF THE PROJECT AND DESIGN, ENGINEERING AND PRE-CONSTRUCTION WORK ON THE WATER TREATMENT PLANT; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF, COSTS OF ISSUANCE, ADMINISTRATIVE FEES AND INTEREST DUE UNDER THE LOAN AGREEMENT SOLELY FROM THE NET REVENUES OF THE GOVERNMENTAL UNIT'S WATER UTILITY SYSTEM AND FROM REVENUES GENERATED BY THE MUNICIPAL CAPITAL OUTLAY GROSS RECEIPTS TAX; APPROVING THE FORM OF AND OTHER DETAILS CONCERNING THE LOAN AGREEMENT; RATIFYING ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTION INCONSISTENT WITH THIS ORDINANCE; AND AUTHORIZING THE TAKING OF OTHER ACTIONS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THE LOAN AGREEMENT.

Capitalized terms used in the following recitals have the same meaning as defined in Section 1 of this Loan Approval Ordinance, or, if not defined in Section 1 of this Loan Approval Ordinance, the same meaning as defined in Article I of Ordinance No. 2006-47 (the "Master Ordinance") adopted by the Governing Body on August 9, 2006, unless the context requires otherwise.

WHEREAS, the Governmental Unit is a legally and regularly created, established, organized and existing municipality under the general laws of the State; and

WHEREAS, the Governing Body has determined and hereby determines that the Project may be financed with amounts borrowed under the Loan Agreement and that it is in the best interest of the Governmental Unit and its residents that the Loan Agreement be executed and delivered and that the financing of the Project take place by executing and delivering the Loan Agreement; and

WHEREAS, the Master Ordinance provides for the adoption of subsequent ordinances and resolutions to authorize the issuance of additional debt payable from the Pledged Revenues, as well as for the approval of specific terms and documents relating to the issuance of the additional debt; and

WHEREAS, this Loan Approval Ordinance is adopted pursuant to the Master Ordinance in order to authorize the Governmental Unit to enter into the Loan Agreement with the NMFA as a Second Lien Obligation payable from Pledged Revenues; and

WHEREAS, the Governing Body has determined that it may lawfully pledge the Pledged Revenues for the payment of amounts due under the Loan Agreement; and

WHEREAS, other than as described in Exhibit "A" to the Loan Agreement, the Pledged Revenues have not heretofore been pledged to secure the payment of any obligation which is currently outstanding; and

WHEREAS, the Loan Agreement shall be a special, limited obligation of the Governmental Unit, payable solely from the Pledged Revenues, and shall not constitute a general obligation of the Governmental Unit, or a debt or pledge of the faith and credit of the Governmental Unit or the State; and

WHEREAS, other than the Pledged Revenues, no revenues collected by the Governmental Unit shall be pledged to the Loan Agreement; and

WHEREAS, there have been presented to the Governing Body, and there presently are on file with the Clerk, this Loan Approval Ordinance and the form of the Loan Agreement; and

WHEREAS, all required authorizations, consents and approvals in connection with (i) the use and pledge of the Pledged Revenues to the NMFA (or its assigns) for the payment of amounts due under the Loan Agreement, (ii) the use of the proceeds of the Loan Agreement to finance the Project, and (iii) the authorization, execution and delivery of the Loan Agreement, which are required to have been obtained by the Closing Date have been obtained or are reasonably expected to be obtained; and

WHEREAS, in 2005 the NMFA approved a taxable Drinking Water State Revolving Loan Fund loan to the Governmental Unit in the maximum principal amount of \$7,070,000, but the loan did not close and no funds were drawn pursuant to that approval; and

WHEREAS, in 2007 the NMFA and the Governmental Unit determined that the Maximum Principal Amount of the loan provided to the Governmental Unit should be \$15,150,000, as provided in this Loan Approval Ordinance and the Loan Agreement.

NOW, THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF SANTA FE, NEW MEXICO:

Section 1. Definitions. Capitalized terms defined in this Section 1 shall, for all purposes, have the meaning herein specified, unless the context clearly requires otherwise (such meanings to be equally applicable to both the singular and the plural forms of the terms defined). Capitalized terms not defined in this Section 1 shall have the same meanings as defined in the Master Ordinance

"Act" means the Drinking Water State Revolving Loan Fund Act, Section 6-21A-1 et seq., NMSA 1978, as amended, and the general laws of the State, including Sections 3-31-1 through 3-31-12 and Sections 7-19D-12 and 7-1-6.15, NMSA 1978, as amended, the Charter, and enactments of the Governing Body relating to the Loan Agreement, including this Loan Approval Ordinance and the Master Ordinance.

"Administrative Fee" or "Administrative Fee Component" means the 0.25% annual fee payable to the NMFA as 0.125% of each semi-annual Loan Agreement Payment for the costs of originating and servicing the Loan, as shown in the Final Loan Agreement Payment Schedule.

"Aggregate Disbursements" means, at any time after the Closing Date, the sum of (i) the Expense Fund Component and (ii) the aggregate amounts disbursed to the Governmental Unit from the Program Account for payment of the incurred costs of the Project.

"Authorized Officers" means the Mayor, City Manager, Finance Director, and City Clerk of the Governmental Unit.

"Bonds" means drinking water state revolving loan fund revenue bonds, if any, issued hereafter by the NMFA and related to the Loan Agreement and the Loan Agreement Payments.

"Closing Date" means the date of execution and delivery of the Loan Agreement authorized by this Loan Approval Ordinance.

"Completion Date" means the date of final payment of the cost of the Project.

"County" means Santa Fe County, New Mexico.

"Debt Service Account" means the debt service account established in the name of the Governmental Unit and administered by the NMFA to pay principal and interest on the Loan Agreement as the same become due.

"Expense Fund" means the expense fund created in the Loan Agreement to be held and administered by the NMFA to pay Expenses.

"Expense Fund Component" means 1% of each disbursement from the Program Account deposited in the Expense Fund to pay Expenses.

"Expenses" means the costs of issuance of the Loan Agreement and the Bonds, if any, and periodic and regular fees and expenses incurred by the NMFA in administering the Loan Agreement, including legal fees.

"Final Disbursement" means the final disbursement of moneys from the Program Account to the Governmental Unit, which shall occur within two years following the Closing Date, except as otherwise provided in the Loan Agreement.

"Final Loan Agreement Payment Schedule" means the schedule of Loan Agreement Payments due on the Loan Agreement following the Final Disbursement, as described in the Loan Agreement and attached as Exhibit "B" thereto.

"Governing Body" means the duly organized City Council of the Governmental Unit and any successor governing body of the Governmental Unit.

"Governmental Unit" means the City of Santa Fe, New Mexico.

"Herein", "hereby", "hereunder", "hereof", "hereinabove" and "hereafter" refer to this entire Loan Approval Ordinance and not solely to the particular section or paragraph of this Loan Approval Ordinance in which such word is used.

"Joint Powers Agreement" means the joint powers agreement between the City of Santa Fe and the County of Santa Fe governing the Buckman Direct Diversion Project, entered into by the City and the County on or about January 11, 2005 and effective on or about March 7, 2005, including any subsequent amendments thereto.

"Loan" or "Loan Amount" means the funds to be loaned by the NMFA to the Governmental Unit in the Loan Agreement Principal Amount pursuant to the Loan Agreement.

"Loan Agreement" means the loan agreement dated the Closing Date between the NMFA and the Governmental Unit which provides for the financing of the Project and requires payments by or on behalf of the Governmental Unit to the NMFA, and any amendments or supplements thereto, including the exhibits attached to the Loan Agreement.

"Loan Agreement Balance" means, as of any date of calculation, the Loan Agreement Principal Amount less the aggregate principal amount paid or prepaid pursuant to the provisions of the Loan Agreement.

"Loan Agreement Payment" means, collectively, all payments due under the Loan Agreement including principal, interest and Administrative Fees, to be paid by the Governmental Unit as payment on the Aggregate Disbursements under the Loan Agreement as shown on the Final Loan Agreement Payment Schedule.

"Loan Agreement Principal Amount" means, as of any date of calculation, the Aggregate Disbursements (including the Expense Fund Component), up to the Maximum Principal Amount.

"Loan Approval Ordinance" means this Ordinance No. 2008-15 adopted by the Governing Body of the Governmental Unit on April 9, 2008, approving the Loan Agreement and pledging the Pledged Revenues to the payment of the Loan Agreement Payments as shown on the Term Sheet, as supplemented or amended from time to time in accordance with the provisions hereof.

"Master Ordinance" means the Governmental Unit's Ordinance No. 2006-47, adopted August 9, 2006, as supplemented and amended from time to time.

"Maximum Principal Amount" means fifteen million, one hundred fifty thousand dollars (\$15,150,000).

"NMFA" means the New Mexico Finance Authority.

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

"Pledged Revenues" means the revenues of the Governmental Unit pledged to payment of the Loan Agreement Payments pursuant to this Loan Approval Ordinance and described in Exhibit "A" to the Loan Agreement.

"Program Account" means the account in the name of the Governmental Unit established and held by the NMFA for deposit of the net proceeds of the Loan Agreement for disbursement to the Governmental Unit to pay the costs of the Project.

"Project" means the project described in the Term Sheet.

"Second Lien Obligations" means the obligations of the Governmental Unit under the Loan Agreement and any other obligations now outstanding or hereafter issued or incurred, payable from or secured by a pledge of the Pledged Revenues and issued with a second lien on the Pledged Revenues on a parity with the lien thereon of the Loan Agreement and subordinate to the lien thereon of the Senior Obligations, including any such obligations shown on the Term Sheet.

"Senior Obligations" means the City of Santa Fe, New Mexico Utility Revenue Refunding Bonds, Series 1995A, issued on November 29, 1995 and the City of Santa Fe, New Mexico Water Utility System/Capital Outlay Gross Receipts Tax Revenue Refunding Bonds, Series 2006D, issued pursuant to the Master Ordinance, and any other obligations of the Governmental Unit hereafter issued or incurred, payable from or secured by a pledge of the Pledged Revenues and issued with a lien on the Pledged Revenues senior to the Loan Agreement, and issued in accordance with the Master Ordinance.

"State" means the State of New Mexico.

"Term Sheet" means Exhibit "A" to the Loan Agreement.

Section 2. Ratification. All action heretofore taken (not inconsistent with the provisions of this Loan Approval Ordinance) by the Governing Body and officers of the Governmental Unit directed toward the acquisition and construction of the Project, and the execution and delivery of the Loan Agreement shall be, and the same hereby is, ratified, approved and confirmed, except to the extent that such action is expressly amended or modified by this Loan Approval Ordinance or the Loan Agreement;.

Section 3. Authorization of the Project and the Loan Agreement. The Project and the method of financing the Project through execution and delivery of the Loan Agreement are hereby authorized and ordered. The Project is for the benefit and use of the Governmental Unit and its residents.

Section 4. Findings. The Governmental Unit hereby declares that it has considered all relevant information and data and hereby makes the following findings:

A. The Project is needed to meet the needs of the Governmental Unit and its residents, and the execution and delivery of the Loan Agreement in the Maximum Principal Amount is necessary or advisable.

B. Moneys available and on hand for the Project from all sources other than the Loan Agreement are not sufficient to defray the costs of the Project.

C. The Pledged Revenues may lawfully be pledged under the Act and the Master Ordinance to secure the payment of amounts due under the Loan Agreement.

D. It is economically feasible and prudent to defray, in whole or in part, the costs of the Project by the execution and delivery of the Loan Agreement.

E. The Project and the execution and delivery of the Loan Agreement pursuant to the Act to provide funds for the financing of the Project are necessary in the interest of the public health, safety, and welfare of the residents and the public served by the Governmental Unit.

F. The Project is a joint project of the Governmental Unit and the County, will be acquired jointly by the Governmental Unit and the County pursuant to the Joint Powers Agreement, and will be funded jointly by the Governmental Unit and the County.

G. The Governmental Unit and the County will acquire and construct the Project, in whole or in part, with the net proceeds of the Loan.

