

TORRANCE COUNTY, NEW MEXICO
RESOLUTION NO. 2005-30

AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT AND INTERCEPT AGREEMENT BY AND AMONG TORRANCE COUNTY (THE "COUNTY") AND THE NEW MEXICO FINANCE AUTHORITY, EVIDENCING A SPECIAL, LIMITED OBLIGATION OF THE COUNTY TO PAY A PRINCIPAL AMOUNT OF \$544,537 TOGETHER WITH INTEREST AND ADMINISTRATIVE FEES THEREON, FOR THE PURPOSE OF DEFRAYING THE COST OF CONSTRUCTING A FIRE STATION FOR THE NORTHEAST TORRANCE DISTRICT NO. 5 FIRE DEPARTMENT LOCATED IN THE COUNTY AND THE FUNDING OF A LOAN AGREEMENT RESERVE ACCOUNT; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF, ADMINISTRATIVE FEES, AND INTEREST DUE UNDER THE LOAN AGREEMENT SOLELY FROM THE DISTRIBUTIONS OF FIRE PROTECTION FUND REVENUES RECEIVED BY THE COUNTY FOR NORTHEAST TORRANCE DISTRICT NO. 5 FIRE DEPARTMENT FROM THE STATE TREASURER PURSUANT TO SECTION 59A-53-7 NMSA 1978 AND THE DISTRIBUTIONS OF COUNTY FIRE PROTECTION EXCISE TAX REVENUES RECEIVED BY THE COUNTY FROM THE NEW MEXICO TAXATION AND REVENUE DEPARTMENT PURSUANT TO 7-20E-15 NMSA 1978; PROVIDING FOR THE DISTRIBUTION OF FIRE PROTECTION FUND REVENUES FROM THE STATE TREASURER AND COUNTY FIRE PROTECTION TAX REVENUES FROM THE TAXATION AND REVENUE DEPARTMENT TO BE REDIRECTED TO THE NEW MEXICO FINANCE AUTHORITY OR ITS ASSIGNS PURSUANT TO THE INTERCEPT AGREEMENT FOR THE PAYMENT OF PRINCIPAL, ADMINISTRATIVE FEES, AND INTEREST DUE ON THE LOAN AGREEMENT; APPROVING THE FORM OF AND OTHER DETAILS CONCERNING THE LOAN AGREEMENT AND INTERCEPT AGREEMENT AND DETERMINING THE EXACT TERMS OF THE LOAN AGREEMENT AND INTERCEPT AGREEMENT; RATIFYING ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTION INCONSISTENT WITH THIS RESOLUTION; AND AUTHORIZING THE TAKING OF OTHER ACTIONS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THE LOAN AGREEMENT AND INTERCEPT AGREEMENT.

Capitalized terms used in the following preambles have the same meaning as defined in Section 1 of the Resolution unless the context requires otherwise.

WHEREAS, the Governmental Unit is a legally and regularly created, established, organized and existing County under the general laws of the State of New Mexico; 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 and Intercept Agreement be executed and delivered and that the financing of the construction of the Project take place by executing and delivering the Loan Agreement and Intercept Agreement; 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; 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, there have been presented to the Governing Body and there presently are on file with the County Clerk this Resolution and the form of the Loan Agreement and Intercept Agreement, which are incorporated by reference and considered to be a part hereof; and

WHEREAS, the Governing Body hereby determines that the Project to be financed by the Loan is to be used for governmental purposes of the Governmental Unit and will not be used for purposes which would cause the Loan Agreement to be deemed a "private activity bond" as defined by the Internal Revenue Code of 1986, as amended; 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 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 and Intercept Agreement which are required to have been obtained by the date of this Resolution, have been obtained or are reasonably expected to be obtained.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF TORRANCE COUNTY, NEW MEXICO:

Section 1. Definitions. As used in the Resolution, the following terms shall, for all purposes, have the meanings 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):

"Act" means the general laws of the State, including Sections 4-62-1 through 4-62-10, Section 59A-53-7 and Section 7-20E-15, NMSA 1978, as amended, and enactments of the Governing Body relating to the Loan Agreement and Intercept Agreement, including the Resolution.