H. Other than as described in Exhibit "A" to the Loan Agreement, the Governmental Unit does not have any outstanding obligations payable from Pledged Revenues which it has incurred or will incur prior to the initial execution and delivery of the Loan Agreement.

I. The net effective interest rate on the Loan does not exceed 12% per annum which is the maximum rate permitted by State law.

Section 5. Loan Agreement- Authorization and Detail.

A. Authorization. This Loan Approval Ordinance has been adopted by the affirmative vote of at least a three-fourths majority of the whole number of members elected to the Governing Body. For the purpose of protecting the public health, conserving the property, and protecting the general welfare and prosperity of the residents of the Governmental Unit and acquiring the Project, it is hereby declared necessary that the Governmental Unit, pursuant to the Act, execute and deliver the Loan Agreement evidencing a special limited obligation of the Governmental Unit to pay a principal amount of fifteen million, one hundred fifty-thousand dollars (\$15,150,000) and interest thereon, and the execution and delivery of the Loan Agreement are hereby authorized. The Governmental Unit shall use the proceeds of the Loan (i) to finance the acquisition of the Project and (ii) to pay the Expense Fund Component of the Loan Agreement and the costs of issuance of the Bonds, if any. The Project will be jointly owned by the Governmental Unit and the County, in accordance with the Joint Powers Agreement.

B. Detail. The Loan Agreement shall be in substantially the form of the Loan Agreement presented at the meeting of the Governing Body at which this Loan Approval Ordinance was adopted. The Loan shall be in an original aggregate principal amount not to exceed \$15,150,000, shall be payable in installments of principal due on June 1 of the years designated in the Final Loan Agreement Payment Schedule and bear interest payable on June 1 and December 1 of each year, commencing on December 1, 2008, at the rate of two percent (2%) designated in the Loan Agreement, including Exhibit "B" thereto, which rate includes the Administrative Fee.

Section 6. Approval of Loan Agreement. The form of the Loan Agreement as presented at the meeting of the Governing Body at which this Loan Approval Ordinance was adopted is hereby approved. Authorized Officers are hereby individually authorized to execute, acknowledge and deliver the Loan Agreement with such changes, insertions and omissions as may be approved by such individual Authorized Officers, and the Clerk is hereby authorized to affix the seal of the Governmental Unit on the Loan Agreement and attest the same. The execution of the Loan Agreement by an Authorized Officer shall be conclusive evidence of such approval.

Section 7. Special Limited Obligation. The Loan Agreement shall be secured by the second lien pledge of the Pledged Revenues as set forth in the Loan Agreement and shall be payable solely from the Pledged Revenues. The Loan Agreement, together with interest thereon and other obligations of the Governmental Unit thereunder, shall be a special, limited obligation

of the Governmental Unit, payable solely from the Pledged Revenues as provided in this Loan Approval Ordinance, the Master Ordinance and the Loan Agreement and shall not constitute a general obligation of the Governmental Unit or the State, and the holders of the Loan Agreement may not look to any general or other fund of the Governmental Unit for payment of the obligations thereunder. Nothing contained in this Loan Approval Ordinance or in the Master Ordinance, nor in the Loan Agreement nor in any other instruments, shall be construed as obligating the Governmental Unit (except with respect to the application of the Pledged Revenues) or as imposing a pecuniary liability or a charge upon the general credit of the Governmental Unit or against its taxing power, nor shall a breach of any agreement contained in this Loan Approval Ordinance, the Master Ordinance, the Loan Agreement, or any other instrument impose any pecuniary liability upon the Governmental Unit or any charge upon its general credit or against its taxing power. The Loan Agreement shall never constitute an indebtedness of the Governmental Unit within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Governmental Unit or a charge against its general credit or taxing power. Nothing herein shall prevent the Governmental Unit from applying other funds of the Governmental Unit legally available therefor to payments required by the Loan Agreement, in its sole and absolute discretion.

Section 8. Disposition of Proceeds; Completion of Acquisition and Construction of the Project.

A. Program Account. The Governmental Unit hereby consents to creation of the Program Account, Expense Fund and Debt Service Account to be held and maintained by the NMFA as provided in the Loan Agreement. The Governmental Unit hereby approves of the deposit of a portion of the proceeds of the Loan Agreement in the Program Account and Expense Fund.

The proceeds derived from the execution and delivery of the Loan Agreement shall be deposited promptly upon receipt thereof in the Expense Fund and the Program Account, as provided in the Loan Agreement.

Until the Completion Date or the date of the Final Disbursement, the money in the Program Account shall be used and paid out solely for the purpose of acquiring and constructing the Project in compliance with applicable law and the provisions of the Loan Agreement.

The Governmental Unit will acquire, construct and complete the Project with all due diligence.

B. Completion of Acquisition and Construction of the Project. Upon the Completion Date, the Governmental Unit shall execute and send to the NMFA a certificate stating that the acquisition and construction of and payment for the Project have been completed. As soon as practicable, and in any event not more than sixty (60) days from the Completion Date, any balance remaining in the Program Account shall be transferred and deposited into the Debt Service Account, as provided in the Loan Agreement.

C. NMFA Not Responsible for Application of Loan Proceeds. The NMFA shall in no manner be responsible for the application or disposal by the Governmental Unit or by its officers of the funds derived from the Loan Agreement or of any other funds herein designated.

Section 9. Deposit of Pledged Revenues; Distributions of the Pledged Revenues and Flow of Funds.

A. Deposit of Pledged Revenues. Pursuant to the Loan Agreement, Pledged Revenues shall be paid directly by the Governmental Unit to the NMFA in an amount sufficient to pay principal, interest, Administrative Fees and other amounts due under the Loan Agreement.

B. Termination on Deposits to Maturity. No payment shall be made into the Debt Service Account if the amount in the Debt Service Account totals a sum at least equal to the entire aggregate amount of Loan Agreement Payments to become due as to principal, interest on, Administrative Fees and any other amounts due under the Loan Agreement, in which case moneys in such account in an amount at least equal to such principal, interest and Administrative Fee requirements shall be used solely to pay such obligations as the same become due, and any moneys in excess thereof in such accounts shall be transferred to the Governmental Unit and used as provided in Section 9(C) of this Loan Approval Ordinance.

C. Use of Surplus Revenues. After making all the payments hereinabove required to be made by this Section, any moneys remaining in the Debt Service Account shall be transferred to the Governmental Unit on a timely basis and applied to any other lawful purpose, including, but not limited to, the payment of any Senior Obligations, Second Lien Obligations or bonds or obligations subordinate and junior to the Loan Agreement, or purposes authorized by the Governmental Unit, the Constitution and laws of the State, as the Governmental Unit may from time to time determine.

Section 10. Lien on Pledged Revenues. Pursuant to the Loan Agreement, the Pledged Revenues are hereby authorized to be pledged, and are hereby pledged, and the Governmental Unit grants a security interest therein, for the payment of the principal, Administrative Fees, interest, and any other amounts due under the Loan Agreement, subject to the uses thereof permitted by and the priorities set forth in this Loan Approval Ordinance and the Master Ordinance, and subject to the lien on the Pledged Revenues of now outstanding and hereafter issued Senior Obligations. The Loan Agreement constitutes an irrevocable second lien, but not necessarily an exclusive second lien, on the Pledged Revenues as set forth herein and therein.

Section 11. Authorized Officers. Authorized Officers are hereby individually authorized and directed to execute and deliver any and all papers, instruments, opinions, affidavits and other documents and to do and cause to be done any and all acts and things necessary or proper for carrying out this Loan Approval Ordinance, the Loan Agreement and all other transactions contemplated hereby and thereby. Authorized Officers are hereby individually authorized to do all acts and things required of them by this Loan Approval Ordinance, the

Master Ordinance and the Loan Agreement for the full, punctual and complete performance of all the terms, covenants and agreements contained in this Loan Approval Ordinance, the Master Ordinance and the Loan Agreement including, but not limited to, the execution and delivery of closing documents and reports in connection with the execution and delivery of the Loan Agreement, and the publication of the summary of this Loan Approval Ordinance set out in Section 18 of this Loan Approval Ordinance (with such changes, additions and deletions as may be necessary).

Section 12. Amendment of Loan Approval Ordinance. This Loan Approval Ordinance may be amended without receipt by the Governmental Unit of any additional consideration, but only with the prior written consent of the NMFA.

Section 13. Loan Approval Ordinance Irrepealable. After the Loan Agreement has been executed and delivered, this Loan Approval Ordinance shall be and remain irrepealable until all obligations due under the Loan Agreement shall be fully paid, canceled and discharged, as herein provided.

Section 14. Severability Clause. If any section, paragraph, clause or provision of this Loan Approval Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Loan Approval Ordinance.

Section 15. Repealer Clause. All bylaws, orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby 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, heretofore repealed.

Section 16. Effective Date. Upon due adoption of this Loan Approval Ordinance, it shall be recorded in the book of the Governmental Unit kept for that purpose, authenticated by the signatures of the Mayor and Clerk, and the title and general summary of the subject matter contained in this Loan Approval Ordinance (set out in Section 18 below) shall be published in a newspaper which maintains an office and is of general circulation in the Governmental Unit, and said Loan Approval Ordinance shall be in full force and effect thereafter, in accordance with law.

Section 17. Master Ordinance. The Governing Body finds that the terms of the Loan Agreement and of this Loan Approval Ordinance are consistent with the terms and parameters established for the issuance of such debt by the Master Ordinance. This Loan Approval Ordinance, adopted as an ordinance of the Governmental Unit, supplements the Master Ordinance in accordance with the provisions hereof and thereof. In the event of any inconsistency between the Loan Agreement and the Master Ordinance, as supplemented and amended by this Loan Approval Ordinance, the provisions of the Master Ordinance shall control.

Section 18. General Summary for Publication. Pursuant to the general laws of the State, the title and a general summary of the subject matter contained in this Loan Approval 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. 2008-15, duly adopted and approved by the Governing Body of the City of Santa Fe, New Mexico (the "Governmental Unit"), on April 9, 2008. Complete copies of the Ordinance are available for public inspection during normal and regular business hours in the office of the City Clerk, 200 Lincoln Avenue, Santa Fe, New Mexico 87501.

The title of the Ordinance is:

AUTHORIZING THE EXECUTION AND DELIVERY OF A TAXABLE DRINKING WATER STATE REVOLVING LOAN FUND LOAN AGREEMENT BY AND BETWEEN THE CITY OF SANTA FE, NEW MEXICO (THE "GOVERNMENTAL UNIT") AND THE NEW MEXICO FINANCE AUTHORITY, EVIDENCING A SPECIAL LIMITED OBLIGATION OF THE GOVERNMENTAL UNIT TO PAY A PRINCIPAL AMOUNT OF NO MORE THAN \$15,150,000, WHICH INCLUDES AN EXPENSE FUND COMPONENT, TOGETHER WITH INTEREST AND ADMINISTRATIVE FEES THEREON, FOR THE PURPOSE OF FINANCING THE COSTS OF A NECESSARY DRINKING WATER PROJECT, BEING THE DESIGN AND ACQUISITION OF THE BUCKMAN DIRECT SURFACE DIVERSION PROJECT (THE "PROJECT"), AND INCLUDING BUT NOT NECESSARILY BEING LIMITED TO DESIGN AND ENGINEERING OF ANY AND ALL ELEMENTS OF THE PROJECT AND DESIGN, ENGINEERING AND PRE-CONSTRUCTION WORK ON THE WATER TREATMENT PLANT; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF, COSTS OF ISSUANCE, ADMINISTRATIVE FEES AND INTEREST DUE UNDER THE LOAN AGREEMENT SOLELY FROM THE NET REVENUES OF THE GOVERNMENTAL UNIT'S WATER UTILITY SYSTEM AND FROM REVENUES GENERATED BY THE MUNICIPAL CAPITAL OUTLAY GROSS RECEIPTS TAX; APPROVING THE FORM OF AND OTHER DETAILS CONCERNING THE LOAN AGREEMENT; RATIFYING ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTION INCONSISTENT WITH THIS ORDINANCE; AND AUTHORIZING THE TAKING OF OTHER ACTIONS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THE LOAN AGREEMENT.

The title sets forth a general summary of the subject matter contained in the Ordinance.

This notice constitutes compliance with Section 6-14-6, NMSA 1978.

[End of Form of Summary for Publication]

PASSED, APPROVED AND ADOPTED THIS 9TH DAY OF APRIL, 2008.

CITY OF SANTA FE, NEW MEXICO

By _____
David Coss, Mayor

[SEAL]

ATTEST:

By _____
Yolanda Y. Vigil, City Clerk

[Remainder of page intentionally left blank.]

Council Member _____ then moved adoption of the foregoing Ordinance,
duly seconded by Council Member _____.

The motion to adopt said Ordinance, upon being put to a vote, was passed and adopted on
the following recorded vote:

Those Voting Aye: _____

Those Voting Nay: _____

Those Absent: _____

_____ (_____) members of the Governing Body, having voted in favor of said
motion, the Mayor declared said motion carried and said Ordinance adopted, whereupon the
Mayor and the City Clerk signed the Ordinance upon the records of the minutes of the Governing
Body.

After consideration of other matters not relating to the Ordinance, the meeting on motion
duly made, seconded and unanimously carried, was adjourned.

CITY OF SANTA FE, NEW MEXICO

By _____
David Coss, Mayor

[SEAL]

ATTEST:

By _____
Yolanda Y. Vigil, City Clerk

[Remainder of page intentionally left blank.]

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Yolanda Y. Vigil, the duly appointed, qualified, and acting City Clerk of the City of Santa Fe, New Mexico (the "City"), do hereby certify:

1. The foregoing pages are a true, perfect, and complete copy of the record of the proceedings of the City Council (the "Governing Body"), constituting the governing body of the City, had and taken at a duly called regular meeting held at the City Council Chambers, 200 Lincoln Avenue, Santa Fe, New Mexico, on April 9, 2008, at the hour of 7:00 p.m., insofar as the same relate to the adoption of the Ordinance and the execution and delivery of the proposed Loan Agreement, copies of which are set forth in the official records of the proceedings of the Governing Body kept in my office. None of the action taken has been rescinded, repealed, or modified.

2. Said proceedings were duly had and taken as therein shown, the meeting therein was duly held, and the persons therein named were present at said meeting, as therein shown.

3. Notice of the April 9, 2008 meeting was given by the City in compliance with the permitted methods of giving notice of regular meetings of the Governing Body as required by the City's open meetings standards presently in effect.

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of May, 2008.

CITY OF SANTA FE, NEW MEXICO

[SEAL]

By _____
Yolanda Y. Vigil, City Clerk

EXHIBIT "A"

Notice of Meeting

TAXABLE
DRINKING WATER STATE REVOLVING LOAN FUND
LOAN AGREEMENT

(\$15,150,000 Maximum Principal Amount)

Dated

May 16, 2008

By and Between

NEW MEXICO FINANCE AUTHORITY

And

THE CITY OF SANTA FE, NEW MEXICO

LOAN AGREEMENT

This LOAN AGREEMENT (the "Loan Agreement"), dated May 16, 2008, is entered into by and between the NEW MEXICO FINANCE AUTHORITY ("NMFA"), and the CITY OF SANTA FE, NEW MEXICO (the "Governmental Unit"), a political subdivision duly organized and existing under the laws of the State of New Mexico (the "State").

WITNESSETH:

WHEREAS, capitalized terms used in the following recitals of this Agreement have the same meaning as defined in Article I of this Agreement unless the context requires otherwise.

WHEREAS, the NMFA is a public body politic and corporate constituting a governmental instrumentality, separate and apart from the State, duly organized and created under and pursuant to the laws of the State, particularly Section 6-21-1 et seq., NMSA 1978, as amended; and

WHEREAS, the NMFA is authorized, pursuant to Section 6-21A-1 et seq., NMSA 1978, as amended, to implement a program to permit local authorities, such as the Governmental Unit to enter into agreements with the NMFA to facilitate financing of the acquisition of necessary drinking water projects; and

WHEREAS, the Governmental Unit is a political subdivision duly organized and existing under and pursuant to the laws of the State and is a local authority under the Act; and

WHEREAS, the Governing Body of the Governmental Unit has determined that it is in the best interests of the Governmental Unit and its residents that the Governmental Unit enter into this Loan Agreement with the NMFA and accept a loan from the NMFA to finance the costs of the Project, which includes the planning, design, and acquisition of the Buckman Direct Surface Diversion Project, as more fully described on the Term Sheet attached hereto as Exhibit "A"; and

WHEREAS, the Project appears on the Drinking Water Fundable Priority List; and

WHEREAS, the New Mexico Environment Department has determined that the Governmental Unit's Project plans and specifications comply with the provisions of 42 U.S.C. Sections 300j-12(a)(1)(A) and 300j-12(a)(1)(B) and the requirements of the laws and regulations of the State governing the construction and operation of drinking water supply facilities and has certified that the Project is ready to be funded by the NMFA; and

WHEREAS, the Project has been planned and authorized in conformity with the Intended Use Plan; and

WHEREAS, based upon the Final Environmental Impact Statement ("FEIS") for the Buckman Water Diversion Project, Santa Fe County, New Mexico issued by the Bureau of Land Management, Taos Field Office and the USDA Forest Service on May 10, 2007, and the Record of Decision ("ROD") on the FEIS dated October 2007, the NMFA has found and determined that the Project meets all applicable requirements of the State Environmental Review Process (SERP) for the State Drinking Water Revolving Loan Fund; and

WHEREAS, the Governmental Unit is permitted and authorized by the Act to enter into this Loan Agreement; and

WHEREAS, for the purposes of financing the Project, the Governing Body and the NMFA have determined that it is in the best interests of the Governmental Unit and its residents that the NMFA lend the Loan Agreement Principal Amount to the Governmental Unit; and

WHEREAS, the NMFA has determined that the Project is important to the overall capital needs of the residents of the State and that the Project will directly enhance the health, safety and general welfare of the residents served by the Governmental Unit; and

WHEREAS, in 2005 the NMFA approved a taxable Drinking Water State Revolving Loan Fund loan to the Governmental Unit in the maximum principal amount of \$7,070,000, but the loan did not close and no funds were drawn pursuant to that approval; and

WHEREAS, in 2007 the NMFA and the Governmental Unit determined that the Maximum Principal Amount of the loan provided to the Governmental Unit should be \$15,150,000, as provided in this Loan Agreement; and

WHEREAS, except as described on the Term Sheet, the Pledged Revenues have not been pledged or hypothecated in any manner or for any purpose at the time of the execution and delivery of this Loan Agreement, and the Governmental Unit desires to pledge the Pledged Revenues toward the payment of this Loan Agreement subject to the superior lien of the Senior Obligations (as hereinafter defined), to which the lien of this Loan Agreement is subordinate; and

WHEREAS, the obligation of the Governmental Unit hereunder shall constitute a limited, special obligation of the Governmental Unit payable from Pledged Revenues and shall not constitute a general obligation or other indebtedness of the Governmental Unit or a charge against the general credit or ad valorem taxing power of the Governmental Unit; and

WHEREAS, the NMFA has determined that the Governmental Unit has the financial capability to assure sufficient revenue to operate and maintain the drinking water supply facility for its useful life and to repay the amounts borrowed pursuant to this Loan Agreement; and

WHEREAS, the execution, performance and delivery of this Loan Agreement have been authorized, approved and directed by the Governing Body pursuant to the Loan Approval Ordinance; and

WHEREAS, the execution and performance of this Loan Agreement have been authorized, approved and directed by all necessary and appropriate action of the NMFA and its officers.

NOW, THEREFORE, for and in consideration of the premises and the mutual promises and covenants herein contained, the parties hereto agree:

ARTICLE I

DEFINITIONS

Capitalized terms defined in the foregoing recitals shall have the same meaning as therein stated when used in this Loan Agreement, unless the context clearly requires otherwise. Capitalized terms not defined in the recitals and defined in this Article shall have the meaning specified in this Article wherever used in this Loan Agreement, including the foregoing recitals, unless the context clearly requires otherwise. Other capitalized terms used in this Loan Agreement shall have the same meanings as defined in the Master Ordinance or the Loan Approval Ordinance (both as defined below).

"Act" means the Drinking Water State Revolving Loan Fund Act, Section 6-21A-1 et seq., NMSA 1978, as amended, and the general laws of the State, including Sections 3-31-1 through 3-31-12 and Sections 7-19D-12 and 7-1-6.15, NMSA 1978, as amended, and enactments of the Governing Body relating to this Loan Agreement, including the Loan Approval Ordinance and the Master Ordinance.

"Administrative Fee" or "Administrative Fee Component" means the 0.25% annual fee payable to the NMFA as 0.125% of each semi-annual Loan Agreement Payment for the costs of originating and servicing the Loan, as shown in the Final Loan Agreement Payment Schedule attached to this Loan Agreement as Exhibit "B".

"Aggregate Disbursements" means, at any time after the Closing Date, the sum of (i) the Expense Fund Component and (ii) the aggregate amounts disbursed to the Governmental Unit from the Program Account for payment of the incurred costs of the Project.

"Aggregate Program Amount" means, with respect to this Loan Agreement, the sum of fifteen million dollars (\$15,000,000), which amount shall be available for disbursement to the Governmental Unit to pay costs of the Project upon receipt by the NMFA of a properly executed requisition or requisitions in substantially the form attached as Exhibit "C" to this Loan Agreement.

"Authorized Officers" means, with respect to the Governmental Unit, the Mayor, City Manager, Finance Director, and City Clerk, and with respect to the NMFA, the Chairman, Vice-Chairman, and Secretary of the Board of Directors and the Chief Executive Officer, or any other officer or employee of the NMFA designated in writing by an Authorized Officer thereof.

"Bonds" means drinking water state revolving loan fund revenue bonds, if any, issued hereafter by the NMFA and specifically related to this Loan Agreement and the Loan Agreement Payments.

"Buckman Direct Diversion Board" means the board governing the Project, created by the Joint Powers Agreement.

"Closing Date" means the date of execution and delivery of this Loan Agreement as shown on the Term Sheet.

"Debt Service Account" means the debt service account established in the name of the Governmental Unit and administered by the NMFA to pay principal and interest on this Loan Agreement as the same become due.

"Department" means the New Mexico Environment Department.

"Drinking Water Fundable Priority List" means the list of fundable drinking water projects compiled by the Department pursuant to the Memorandum of Understanding and the Intended Use Plan.

"Drinking Water State Revolving Loan Fund" or "State Drinking Water Revolving Loan Fund" means the drinking water state revolving loan fund established by the Act.

"Environmental Protection Agency" means the Environmental Protection Agency of the United States.

"Event of Default" means one or more events of default as defined in Section 10.1 of this Loan Agreement.

"Expense Fund" means the expense fund created herein to be held and administered by the NMFA to pay Expenses.

"Expense Fund Component" means one percent (1%) of each disbursement from the Program Account deposited in the Expense Fund to pay Expenses.

"Expenses" means the costs of issuance of this Loan Agreement and the Bonds, if any, and periodic and regular fees and expenses incurred by the NMFA in administering this Loan Agreement, including legal fees.

"Final Disbursement" means the final disbursement of moneys from the Program Account to the Governmental Unit, which shall occur within two (2) years following the Closing Date, except as otherwise provided in Section 4.1(b) of this Loan Agreement.

"Final Environmental Impact Statement" means the Final Environmental Impact Statement for the Buckman Water Diversion Project prepared by the Santa Fe National Forest and the Taos Field Office of the BLM in Santa Fe County, New Mexico and published in the Federal Register on May 10, 2007.

"Final Loan Agreement Payment Schedule" means the schedule of Loan Agreement Payments due on this Loan Agreement following the Final Disbursement; the Final Loan Agreement Payment Schedule, assuming the disbursement of the Aggregate Program Amount within two (2) years after the Closing Date, is attached as Exhibit "B" to this Loan Agreement.