"Administrative Fee" or "Administrative Fee Component" means the 0.25% fee payable to the NMFA for costs of administering the Loan which shall be charged as a portion of each semi-annual Loan Agreement Payment, as 0.125% of the Loan Agreement Balance at the time each Loan Agreement Payment is due.

"Aggregate Annual Debt Service Requirement" means the total principal, interest and Administrative Fee payments due and payable pursuant to the Loan Agreement and on all Parity Obligations secured by a pledge of the Pledged Revenues for any one Fiscal Year.

"Authorized Officers" means in the case of the Governmental Unit, the Chairman of the Governing Body and Manager, Treasurer and Clerk, and in the case of the NMFA, the Chair, Vice-Chair, Secretary and Executive Director.

"Bonds" means public project revolving fund revenue bonds, if any, issued hereafter by the NMFA and specifically related to the Loan Agreement and the Loan Agreement Payments.

"Closing Date" means the date of execution, delivery and funding of the Loan Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

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

"Debt Service Account" means the debt service account established and maintained by the NMFA in connection with the Loan Agreement.

"Expense Fund" means the Expense Fund created pursuant to the Indenture, to be held and administered by the Trustee to pay costs of issuance of the Loan Agreement and the Bonds, if any, and the periodic and regular fees and expenses incurred by the NMFA and the Trustee in administering the Loan Agreement, including legal fees.

"Fiscal Year" means the period commencing on July 1 in 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.

"Governing Body" means the Board of County Commissioners of the Governmental Unit, or any future successor governing body of the Governmental Unit.

"Governmental Unit" means Torrance County, New Mexico.

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

"Indenture" means the General Indenture of Trust and Pledge dated June 1, 1995, between NMFA and the Trustee, and all supplemental indentures.

"Intercept Agreement" means the Intercept Agreement between the Governmental Unit and the NMFA providing for the direct payment of Pledged Revenues in amounts sufficient to pay principal and interest due on the Loan Agreement.

"Loan" means the lending of moneys 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 that provides for the financing of the Project and requires payments by or on behalf of the Governmental Unit to the NMFA and/or the Trustee.

"Loan Agreement Payment" means all payments due under the Loan Agreement including principal, interest and expenses.

"Loan Agreement Principal Amount" means the original principal amount of the Loan Agreement as shown on the Term Sheet attached as Exhibit "A" to the Loan Agreement.

"Loan Agreement Reserve Account" means the loan agreement reserve account established in the name of the Governmental Unit funded by the Governmental Unit, and administered by the Trustee pursuant to the Indenture.

"Loan Agreement Reserve Requirement" means with respect to the Loan, an amount not to exceed the least of (i) ten percent (10%) of the Loan Agreement Principal Amount, (ii) 125% of the average Aggregate Annual Debt Service Requirement under the Loan Agreement, or (iii) the maximum Aggregate Annual Debt Service Requirement under the Loan Agreement.

"NMFA" means the New Mexico Finance Authority.

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

"Parity Obligations" mean the Loan Agreement, the Parity Obligations listed in Exhibit "A" of the Loan Agreement, and any other obligations, now or hereafter issued or incurred, payable from or secured by a lien or pledge of the Pledged Revenues and issued with a lien on the Pledged Revenues on a parity with the Loan Agreement.

"Pledged County Fire Excise Tax Revenues" mean the distributions the Governmental Unit receives monthly from the New Mexico Taxation and Revenue Department pursuant to Sections 7-20E-15 and 7-1-6.15, NMSA 1978.

"Pledged Fire Protection Fund Revenues" means the distribution of fire protection fund revenues to the Governmental Unit for the benefit of the Northeast Torrance District No. 5 Fire Department, which is utilizing the Project and benefitting from the Loan Agreement, which distribution is made annually by the State Treasurer pursuant to Section

59A-53-7 NMSA 1978, in the amount certified by the State Fire Marshal or the State Fire Board.

"Pledged Revenues" means, collectively, the Pledged County Fire Excise Tax Revenues and the Pledged Fire Protection Fund Revenues.

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

"Project" means the project described in Exhibit "A" to the Loan Agreement.

"Resolution" means this Resolution No. 2005-30 as supplemented from time to time.

"State" means the State of New Mexico.