"Fiscal Year" means the period commencing on July 1 of each calendar year and ending on the last day of June of the next succeeding calendar year, or any other twelve-month period which any appropriate authority may hereafter establish for the Governmental Unit as its fiscal year.

"Generally Accepted Accounting Principles" means the officially established accounting principles applicable to the Governmental Unit consisting of the statements, determinations and other official pronouncements of the Government Accounting Standards Board, Financial Accounting Standards Board, Federal Accounting Standards Board or other principle-setting body acceptable to the Governmental Unit establishing accounting principles applicable to the Governmental Unit.

"Governing Body" means the duly organized City Council of the Governmental Unit and any successor governing body of the Governmental Unit.

"Independent Accountant" means (i) an accountant employed by the State and under the supervision of the State Auditor, or (ii) any certified public accountant, registered accountant, or firm of such accountants duly licensed to practice and practicing as such under the laws of the State, appointed and paid by the Governmental Unit who (a) is, in fact, independent and not under the domination of the Governmental Unit, (b) does not have any substantial interest, direct or indirect, with the Governmental Unit, and (c) is not connected with the Governmental Unit as an officer or employee of the Governmental Unit, but who may be regularly retained to make annual or similar audits of the books or records of the Governmental Unit.

"Intended Use Plan" means the current plan approved by the NMFA and the Department and submitted by the NMFA and the Department to the Environmental Protection Agency pursuant to 42 U.S.C. Section 300j-12(b) which establishes criteria for extending financial assistance and loans to qualifying public drinking water systems.

"Interest Component" means the portion of the Loan Agreement Payment paid as interest accruing on the Aggregate Disbursements, from the date of such disbursement.

"Interest Rate" means the rate of interest on this Loan Agreement as shown on the Term Sheet.

"Interim Period" means the period no greater than two (2) years, beginning on the Closing Date, during which the NMFA will disburse moneys from the Program Account to the Governmental Unit to pay costs of the Project.

"Joint Powers Agreement" means the joint powers agreement between the City of Santa Fe and the County of Santa Fe governing the Buckman Direct Diversion Project, entered into by the City and the County on or about January 11, 2005 and effective on or about March 7, 2005, including any subsequent amendments thereto.

"Loan" means the funds to be loaned by the NMFA to the Governmental Unit in the Loan Agreement Principal Amount pursuant to this Loan Agreement.

"Loan Agreement" means this loan agreement and any amendments or supplements hereto, including the exhibits attached to this loan agreement.

"Loan Agreement Payment" means, collectively, the Principal Component, the Interest Component and the Administrative Fee Component to be paid by the Governmental Unit as payment on the Aggregate Disbursements under the Loan Agreement, as shown on Exhibit "B" hereto.

"Loan Agreement Payment Date" means each date a payment is due on this Loan Agreement as shown on Exhibit "B" hereto or in the Final Loan Agreement Payment Schedule.

"Loan Agreement Principal Amount" means, as of any date of calculation, the Aggregate Disbursements (including the Expense Fund Component), up to the Maximum Principal Amount.

"Loan Agreement Term" means the term of this Loan Agreement as provided under Article III of this Loan Agreement.

"Loan Approval Ordinance" means Ordinance No. 2008-15 adopted by the Governing Body of the Governmental Unit on April 9, 2008, approving this Loan

Agreement and pledging the Pledged Revenues to the payment of the Loan Agreement Payments as shown on the Term Sheet, as supplemented from time to time.

"Master Ordinance" means the Governmental Unit's Ordinance No. 2006-47, adopted August 9, 2006.

"Maximum Principal Amount" means fifteen million one hundred fifty thousand dollars (\$15,150,000).

"Memorandum of Understanding" means the current memorandum of understanding by and between the NMFA and the Department pursuant to the Act describing and allocating duties and responsibilities pursuant to the Drinking Water State Revolving Loan Fund Act.

"Mitigation Measures" means the mitigation measures to be applied in connection with the Project pursuant to the NMFA's Statement of Findings for the Buckman Water Diversion Project dated March 18, 2008 and the NMFA's Record of Decision to Provide Financial Assistance to the City of Santa Fe for the Buckman Direct Diversion Project adopted March 18, 2008.

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

"Operating Agreement" means the operating agreement entered into between the State and the Environmental Protection Agency, Region 6, for the Drinking Water State Revolving Loan Fund program.

"Permitted Investments" means securities which are at the time legal investments of the Governmental Unit for the money to be invested, as applicable, including but not limited to the following if permitted by law: (i) direct obligations of, or obligations fully guaranteed by the United States of America or instruments evidencing ownership interests in those obligations or in specified portions of the principal of or interest on those obligations; (ii) negotiable securities of the State; (iii) money market funds which invest solely in obligations described in clause (i) above which are rated in the highest rating category by Moody's Investors Service, Inc. or Standard & Poor's Rating Group; and (iv) the State Treasurer's short-term investment fund created pursuant to Section 6-10-10.1, NMSA 1978, and operated, maintained and invested by the office of the State Treasurer.

"Pledged Revenues" means the revenues of the Governmental Unit pledged to payment of the Loan Agreement Payments pursuant to the Loan Approval Ordinance and described in Exhibit "A" to this Loan Agreement.

"Principal Component" means the portion of each Loan Agreement Payment paid as principal on this Loan Agreement, based upon the Aggregate Disbursements; the Principal Component of each Loan Agreement Payment, assuming the disbursal of the

Aggregate Program Amount within two (2) years after the Closing Date, is shown on Exhibit "B" attached to this Loan Agreement.

"Program Account" means the account in the name of the Governmental Unit established and held by the NMFA for deposit of the net proceeds of this Loan Agreement for disbursement to the Governmental Unit to pay the costs of the Project.

"Project" means the project(s) described on the Term Sheet.

"Second Lien Obligations" means the obligations of the Governmental Unit under this Loan Agreement and any other obligations now outstanding or hereafter issued or incurred, payable from or secured by a pledge of the Pledged Revenues and issued with a second lien on the Pledged Revenues on a parity with the lien thereon of this Loan Agreement and subordinate to the lien thereon of the Senior Obligations, including any such obligations shown on the Term Sheet.

"Senior Obligations" means the City of Santa Fe Utility Revenue Refunding Bonds, Series 1995A, and the City of Santa Fe Water Utility System/Capital Outlay Gross Receipts Tax Revenue Refunding Bonds, Series 2006D, issued pursuant to the Master Ordinance, and any other obligations of the Governmental Unit hereafter issued or incurred, payable from or secured by a pledge of the Pledged Revenues and issued with a lien on the Pledged Revenues senior to this Loan Agreement, and issued in accordance with the provisions of the Master Ordinance and this Loan Agreement.

"State Environmental Review Process" or "SERP" means the environmental review process adopted by the Department and the NMFA, as required by and approved by the Environmental Protection Agency, pursuant to the Operating Agreement.

"Term Sheet" means Exhibit "A" attached hereto.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1 Representations, Covenants and Warranties of the Governmental Unit: The Governmental Unit represents, covenants and warrants:

(a) Binding Nature of Covenants. All covenants, stipulations, obligations and agreements of the Governmental Unit contained in this Loan Agreement shall be deemed to be the covenants, stipulations, obligations and agreements of the Governmental Unit to the full extent authorized or permitted by law, and such covenants, stipulations, obligations and agreements shall be binding upon the Governmental Unit and its successors and upon any board or body to which any powers or duties affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law. Except as otherwise provided in this Loan Agreement, all rights,

powers and privileges conferred and duties and liabilities imposed upon the Governmental Unit by the provisions of this Loan Agreement, the Loan Approval Ordinance and the Master Ordinance shall be exercised or performed by the Governmental Unit or by such members, officers, or officials of the Governmental Unit as may be required by law to exercise such powers and to perform such duties.

(b) Personal Liability. No covenant, stipulation, obligation or agreement contained in this Loan Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any officer, agent or employee of the Governmental Unit or member of the Governing Body in his or her individual capacity, and neither the members of the Governing Body nor any officer executing this Loan Agreement shall be liable personally on this Loan Agreement or be subject to any personal liability or accountability by reason of the execution and delivery thereof.

(c) Authorization of Loan Agreement. The Governmental Unit is a political subdivision of the State and is duly organized and existing under the statutes and laws of the State. Pursuant to the Act, as amended and supplemented from time to time, the Governmental Unit is authorized by the Act to enter into the transactions contemplated by this Loan Agreement and to carry out its obligations hereunder and thereunder. The Governmental Unit has duly authorized and approved the execution and delivery of this Loan Agreement and the other documents related to the transaction.

(d) Use of Loan Agreement Proceeds. The Governmental Unit shall proceed without delay in applying the proceeds of this Loan Agreement (less amounts deposited to the Expense Fund) to the acquisition and completion of the Project, and to no other purpose, as follows:

(i) The Governmental Unit shall requisition moneys from the Program Account not less frequently than quarterly;

(ii) The Governmental Unit shall, within two (2) years after the Closing Date, have requisitioned the Aggregate Program Amount, or such portion thereof as shall be necessary to complete the Project.

(e) Payment of Loan Agreement Payments. The Governmental Unit shall promptly pay Loan Agreement Payments, as specified in Exhibit "B" hereto, according to the true intent and meaning of this Loan Agreement. Loan Agreement Payments are payable, as a second lien, solely from Pledged Revenues or from the proceeds of refunding bonds or other refunding obligations which the Governmental Unit may hereafter issue in its sole discretion and which are payable from Pledged Revenues; and nothing in this Loan Agreement shall be construed as obligating the Governmental Unit to pay Loan Agreement Payments from any general or other fund of the Governmental Unit other than such special funds. Nothing contained in this Loan Agreement, however, shall be construed as prohibiting the Governmental Unit in its sole and absolute discretion, from making such payments from any moneys which may be lawfully used, and which are legally available, for that purpose.

(f) Acquisition and Completion of Project; Compliance with Laws. The Project will consist of the planning, design, and construction of the Buckman Direct Surface Diversion Project as more particularly described in the Term Sheet. The Project will be completed so as to comply with all applicable ordinances, resolutions and regulations, if any, and any and all applicable laws relating to the acquisition, construction and completion of the Project and to the use of the Pledged Revenues.

(g) Necessity of Project. The acquisition of the Project under the terms and conditions provided in this Loan Agreement is necessary, convenient and in furtherance of the governmental purposes of the Governmental Unit and is in the best interest of the Governmental Unit and its residents.

(h) Legal, Valid and Binding Obligation. The Governmental Unit has taken all required action necessary to authorize the execution and delivery of this Loan Agreement. This Loan Agreement constitutes a legal, valid and binding special obligation of the Governmental Unit enforceable in accordance with its terms.

(i) Loan Agreement Term. The Loan Agreement Term does not exceed the useful life of the Project.

(j) Use of Project. During the Loan Agreement Term, the Project will at all times be used for the purpose of benefiting the Governmental Unit and other Project participants as a whole.

(k) No Excess Loan Agreement Proceeds. The amount loaned to the Governmental Unit under this Loan Agreement as set forth on the Term Sheet does not exceed the sum of (i) the cost of the Project; and (ii) an amount necessary to pay costs related to execution and delivery of this Loan Agreement and the costs related to issuance of the Bonds, if any.

(l) No Breach or Default Caused by Loan Agreement. Neither the execution and delivery of this Loan Agreement, nor the fulfillment of or compliance with the terms and conditions in this Loan Agreement, nor the consummation of the transactions contemplated herein, conflicts with or results in a breach of terms, conditions or provisions of any restriction or any agreement or instrument to which the Governmental Unit is a party or by which the Governmental Unit is bound or any laws, ordinances, resolutions, governmental rules or regulations or court or other governmental orders to which the Governmental Unit or its properties are subject, or constitutes a default under any of the foregoing.

(m) Irrevocable Enactments. While this Loan Agreement remains outstanding and unpaid, any ordinance, resolution or other enactment of the Governing Body applying the Pledged Revenues for the payment of this Loan Agreement shall be irrevocable until this Loan Agreement has been paid in full as to both principal and

interest, and shall not be subject to amendment or modification in any manner which would in any way jeopardize the timely payment of Loan Agreement Payments.

(n) Outstanding and Additional Debt. Except for the Senior Obligations and the Second Lien Obligations described on the Term Sheet, there are currently no outstanding bonds, notes or other obligations of the Governmental Unit which are payable from and secured by a lien on the Pledged Revenues superior to or on a parity with the lien of this Loan Agreement. No additional indebtedness, bonds or notes of the Governmental Unit, payable on a priority ahead of the indebtedness herein authorized out of Pledged Revenues, shall be created or incurred while this Loan Agreement remains outstanding except in accordance with the provisions of this Loan Agreement and the Master Ordinance.

(o) No Litigation. To the best knowledge of the Governmental Unit, no litigation or proceeding is pending or threatened against the Governmental Unit or any other person affecting the right of the Governmental Unit to execute or deliver this Loan Agreement or to comply with its obligations under this Loan Agreement. Neither the execution and delivery of this Loan Agreement by the Governmental Unit nor compliance by the Governmental Unit with the obligations under this Loan Agreement requires the approval of any regulatory body, or any other entity, which approval has not been obtained or which is not reasonably expected to be obtained.

(p) No Event of Default. No event has occurred and no condition exists which, upon the execution and delivery of this Loan Agreement, would constitute an Event of Default on the part of the Governmental Unit under this Loan Agreement.

(q) Pledged Revenues Not Budgeted. The portion of the Pledged Revenues necessary to pay the Loan Agreement Payments, as and when due, is not needed or budgeted to pay current or anticipated operational or other expenses of the Governmental Unit.

(r) Expected Coverage Ratio. The Pledged Revenues from the Fiscal Year immediately preceding the Closing Date were equal to or exceeded and, on an ongoing basis during each year of the Loan Agreement Term are reasonably expected to equal or exceed, one hundred ten percent (110%) of the maximum annual principal, interest and Administrative Fee due on all outstanding Senior Obligations and Second Lien Obligations of the Governmental Unit.

(s) No Extension of Interest Payments. The Governmental Unit will not extend or be a party to the extension of the time for paying any interest on this Loan Agreement.

(t) Governmental Unit's Existence. The Governmental Unit will maintain its corporate identity and existence so long as this Loan Agreement is unpaid, unless another political subdivision by operation of law succeeds to the liabilities and rights of the Governmental Unit without adversely affecting to any substantial degree the

privileges and rights of the NMFA. However, the Governmental Unit may, annex or de-annex land if the Governmental Unit complies with other applicable covenants contained in the Master Ordinance.

(u) Continuing Disclosure under SEC Rule 15c2-12. The Governmental Unit covenants that it shall provide continuing disclosure to the NMFA, as the NMFA may require, that shall include, but not be limited to annual audits, operational data required to update information in any disclosure documents used in connection with assignment or securitizing this Loan Agreement or the Loan Agreement Payments by issuance of Bonds by the NMFA, and notification of any event deemed material and specifically identified by the NMFA.

(v) Disclosure under Federal Law, Regulation and Policy. The Governmental Unit covenants that it shall provide continuing disclosure to the NMFA of any violation or alleged violation in connection with the Project, asserted by a state or federal agency having appropriate jurisdiction, of federal law, regulation, or policy which governs or applies to the Project.

(w) Construction Requirements. The Governmental Unit shall require any contractor hired by it in connection with the construction of the Project to post a performance and payment bond as provided by Section 13-4-18, NMSA 1978, as amended. Upon completion of the acquisition and construction of the Project, the Governmental Unit shall provide a written notice of completion of the Project.

Section 2.2 Protective Covenants Regarding Operation of the System.

(a) Rate Covenant.

(i) The Governmental Unit 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

(ii) The Governmental Unit 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 Pledged Revenues shall at least equal 125% of the Debt Service Requirements on the Series 2006D Bonds and any additional Parity Bonds Outstanding in such Fiscal Year.

(iii) The Governmental Unit 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 Pledged Revenues shall at least equal 110% of the Debt Service

Requirements on the Series 2006D Bonds, any additional Parity Bonds outstanding, and any Second Lien Obligations outstanding in such Fiscal Year.

(iv) Failure by the Governmental Unit to comply with the foregoing rate covenant in any Fiscal Year will not constitute an event of default under the Master Ordinance or this Loan Agreement so long as the Governmental Unit, within one hundred eighty (180) days after the end of such Fiscal Year, adopts the schedule of rates and charges recommended or approved by a Consulting Engineer which would bring the Governmental Unit into compliance with this rate covenant. The Governmental Unit is also required under the Master Ordinance in each Fiscal Year to complete a review of its financial condition for the purpose of estimating whether the Pledged 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 Governmental Unit determines that the Pledged 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, together with Pledged Capital Outlay Gross Receipts Tax Revenues, to be collected in such Fiscal Year to comply with the rate covenant set forth above and will cause additional Gross revenues, together with Pledged Capital Outlay Gross Receipts Tax Revenues, to be collected in such Fiscal Year 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 the Master Ordinance. In the alternative of establishing fees, rates and charges necessary to meet the rate covenant set forth above, the Governmental Unit may implement reductions in Operation and Maintenance Expenses for the System in an amount sufficient to meet the rate covenant.

(b) Lien on Lands Serviced by System. State law grants the Governmental Unit 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 Governmental Unit 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 Governmental Unit will take all necessary steps to enforce the lien against any parcel of property the owner of which is delinquent for more than six (6) months in the payment of charges imposed for the use of the System.

(c) Levy of Charges. The Governmental Unit will promptly fix, establish and levy the rates and charges which are required by Section 2.2(a) hereof. Unless contrary to any provision of applicable law, any resolution or ordinance adopted by the Governing Body 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:

(i) The Governmental Unit has fully complied with the requirements of the rate covenant contained in Section 2.2(a) hereof for any twelve (12) consecutive months out of the sixteen (16) calendar months immediately preceding the reduction of the rate schedule, and

(ii) The audit required by Section 26.09 of the Master Ordinance or a separate certificate by an Independent Accountant for or relating to any twelve (12) consecutive months out of the sixteen (16) calendar months immediately preceding any reduction discloses that the Pledged Revenues resulting from the proposed rate schedule would have been sufficient to meet the rate covenant contained in Section 2.2(a) hereof during the applicable twelve (12) month period.

(d) Efficient Operation. The Governmental Unit 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.

(e) Records. At all times during the Loan Agreement Term, proper books of record and account will be kept by the Governmental Unit, 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 1978, as amended, records with regard to the ownership or pledge of System Bonds are not subject to inspection or copying.

(f) Right to Inspect. NMFA, or its duly authorized agents, shall have the right to inspect at all reasonable times all records, accounts and data relating to the Project and the System.

(g) Audits. Within one hundred eighty (180) days following the close of each Fiscal Year, the Governmental Unit will cause an audit of the books and accounts of the System to be made by an Independent Accountant. Each audit shall comply with Generally Accepted Accounting Principles.

(h) 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 Governmental Unit. 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.

(i) Charges and Liens Upon System. The Governmental Unit 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 Governmental Unit will not create or permit any lien or charge upon the System or the Pledged Revenues except as permitted by the Master Ordinance, or it will make adequate provisions to satisfy and discharge within sixty (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 Pledged Revenues. However, the Governmental Unit 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 affect on the NMFA.

(j) 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 Governmental Unit 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 Governing Body, 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 Governmental Unit may have a material interest and of which the Governmental Unit 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 Governmental Unit 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 any legally permissible manner.

(k) Competing System. Unless contrary to any provision of, or required by, applicable law, so long as System Bonds are outstanding, the Governmental Unit 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 herein shall prevent the Governmental Unit 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.

(l) No Alienation of Utility System. While the System Bonds are outstanding, the Governmental Unit shall not, except as permitted below, transfer, sell, or otherwise dispose of the System. For purposes of this Section 2.2(l), any transfer of an asset over which the Governmental Unit retains or regains substantial control shall not, for so long as the Governmental Unit has such control, be deemed a disposition of the System. The provisions of this Paragraph 2.2(l) shall not be deemed to prohibit the joint ownership and operation of the Project by the Governmental Unit and the County of Santa Fe, in accordance with the Joint Powers Agreement.

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

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

(ii) The property proposed to be disposed of and all other property of the System disposed of during the twelve (12) month period ending on the day of such transfer (but excluding property disposed of under Subsection 2.2(l)(i) 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

(iii) The Governmental Unit 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 Governmental Unit as evidenced by a certificate of an Authorized Officer, the Consultant estimates that the Governmental Unit will be in compliance with the rate covenant in Section 2.2(a) hereof during each of the five (5) Fiscal Years immediately following such disposition.

For purposes of this Section 2.2(l), the term "Significant Portion" of the System means property of the System which, if such property had been disposed of by the Governmental Unit at the beginning of the Fiscal Year which includes the month of commencement of the twelve (12) month period referred to in Subsection 2.2(l)(ii) above would have resulted in a reduction in Net Revenues for such Fiscal Year of more than four percent (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 Governmental Unit directly attributable to such property of the System.

Proceeds of the disposition of assets under Subsection 2.2(l)(ii) or 2.2(l)(iii) 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 the Master Ordinance.

(m) Extending Interest Payments. To prevent any accumulation of claims for interest after maturity, except as permitted by the Master Ordinance, Supplemental Ordinance or Related Documents, the Governmental Unit 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 the Master Ordinance, Supplemental Ordinance or Related Documents, to the benefit or security of the 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.

(n) Competent Management. The Governmental Unit shall employ experienced and competent personnel to manage the System.

(o) Performing Duties. The Governmental Unit will faithfully and punctually perform all duties with respect to the System required by the State and the laws of the Governmental Unit, 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.

(p) No Other Liens. Other than as stated in or provided by the Master Ordinance and Exhibit "A" to this Loan Agreement, there are no liens or encumbrances, of any nature whatsoever, on or against the System, the Pledged Capital Outlay Gross Receipts Tax Revenues, the Gross Revenues, or the Net Revenues.

(q) Free Services Prohibited. No free service, facilities nor commodities shall be furnished by the System. Should the Governmental Unit use water services or facilities supplied by the System for municipal purposes, or any combination thereof, or in any manner use the System, or any part thereof, any use of the System by or of the services rendered thereby to the Governmental Unit, or any department, board or agency thereof, will be paid for from the Governmental Unit'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 Governmental Unit 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.

Section 2.3 Representations, Covenants and Warranties of the NMFA. The NMFA represents, covenants and warrants for the benefit of the Governmental Unit:

(a) Authorization of Loan Agreement. The NMFA is a public body politic and corporate, separate and apart from the State, constituting a governmental

instrumentality duly organized, existing and in good standing under the laws of the State, has all necessary power and authority to enter into and perform and observe the covenants and agreements on its part contained in this Loan Agreement and, by proper action, has duly authorized the execution and delivery of this Loan Agreement.

(b) No Breach or Default Caused by Loan Agreement. Neither the execution and delivery of this Loan Agreement, nor the fulfillment of or compliance with the terms and conditions of this Loan Agreement, nor the consummation of the transactions contemplated in this Loan Agreement conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the NMFA is a party or by which the NMFA is bound or constitutes a default under any of the foregoing and will not conflict with or constitute a violation of any constitutional or statutory provision or order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the NMFA, or its property and which conflict or violation will have a material adverse effect on the NMFA or the financing of the Project.

(c) No Litigation. To the knowledge of the NMFA, there is no litigation or proceeding pending or threatened against the NMFA or any other person affecting the right of the NMFA to execute or deliver this Loan Agreement or to comply with its obligations under this Loan Agreement. Neither the execution and delivery of this Loan Agreement by the NMFA, nor compliance by the NMFA with its obligations under this Loan Agreement, requires the approval of any regulatory body, or any other entity, which approval has not been obtained.

(d) Legal, Valid and Binding Obligations. This Loan Agreement constitutes a legal, valid and binding obligation of the NMFA enforceable in accordance with its terms.