"Superior Fire Excise Tax Obligations" means the Loan Agreement between the Governmental Unit and the NMFA dated March____, 1996 in the aggregate principal amount of \$_____ and currently outstanding in the aggregate principal amount of \$_____.

"Trustee" means Bank of Albuquerque, N.A., Albuquerque, New Mexico, or any successor trustee company, national or state banking association or financial institution at the time appointed Trustee by the NMFA.

Section 2. Ratification. All action heretofore taken (not inconsistent with the provisions of the Resolution) by the Governing Body and officers of the Governmental Unit directed toward the construction of the Project and the execution and delivery of the Loan Agreement and Intercept Agreement, be, and the same hereby is, ratified, approved and confirmed.

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

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.

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

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

D. It is economically feasible 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 and the Intercept Agreement pursuant to the Act to provide funds for the financing of the Project are necessary and in the interest of the public health, safety, morals and welfare of the residents of the Governmental Unit.

F. The Governmental Unit will construct the Project, in whole or in part, with the net proceeds of the Loan.

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

H. The net effective interest rate on the Loan does not exceed 12.0% per annum, which is the maximum rate permitted by State law.

I. The Loan Agreement will not be executed and delivered by the Governmental Unit until the State Fire Marshal has approved the use of the Pledged Fire Protection Fund Revenues by the Governmental Unit in connection with the construction of the Project.

Section 5. Loan Agreement and Intercept Agreement - Authorization and Detail.

A. Authorization. This Resolution has been adopted by the affirmative vote of at least a majority of all of the members of the Governing Body. For the purpose of protecting the public health, conserving the property, protecting the general welfare and prosperity of the residents of the Governmental Unit and constructing the Project, it is hereby declared necessary that the Governmental Unit, pursuant to the Act, execute and deliver the Loan Agreement and Intercept Agreement evidencing a special, limited obligation of the Governmental Unit to pay a principal amount of \$544,537, and the execution and delivery of the Loan Agreement and Intercept Agreement are hereby authorized. The Governmental Unit shall use the proceeds of the Loan to finance the construction of the Project, fund the Loan Agreement Reserve Account and to pay the costs of issuance of the Loan Agreement and the costs of issuance of the Bonds, if any. The Project will be owned by the Governmental Unit.

B. Detail. The Loan Agreement and Intercept Agreement shall be in substantially the form of the Loan Agreement and Intercept Agreement presented at the meeting of the Governing Body at which this Resolution was adopted. The Loan shall be in

the original aggregate principal amount of \$544,537, shall be payable in installments of principal due on May 1 of the years designated in Exhibit "B" to the Loan Agreement and bear interest payable on May 1 and November 1 of each year, commencing on November 1, 2005, at the rates designated in Exhibit "B" to the Loan Agreement, which rates include the Administrative Fee.

Section 6. Approval of Loan Agreement and Intercept Agreement. The form of the Loan Agreement and Intercept Agreement as presented at the meeting of the Governing Body at which this Resolution was adopted are hereby approved. Authorized Officers are hereby individually authorized to execute, acknowledge and deliver the Loan Agreement and Intercept Agreement with such changes, insertions and omissions as may be approved by such individual Authorized Officers, and the County Clerk is hereby authorized to affix the seal of the Governmental Unit on the Loan Agreement and Intercept Agreement and attest the same. The execution of the Loan Agreement and Intercept 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 pledge of the Pledged Revenues as set forth in the Loan Agreement and shall be payable solely from the Pledged Revenues, after payment of any Superior Fire Excise Tax Obligations as related to the Pledged County Fire Excise Tax 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, after payment of any Superior Fire Excise Tax Obligations as related to the Pledged County Fire Excise Tax Revenues, as provided in this Resolution 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 Resolution nor in the Loan Agreement, nor any other instruments, shall be construed as obligating the Governmental Unit (except with respect to the application of the Pledged Revenues), as incurring 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 Resolution, 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 the Project.

A. Program Account. The Governmental Unit hereby consents to creation of the Debt Service Account by the NMFA and the Program Account, Loan Agreement Reserve Account, and the Expense Fund by the Trustee pursuant to the Indenture, in connection with the Loan. The Governmental Unit hereby approves of the

deposit of the proceeds of the Loan Agreement in the Program Account, Debt Service Account, and Loan Agreement Reserve Account.