(e) Compliance with Policies. As related to this Loan Agreement, the NMFA has complied with all applicable policies and procedures as adopted and approved by the NMFA Board of Directors or such policies and procedures have been waived by the NMFA Board of Directors.

(f) Compliance with Securities Laws. The NMFA acknowledges that no offering document or prospectus has been prepared by the Governmental Unit in connection with this Loan Agreement. The NMFA is a sophisticated investor regularly making loans and purchasing securities similar to this Loan Agreement and has been provided with and has reviewed such information as it deems relevant in making its decision to enter into this Loan Agreement and make the Loan to the Governmental Unit. The NMFA will not sell, pledge, transfer, convey, hypothecate, mortgage or dispose of this Loan Agreement, or any portion thereof, except to persons who have been provided sufficient information with which to make an informed investment decision regarding this Loan Agreement and in compliance with the Securities Act of 1933, as amended, the regulations promulgated thereunder and applicable State securities laws and regulations.

ARTICLE III

LOAN AGREEMENT TERM

The Loan Agreement Term shall commence on the Closing Date and shall not terminate until the Governmental Unit's obligations under this Loan Agreement have been paid in full or unless provision for prepayment has been made pursuant to Article VIII of this Loan Agreement.

ARTICLE IV

LOAN; APPLICATION OF MONEYS

Section 4.1 Application of Loan Agreement Proceeds.

(a) On the Closing Date, the amount shown on the Term Sheet as the Aggregate Program Amount shall be available for disbursement by the NMFA to the Governmental Unit pursuant to Section 6.2 hereof at the request of the Governmental Unit as needed by the Governmental Unit to implement the Project.

(b) The Final Disbursement shall occur within two (2) years following the Closing Date, except as approved in writing by an Authorized Officer of the NMFA, based on the Governmental Unit's demonstration, to the reasonable satisfaction of the Authorized Officer of the NMFA, that unanticipated circumstances beyond the control of the Governmental Unit resulted in delaying or are delaying the Governmental Unit's request for the Final Disbursement.

Section 4.2 Expense Fund Deposit. The NMFA shall determine the amount of the Expense Fund Component at the time of each disbursement to the Governmental Unit and deposit such amount to the Expense Fund.

Section 4.3 Disbursements from the Program Account; Approval of Payment Requests. The Governmental Unit shall transmit payment requisitions in the form attached to this Loan Agreement as Exhibit "C" and supporting documentation (e.g. a payment request from the contractor or vendor) to the NMFA. The NMFA or its designee shall review each requisition for compliance with (i) the Project's plans and specifications and (ii) all applicable state and federal laws, rules and regulations, and shall approve or disapprove the requisition accordingly. The NMFA shall arrange for disbursement of funds from the Program Account promptly following approval of each payment requisition.

ARTICLE V

LOAN TO THE GOVERNMENTAL UNIT; PAYMENTS BY THE GOVERNMENTAL UNIT

Section 5.1 Loan to the Governmental Unit; Payment Obligations Limited to Pledged Revenues; Pledge of Pledged Revenues. The NMFA hereby lends to the Governmental Unit and the Governmental Unit hereby borrows from the NMFA an amount not to exceed the Aggregate Program Amount. The Governmental Unit promises to pay, but solely from the sources pledged herein, the Loan Agreement Payments as herein provided. The Governmental Unit does hereby convey, assign and pledge unto the NMFA and unto its successors in trust forever all right, title and interest of the Governmental Unit in and to (i) the Pledged Revenues to the extent required to pay the Loan Agreement Payments on parity with the Second Lien Obligations, subject to the senior priority of Senior Obligations, (ii) the Debt Service Account, and (iii) all other rights hereinafter granted, for the securing of the Governmental Unit's obligations under this Loan Agreement, including payment of the Loan Agreement Payments, provided, however, that if the Governmental Unit, its successors or assigns, shall well and truly pay, or cause to be paid, all Loan Agreement Payments at the time and in the manner contemplated by this Loan Agreement, according to the true intent and meaning hereof, or shall provide, as permitted by Article VIII of this Loan Agreement, for the payment thereof and shall pay all other amounts due or to become due under this Loan Agreement in accordance with its terms and provisions then, upon such final payment, this Loan Agreement and the rights created thereby shall terminate; otherwise, this Loan Agreement shall remain in full force and effect. The Loan Agreement Payments shall, in the aggregate, be sufficient to pay the Principal Component, Interest Component and Administrative Fee Component on the Aggregate Disbursements, the payment schedule of which is attached hereto as Exhibit "B".

Within thirty (30) days after each disbursement of moneys from the Program Account during the Interim Period, the NMFA shall recalculate the Interest Component next coming due on the Aggregate Disbursements and shall provide written notice to the Governmental Unit of the recalculated Interest Component. Within thirty (30) days after the Final Disbursement, the NMFA shall provide the Final Loan Agreement Payment Schedule. The schedule of Loan Agreement Payments, assuming the disbursement of the Aggregate Program Amount within two (2) years after the Closing Date, is attached to this Loan Agreement as Exhibit "B". The NMFA shall provide a revised Final Loan Agreement Payment Schedule following Final Disbursement, which shall supersede the schedule attached as Exhibit "B."

The pledge of the Pledged Revenues and the lien thereon shall be effective upon the Closing Date. The Governmental Unit and the NMFA acknowledge and agree that the Loan Agreement Payments of the Governmental Unit hereunder are limited to the Pledged Revenues; and that the Loan Agreement shall constitute a special, limited obligation of the Governmental Unit. No provision of this Loan Agreement shall be construed or interpreted as creating a general obligation or other indebtedness of the Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of this Loan Agreement shall be construed to pledge or to create a lien on

any class or source of Governmental Unit moneys other than the Pledged Revenues, nor shall any provision of this Loan Agreement restrict the future issuance of any bonds or obligations payable from any class or source of Governmental Unit moneys other than the Pledged Revenues. In addition, to the extent not required for the payment of obligations of the Governmental Unit hereunder, the Pledged Revenues may be utilized by the Governmental Unit for any other purposes permitted by law.

Section 5.2 Payment Obligations of Governmental Unit. The Debt Service Account shall be established and held by the NMFA or its designee on behalf of the Governmental Unit. All Loan Agreement Payments received by the NMFA or its designee pursuant to this Loan Agreement shall be accounted for and maintained by the NMFA or its designee in the Debt Service Account, which account shall be kept separate and apart from all other accounts of the NMFA. The amounts on deposit in the Debt Service Account shall be expended and used by the NMFA only in the manner and order of priority specified below:

(a) As a second charge and lien, but not necessarily an exclusive second charge and lien, on the Pledged Revenues (on a parity with the lien on the Pledged Revenues created by any outstanding Second Lien Obligations and subject to the first charge and lien of Senior Obligations), the Governmental Unit shall remit to the NMFA and the NMFA shall collect and deposit into the Debt Service Account the following from the Pledged Revenues received pursuant to this Loan Agreement, in the manner specified below:

(i) Payment of Interest Component during Interim Period.

(A) During the Interim Period, Interest shall accrue on the Aggregate Disbursements of moneys from the Program Account, from the date of each disbursement.

(B) During the Interim Period, within five (5) days after each Program Account disbursement, the NMFA shall calculate the Interest Component next coming due on the Aggregate Disbursements.

(C) During the Interim Period, the Governmental Unit shall on June 1 and December 1 of each year, commencing on the first day of June or December, as the case may be, next following the first disbursement of moneys from the Program Account, pay to the NMFA for deposit into the Debt Service Account such amount as is necessary to pay the Interest Component on the Aggregate Disbursements as of each Loan Agreement Payment date.

(ii) Loan Agreement Payments Following the Interim Period.

After the Interim Period, the Governmental Unit shall pay to the NMFA for deposit into the Debt Service Account the following amounts:

(A) Interest and Administrative Fee Components. On June 1 and December 1 of each year, commencing on the first day of June or December, as the case may be, next following the Final Disbursement, the amount which is necessary to pay the first maturing Interest Component and Administrative Fee Component coming due on this Loan Agreement and thereafter, on each Loan Agreement Payment Date, the amount necessary to pay the Interest Component and Administrative Fee Component then due on this Loan Agreement as described in the Final Loan Agreement Payment Schedule;

(B) Principal Payments. On June 1 of each year, commencing on the first day of June next following the Final Disbursement, the amount which is necessary to pay the first maturing Principal Component; and annually on the first day of each June thereafter, the amount which is necessary to pay the Principal Component then due on this Loan Agreement during the Loan Agreement Term, as described in the Final Loan Agreement Payment Schedule.

(b) In the event that the balance of payments held in the Debt Service Account should exceed the amount needed to cover Loan Agreement Payments then due, NMFA shall use the balance of the Pledged Revenues received, at the request of the Governmental Unit (i) to credit against upcoming Loan Agreement Payments, or (ii) to distribute to the Governmental Unit for any other purpose permitted by law.

Section 5.3 Manner of Payment. All payments of the Governmental Unit hereunder shall be paid in lawful money of the United States of America to the NMFA or its designee at the address designated in Section 11.1 herein. The obligation of the Governmental Unit to make payments hereunder, from and to the extent of the available Pledged Revenues, shall be absolute and unconditional in all events, except as expressly provided hereunder, and payment hereunder shall not be abated through accident or unforeseen circumstances. Notwithstanding any dispute between the Governmental Unit, the NMFA or its designee, any vendor or any other person, the Governmental Unit shall make all deposits hereunder, from and to the extent of the available Pledged Revenues, when due and shall not withhold any deposit hereunder pending final resolution of such dispute, nor shall the Governmental Unit assert any right of set-off or counterclaim against its obligation to make such deposits required hereunder.

Section 5.4. Additional Second Lien Obligations Payable From Pledged Revenues. No provision of this Loan Agreement shall be construed in such a manner as to prevent the issuance by the Governmental Unit of additional Second Lien Obligations payable from Pledged Revenues, nor to prevent the issuance of bonds or other obligations refunding all or a part of this Loan Agreement; provided, however, that before any such additional Second Lien Obligations are actually issued (excluding refunding bonds or refunding obligations which refund Second Lien Obligations or Senior Obligations but including parity refunding bonds and obligations which refund subordinated obligations as provided in Section 5.5 hereof), it must be determined that:

(a) The Governmental Unit is then current in all of the accumulations required to be made into the Debt Service Account as provided herein.

(b) No default shall exist in connection with any of the covenants or requirements of the Loan Approval Ordinance or this Loan Agreement.

(c) The Pledged Revenues received by or credited to the Governmental Unit for the Fiscal Year or for any twelve (12) consecutive months out of the twenty-four (24) months preceding the date of issuance of such additional Second Lien Obligations (the "Historic Test Period") shall have been sufficient to pay an amount representing one hundred ten percent (110%) of the combined maximum annual principal, interest requirement and Administrative Fee coming due in any subsequent Fiscal Year on the then outstanding Senior Obligations and Second Lien Obligations and the Second Lien Obligations proposed to be issued (excluding the accumulation of any reserves therefor).

(d) A written certification or opinion by the Governmental Unit's treasurer or chief financial officer or by an Independent Accountant that the Pledged Revenues for the Historic Test Period are sufficient to pay said amounts, shall be conclusively presumed to be accurate in determining the right of the Governmental Unit to authorize, issue, sell and deliver the Second Lien Obligations proposed to be issued.

(e) No provision of this Loan Agreement shall be construed in such a manner as to prevent the issuance by the Governmental Unit of additional bonds or other obligations payable from the Pledged Revenues constituting a lien upon such Pledged Revenues subordinate and junior to the lien of this Loan Agreement nor to prevent the issuance of bonds or other obligations refunding Second Lien Obligations, including this Loan Agreement, as permitted by Section 5.5 hereof.

(f) The Governmental Unit may issue, as Senior Obligations, additional bonds or other obligations payable from the Pledged Revenues having a lien thereon prior and superior to the lien of this Loan Agreement, so long as the additional bonds tests (set forth in the Master Ordinance) for issuance of Senior Obligations can be met on the date of issuance of such additional bonds or other obligations.

Section 5.5 Refunding Obligations Payable from Pledged Revenues. The provisions of Section 5.4 hereof are subject to the following exceptions:

(a) If at any time after the Closing Date, while this Loan Agreement, or any part thereof, is outstanding, the Governmental Unit shall find it desirable to refund any outstanding bonds or other outstanding obligations payable from the Pledged Revenues, this Loan Agreement, such bonds or other obligations, or any part thereof, may be refunded (but the holders of this Loan Agreement or bonds to be refunded may not be compelled to surrender this Loan Agreement or their bonds, unless this Loan Agreement, the bonds or other obligations, at the time of their required surrender for payment, shall then mature, or shall then be callable for prior redemption at the

Governmental Unit's option), regardless of whether the priority of the lien for the payment of the refunding obligations on the Pledged Revenues is changed, except as provided in subparagraphs (b) and (c) of this Section.

(b) No refunding bonds or other refunding obligations payable from the Pledged Revenues shall be issued on a parity with this Loan Agreement unless:

(i) The outstanding obligations so refunded have a lien on the Pledged Revenues on a parity with the lien thereon of this Loan Agreement and the refunding bonds or other refunding obligations do not increase any aggregate annual principal and interest obligations evidenced by such refunded obligations; or

(ii) The refunding bonds or other refunding obligations are issued in compliance with subparagraphs (a) through (d) of Section 5.4 hereof.

(c) The refunding bonds or other obligations so issued shall enjoy complete equality of lien on the Pledged Revenues with the portion of this Loan Agreement or any bonds or other obligations of the same issue which is not refunded, if any; and the holder or holders of such refunding bonds or such other refunding obligations shall be subrogated to all of the rights and privileges enjoyed by the holder or holders of this Loan Agreement or the bonds or other obligations of this same issue refunded thereby. If only a part of this Loan Agreement or the outstanding bonds and any other outstanding obligations of any issue or issues payable from the Pledged Revenues is refunded, then such obligations may not be refunded without the consent of the holder or holders of the unrefunded portion of such obligations, unless:

(i) The refunding bonds or other refunding obligations do not increase any aggregate annual principal and interest obligations evidenced by such last maturity date of such unrefunded obligations; or

(ii) The refunding bonds or other refunding obligations are issued in compliance with subparagraphs (a) through (d) of Section 5.4 hereof; or

(iii) The lien on the Pledged Revenues for the payment of the refunding obligations is subordinate to each such lien for the payment of any obligations not refunded.

(d) Any refunding bonds or other refunding obligations payable from the Pledged Revenues shall be issued with such details as the Governmental Unit may provide by ordinance or resolution, but without any impairment of any contractual obligations imposed upon the Governmental Unit by any proceedings authorizing the issuance of any unrefunded portion of such outstanding obligations of any one or more issues (including, but not necessarily limited to, this Loan Agreement).

Section 5.6 Investment of Governmental Unit Funds. Money on deposit in the Debt Service Account and the Program Account created hereunder may be invested by

the NMFA or its designee in Permitted Investments at the written direction of the Governmental Unit or, in the absence of such written direction of the Governmental Unit, at the discretion of the NMFA. Any earnings on the Permitted Investments in any of said accounts shall be held and administered in each respective account, and credited to and utilized in the same manner as the other moneys on deposit therein for the benefit of the Governmental Unit.

Section 5.7 Governmental Unit May Budget for Payments. The Governmental Unit may, in its sole discretion, but without obligation and subject to the Constitution of the State, governing laws, and its budgetary requirements, make available properly budgeted and legally available funds to defray any insufficiency of Pledged Revenues to pay Loan Agreement Payments; provided, however, the Governmental Unit has not covenanted and cannot covenant to make such funds available and has not pledged any of such funds for such purpose.

ARTICLE VI

THE PROJECT

Section 6.1 Agreement to Acquire and Complete the Project. The Governmental Unit hereby agrees that in order to effectuate the purposes of this Loan Agreement and to effectuate the acquisition and completion of the Project, it shall make, execute, acknowledge and transmit any contracts, orders, receipts, writings and instructions with any other persons, firms or corporations and, in general do all things which may be requisite or proper to acquire, construct and complete the Project.

The Governmental Unit agrees to acquire and complete the Project through the application of moneys to be disbursed from the Program Account pursuant to Section 6.2 of this Loan Agreement.

Section 6.2 Disbursements from the Program Account. So long as no Event of Default shall occur, the NMFA or its designee shall disburse moneys from the Program Account upon receipt by the NMFA or its designee of a requisition substantially in the form of Exhibit "C" attached hereto signed by an Authorized Officer of the Governmental Unit, with adequate supporting documentation.

Section 6.3 Completion of the Acquisition of the Project. Upon completion of the acquisition of the Project, an Authorized Officer of the Governmental Unit shall deliver a certificate to the NMFA stating that, to the best of his or her knowledge, the Project acquisition has been completed and accepted by the Governmental Unit, and all costs have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being.

Section 6.4 Application of Loan Agreement Proceeds Subsequent to Completion of the Project. Upon completion of the acquisition of the Project as signified by delivery of the completion certificate contemplated in Section 6.3 hereof or in the event that the NMFA shall not have received a certificate of completion as required by Section 6.3 hereof by the date three (3) years from the Closing Date (or such later date as may be approved by an Authorized Officer of the NMFA in connection with an extension of time pursuant to Section 4.1(b) hereof), the NMFA or its designee shall transfer the amounts remaining in the Program Account (except amounts necessary for payment of amounts not then due and payable) to the Debt Service Account and such amounts shall be used for the payment of Loan Agreement Payments.

ARTICLE VII

COMPLIANCE WITH LAWS AND RULES; OTHER COVENANTS

Section 7.1 Further Assurances and Corrective Instruments. The NMFA and the Governmental Unit agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project or of the Pledged Revenues, or for otherwise carrying out the intention hereof.

Section 7.2 NMFA and Governmental Unit Representatives. Whenever under the provisions hereof the approval of the NMFA or the Governmental Unit is required, or the Governmental Unit or the NMFA is required to take some action at the request of the other, such approval or such request shall be given for the NMFA or for the Governmental Unit by an Authorized Officer or Authorized Officers of the NMFA or the Governmental Unit, as the case may be, and any party hereto shall be authorized to rely and act on any such approval or request.

Section 7.3 Compliance with Court Orders. During the Loan Agreement Term, the Governmental Unit and the NMFA shall observe and comply promptly with all current and future orders of all courts having jurisdiction over the parties hereto which are applicable to the Project or the Pledged Revenues.

Section 7.4 Compliance with Applicable State and Federal Laws. During the Loan Agreement Term, the Governmental Unit shall comply with all applicable State and federal laws, including, without limitation, the following:

(a) For all contracts, the Governmental Unit shall comply with the New Mexico Procurement Code, NMSA 1978 Sections 13-1-28 through 13-1-199, or its local procurement ordinances, as applicable.

(b) For all construction contracts awarded in excess of \$10,000, the Governmental Unit shall comply with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 12, 1967, and as supplemented in Department of Labor regulations (41 C.F.R. chapters 40 and 60). In addition, for all contracts, the Governmental Unit shall comply with all State laws and regulations and all executive orders of the Governor of the State pertaining to equal employment opportunity.

(c) For all contracts awarded for construction or repair, the Governmental Unit shall comply with the Copeland "Anti-Kickback" Act (18 U.S.C. § 874) as supplemented in Department of Labor regulations (29 C.F.R. part 3).

(d) For all construction subcontracts, and subgrants of amounts in excess of \$100,000, the Governmental Unit shall comply with all applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. § 7606, section 508 of the Clean Water Act (33 U.S.C. § 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 C.F.R. part 15). In addition, for all contracts, the contractor shall comply with all applicable State laws and regulations and with all executive orders of the Governor of the State pertaining to protection of the environment.

(e) For all contracts the Governmental Unit shall comply with the mandatory standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with section 362 of the Energy Policy and Conservation Act (42 U.S.C. § 6322).

(f) In its capacity as project manager for the Project pursuant to the Joint Powers Agreement, the Governmental Unit shall comply with the Mitigation Measures and shall, to the extent within its authority, require compliance with the Mitigation Measures by all Project contractors and subcontractors. Compliance with the Mitigation Measures as set forth in the Final Environmental Impact Statement, as determined by the federal agencies responsible for administering the Final Environmental Impact Statement, the Record of Decision thereon, and applicable federal permits, shall be deemed to constitute compliance with the Mitigation Measures as stated in the NMFA's Statement of Findings for the Buckman Water Diversion Project dated March 18, 2008 and the NMFA's Record of Decision to Provide Financial Assistance to the City of Santa Fe for the Buckman Direct Diversion Project adopted March 18, 2008.

(g) Subject to the limitations set forth in Subsection 7.4(f) hereof, the NMFA or its designee shall have the right to review all contracts, work orders and other documentation related to the Project that it deems necessary to assure compliance with applicable laws, rules and regulations, and may conduct such review as it deems appropriate prior to disbursing funds from the Program Account.

Section 7.5 Second Lien; Equality of Second Liens. The Loan Agreement Payments constitute an irrevocable second lien (but not necessarily an exclusive second

lien) upon the Pledged Revenues, subject to the prior lien of Senior Obligations. The Governmental Unit covenants that the Loan Agreement Payments and any Second Lien Obligations herein authorized to be issued and from time to time outstanding shall be equitably and ratably secured by a second lien on the Pledged Revenues and shall not be entitled to any priority one over the other in the application of the Pledged Revenues regardless of the time or times of the issuance of such obligations, it being the intention of the Governmental Unit that there shall be no priority between the Loan Agreement Payments and any such Second Lien Obligations regardless of the fact that they may be actually issued and delivered at different times.

Section 7.6 Expeditious Completion. The Governmental Unit shall complete the Project with all practical dispatch.

ARTICLE VIII

PREPAYMENT OF LOAN AGREEMENT PAYMENTS

The Governmental Unit is hereby granted the option to prepay the Principal Component of this Loan Agreement in whole or in part on any day without penalty or prepayment premium, beginning one year after the Closing Date. The Governmental Unit may designate the due date or due dates of the Principal Component or portions thereof being prepaid in the event of a partial prepayment. Notice of intent to make such prepayment shall be provided to the NMFA or its designee by the Governmental Unit no less than forty-five (45) days prior to the prepayment date. The NMFA or its designee shall recalculate the Loan Agreement Payments due under this Loan Agreement in the event of a partial prepayment.

ARTICLE IX

INDEMNIFICATION

From and to the extent of the Pledged Revenues and to the extent permitted by law, the Governmental Unit shall and hereby agrees to indemnify and save the NMFA and its designee, if any, harmless against and from all claims, by or on behalf of any person, firm, corporation or other legal entity arising from the acquisition or operation of the Project during the Loan Agreement Term, from: (i) any act of negligence of the Governmental Unit or breach of any covenant or warranty by the Governmental Unit hereunder; and (ii) the incurrence of any cost or expense in connection with the acquisition or operation of the Project in excess of the Loan Agreement proceeds and interest on the investment thereof. The Governmental Unit shall indemnify and save the NMFA and its designee, if any, harmless, from and to the extent of the available Pledged Revenues, from any such claim arising as aforesaid from (i) or (ii) above, or in connection with any action or proceeding brought thereon and, upon notice from the

NMFA or its designee, shall defend the NMFA or its designee, if any, in any such action or proceeding.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.1 Events of Default Defined. Any one of the following shall be an Event of Default under this Loan Agreement:

(a) Failure by the Governmental Unit to pay any amount required to be paid under this Loan Agreement on the date on which it is due and payable; or

(b) Failure by the Governmental Unit to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Loan Agreement, other than as referred to in paragraph (a), for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Governmental Unit by the NMFA or its designee, if any, unless the NMFA or its designee, as applicable, shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the NMFA or its designee but cannot be cured within the applicable thirty (30) day period, the NMFA or its designee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Governmental Unit within the applicable period and diligently pursued until the failure is corrected; and provided, further, that if by reason of force majeure the Governmental Unit is unable to carry out the agreements on its part therein contained, the Governmental Unit shall not be deemed in default under this paragraph (b) during the continuance of such inability (but force majeure shall not excuse any other Event of Default); or

(c) Any warranty, representation or other statement by or on behalf of the Governmental Unit contained in this Loan Agreement or in any instrument furnished in compliance with or in reference to this Loan Agreement is false or misleading in any material respect; or

(d) A petition is filed against the Governmental Unit under any bankruptcy, moratorium, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within thirty (30) days after such filing, but the NMFA shall have the right to intervene in the proceedings to protect the NMFA's interests; or

(e) The Governmental Unit files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, moratorium, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any

jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under any such law; or

(f) The Governmental Unit admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including, without limitation, a receiver, liquidator or trustee) of the Governmental Unit for any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than thirty (30) days, but the NMFA shall have the right to intervene in the proceedings to protect its interests.

Section 10.2 Remedies on Default. Whenever any Event of Default has occurred and is continuing and subject to Section 10.3 hereof, the NMFA may take any or all of the following actions as may appear necessary or desirable to collect the payments then due and to become due or to enforce performance of any agreement of the Governmental Unit in this Loan Agreement:

(a) By mandamus or other action or proceeding or suit at law or in equity enforce the rights of the NMFA under this Loan Agreement against the Governmental Unit, and compel the Governmental Unit to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained herein; or

(b) By suit in equity enjoin any acts or things which are unlawful or violate the rights of the NMFA; or

(c) Intervene in judicial proceedings that affect this Loan Agreement or the Pledged Revenues; or

(d) Cause the Governmental Unit to account as if it were the trustee of an express trust for all of the Pledged Revenues; or

(e) Take whatever other action at law or in equity may appear necessary or desirable to collect amounts then due and thereafter to become due under this Loan Agreement or enforce any other of its rights thereunder; or

(f) Apply any amounts in the Program Account toward satisfaction of any of the obligations of the Governmental Unit under this Loan Agreement.

Section 10.3 Limitations on Remedies. A judgment requiring a payment of money entered against the Governmental Unit may reach only the available Pledged Revenues.

Section 10.4 No Remedy Exclusive. Subject to Section 10.3 hereof, no remedy herein conferred upon or reserved to the NMFA is intended to be exclusive, and every

such remedy shall be cumulative and shall be in addition to every other remedy given hereunder as now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the NMFA to exercise any remedy reserved in this Article X, it shall not be necessary to give any notice, other than such notice as may be required in this Article X.

Section 10.5 Waivers of Events of Default. The NMFA may in its discretion waive any Event of Default hereunder and the consequences of such an Event of Default; provided, however, that there shall not be waived (i) any Event of Default in the payment of principal of this Loan Agreement at the date when due as specified herein, or (ii) any default in the payment when due of the interest on this Loan Agreement, unless prior to such waiver or rescission, all arrears of interest, with interest at the rate borne by this Loan Agreement on all arrears of payment of principal and all expenses of the NMFA, in connection with such Event of Default shall have been paid or provided for. Such waiver shall be effective only if made by written statement of waiver issued by the NMFA. In case of any such waiver or rescission, or in case any proceeding taken by the NMFA on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case, the NMFA shall be restored to its former position and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Section 10.6 No Additional Waiver Implied by One Waiver. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be in writing and limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 10.7 Agreement to Pay Attorneys' Fees and Expenses. In the event that the Governmental Unit should default under any of the provisions hereof and the NMFA employs attorneys or incurs other expenses for the collection of payments hereunder, or the enforcement of performance or observance of any obligation or agreement on the part of the Governmental Unit herein contained, the Governmental Unit agrees that it shall on demand therefor pay to the NMFA the fees of such attorneys and such other expenses so incurred, to the extent that such attorneys' fees and expenses may be determined to be reasonable by a court of competent jurisdiction; provided, however, that the obligation of the Governmental Unit under this Section shall be limited to expenditures from and to the extent of the available Pledged Revenues.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered as follows: if to the Governmental Unit, then to:

City of Santa Fe
Attn: City Clerk
200 Lincoln Avenue
Santa Fe, New Mexico 87501

If to the NMFA, then to:

New Mexico Finance Authority
Attn: Chief Executive Officer
207 Shelby Street
Santa Fe, New Mexico 87501

If to NMFA's designated servicing agent for this Loan Agreement, if any, at the address to be provided by the servicing agent. The Governmental Unit and the NMFA may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.2 Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the NMFA, the Governmental Unit and their respective successors and assigns, if any.

Section 11.3 Integration. This Loan Agreement and any other agreements, certifications and commitments entered into between the NMFA and the Governmental Unit on the Closing Date constitute the entire agreement of the parties regarding the subject matter hereof as of the Closing Date. The Loan provided herein and the terms hereof supersede all prior understandings and agreements between the parties in connection with the Loan, to the extent inconsistent herewith.

Section 11.4 Master Ordinance. It is the intent and understanding of the parties that this Loan Agreement shall be, and is, consistent with the terms and parameters established for the issuance of such debt by the Master Ordinance. The Loan Approval Ordinance authorizing this Loan Agreement, adopted as an ordinance of the Governmental Unit, supplements the Master Ordinance in accordance with the provisions of the Loan Approval Ordinance and the Master Ordinance. In the event of any inconsistency between this Loan Agreement and the Master Ordinance as supplemented and amended by the Loan Approval Ordinance, the provisions of the Master Ordinance shall control.

Section 11.5 Amendments. This Loan Agreement may be amended only with the written consent of the NMFA and the Governmental Unit. In the event of any inconsistency between this Loan Agreement and the Master Ordinance, as supplemented and amended, the Governmental Unit will consent to and will effect reasonable

amendment of the Master Ordinance to bring it into consistency with this Loan Agreement, provided such amendment is not detrimental to the rights of the Governmental Unit or the holders of Senior Obligations.

Section 11.6 No Liability of Individual Officers, Directors or Trustees. No recourse under or upon any obligation, covenant or agreement contained in this Loan Agreement shall be had against any member, employee, director or officer, as such, past, present or future, of the NMFA, either directly or through the NMFA or against any officer, employee, director or member of the Governmental Unit, past, present or future, as an individual so long as such individual was acting in good faith. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such officer, employee, director or member of the Governmental Unit or of the NMFA is hereby expressly waived and released by the Governmental Unit and by the NMFA as a condition of and in consideration for the execution of this Loan Agreement.

Section 11.7 Severability. In the event that any provision of this Loan Agreement, other than the requirement of the Governmental Unit to pay hereunder, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.8 Execution in Counterparts. This Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.9 Assignment by the NMFA. This Loan Agreement (except as to the Administrative Fee) may be assigned and transferred by the NMFA to a trustee, which right to assign and transfer is hereby acknowledged and approved by the Governmental Unit.

Section 11.10 Compliance with Governing Law. It is hereby declared by the Governmental Unit that it is the intention of the Governmental Unit by the execution of this Loan Agreement to comply in all respects with the provisions of the New Mexico Constitution and statutes as the same govern the pledge of the Pledged Revenues to payment of all amounts payable under this Loan Agreement.

Section 11.11 Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State of New Mexico.

Section 11.12 Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

[Remainder of page intentionally left blank.]

[Signature pages follow.]

IN WITNESS WHEREOF, the NMFA, on behalf of itself has executed this Loan Agreement (which was approved by the NMFA's Board of Directors on June 28, 2007) in its corporate name with its corporate seal affixed hereto and attested by its duly authorized officers; and the Governmental Unit has caused this Loan Agreement to be executed in its corporate name and the seal of the Governmental Unit affixed and attested by duly authorized officers. All of the above are effective as of the date first above written.

NEW MEXICO FINANCE AUTHORITY

[SEAL]

By _____
Stephen R. Flance, Chairman

ATTEST:

By _____
Joanna Prukop, Secretary

Prepared for Execution by Officers of the
New Mexico Finance Authority:

COPPLER & MANNICK, P.C.
As Loan Counsel

By: _____
John L. Appel

Approved for Execution by Officers of the
New Mexico Finance Authority:

By: _____
Reynold. E. Romero
General Counsel

and:

VIRTUE, NAJJAR & BROWN, P.C.
As Special Loan Counsel

By: _____
Richard L. C. Virtue

THE CITY OF SANTA FE, NEW MEXICO

By _____
David Coss, Mayor

ATTEST:

By _____
Yolanda Y. Vigil, City Clerk

APPROVED AS TO FORM:

Frank D. Katz, City Attorney

APPROVED:

Kathryn L. Raveling, Director
Finance Department

EXHIBIT "A"

TERM SHEET

NMFA Loan No. 1475-DW

Governmental Unit:	City of Santa Fe, New Mexico
Project Description:	Design, engineering, pre-construction and construction of the Buckman Direct Surface Diversion Project, including but not necessarily limited to design and engineering of any and all elements of the Buckman Direct Surface Diversion Project and design, engineering and pre-construction work on the water treatment plant.
Loan Agreement Principal Amount:	\$ 15,150,000
Pledged Revenues:	Pledged Revenues as defined in City of Santa Fe Ordinance No. 2006-47 adopted August 9, 2006.
Required Coverage Ratio:	110 %
Currently Outstanding Senior (First Lien) Obligations for Pledged Revenues:	City of Santa Fe New Mexico Utility Revenue Refunding Bonds, Series 1995A and City of Santa Fe New Mexico Water Utility System/Capital Outlay Gross Receipts Tax Revenue Refunding Bonds, Series 2006D
Currently Outstanding Parity (Second Lien) Obligations for Pledged Revenues:	None.
Additional Parity Bonds Test:	110 %
Authorizing Legislation:	Governmental Unit Ordinance No. 2008-15 adopted April 9, 2008
Closing Date:	May 16, 2008
Interest Rate:	2.000% (includes 0.25% Administrative Fee)
Aggregate Amount Available from Program Account:	\$15,000,000
Expense Fund Component:	\$150,000

EXHIBIT "B"

FINAL LOAN AGREEMENT PAYMENT SCHEDULE

[SEE ATTACHED]

EXHIBIT "C"

FORM OF REQUISITION

RE: \$15,150,000 Loan Agreement by and between the City of Santa Fe, New Mexico,
and the NMFA (the "Loan Agreement")

NMFA No. 1475-DW

Closing Date: May 16, 2008

TO: New Mexico Finance Authority
207 Shelby Street
Santa Fe, New Mexico 87501
Attn: Loan Servicing

You are hereby authorized to disburse from the Program Account – City of Santa Fe,
New Mexico, with regard to the above-referenced Loan Agreement the following:

REQUISITION NUMBER:

☐ Interim Request ☐ Final Request

AMOUNT OF PAYMENT: \$

PURPOSE OF PAYMENT:

☐ This is a request of REIMBURSEMENT of incurred and paid project expenses.
(Attach proof of payment, e.g. check stubs, and corresponding invoices)

☐ This is a request of DIRECT PAYMENT to vendor or service provider of
incurred project expenses. (Attach invoices)

PAYEE INFORMATION

NAME:

CONTACT NAME:

ADDRESS:

PHONE NUMBER:

FAX NUMBER:

E-MAIL ADDRESS:

WIRING INFORMATION

BANK NAME:
ACCOUNT NUMBER:
ROUTING NUMBER:

Please indicate if this Business is considered a

☐ SBE (Small Business Entrepreneur) ☐ MBE (Minority Business Entrepreneur) ☐ WBE (Women owned business Entrepreneur) ☐ N/A

(Attach SBE/MBE/WBE Certification)

Each obligation, item of cost or expense mentioned herein is for costs of the Project, is due and payable, has not been the subject of any previous requisition and is a proper charge against the Program Account – City of Santa Fe.

All representations contained in the Loan Agreement and the related closing documents remain true and correct and the City of Santa Fe is not in breach of any of the covenants contained therein.

If this is the final requisition, payment of costs of the Project is complete or, if not complete, the City of Santa Fe shall and understands its obligation to complete the acquisition of the Project from other legally available funds.

Capitalized terms used herein, are used as defined or used in the Loan Agreement.

DATED: _____

By: _____
Authorized Officer

(Print name and title)