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

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

The Governmental Unit will construct the Project with all due diligence.

B. Completion of Construction of the Project. Upon the Completion Date, the Governmental Unit shall execute a certificate stating that construction of and payment for the Project has been completed. As soon as practicable, and, in any event, not more than 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 and Trustee Not Responsible. The NMFA and the Trustee 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.

(1) Deposit of Pledged Fire Protection Fund Revenues. Pursuant to the Intercept Agreement, the Pledged Fire Protection Fund Revenues shall be redirected to the NMFA in an amount sufficient to pay principal, Administrative Fees, interest and other amounts due under the Loan Agreement. The Governmental Unit shall pay Pledged Fire Protection Fund Revenues in an amount sufficient to pay Loan Agreement Payments, including an amount sufficient to cure any deficiencies in the Debt Service Account, to the NMFA or its assignee to be deposited in the Debt Service Account.

(2) Deposit of Pledged Fire Excise Tax Revenues. After payment of any outstanding Superior County Fire Excise Tax Obligations, pursuant to the Intercept Agreement, the Pledged County Fire Excise Tax Revenues shall be redirected to the NMFA in an amount sufficient to pay principal, Administrative Fees, interest and other amounts due under the Loan Agreement. The Governmental Unit shall pay Pledged County Fire Excise Tax Revenues in an amount sufficient to pay Loan Agreement Payments, after payment of any outstanding Superior County Fire Excise Tax Obligations, including an amount

sufficient to cure any deficiencies in the Debt Service Account, to the NMFA or its assignee to be deposited in the Debt Service Account.

B. Termination on Deposits to Maturity. No payment shall be made into the Debt Service Account if the amounts in the Debt Service Account and Loan Agreement Reserve Account total a sum at least equal to the entire aggregate amount to become due as to principal, Administrative Fee, and interest, on, and any other amounts due under, the Loan Agreement in which case moneys in such accounts in an amount at least equal to such principal, Administrative Fee, and interest 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 below.

C. Use of Surplus Revenues. After making all the payments hereinabove required to be made by this Section and any payments required by outstanding Parity Obligations, any moneys remaining in the Debt Service Account shall be transferred to the Governmental Unit on a timely basis and shall be applied to any other lawful purpose, including, but not limited to, the payment of bonds or obligations subordinate and junior to the Loan Agreement, or other 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 to, and are hereby pledged, and the Governmental Unit grants a security interest therein for, the payment of the principal, Administrative Fee, interest, and any other amounts due under the Loan Agreement. The Loan Agreement constitutes an irrevocable and first lien, but not necessarily an exclusive first lien, on the Pledged Fire Protection Fund Revenues as set forth herein and therein and the Governmental Unit shall not create a lien on the Pledged Fire Protection Fund Revenues superior to that of the Loan Agreement. The Loan Agreement constitutes an irrevocable subordinate lien, but not necessarily an exclusive subordinate lien, on the Pledged County Fire Excise Tax Revenues, after payment of any Superior County Fire Excise Tax Obligations, as set forth herein and therein and the Governmental Unit shall not create a lien on the Pledged Fire Excise Tax Revenues superior to that of the Loan Agreement, other than the currently outstanding Superior County Fire Excise Tax Obligations.

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 Resolution, the Loan Agreement, the Intercept 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 Resolution, the Loan Agreement and the Intercept Agreement for the full, punctual and complete performance of all the terms, covenants and agreements contained in this Resolution, the Loan Agreement and the Intercept Agreement, including but not limited to, the execution and delivery of closing documents in connection with the execution and delivery of the Loan Agreement and the Intercept Agreement, and the publication of the

summary of this Resolution set out in Section 17 of this Resolution (with such changes, additions and deletions as they may determine).

Section 12. Amendment of Resolution. Prior to the date of the initial delivery of the Loan Agreement to the NMFA, the provisions of this Resolution may be supplemented or amended by resolution of the Governing Body with respect to any changes which are not inconsistent with the substantive provisions of this Resolution. This Resolution 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. Resolution Irrepealable. After the Loan Agreement and the Intercept Agreement have been executed and delivered, this Resolution 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 Resolution 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 Resolution.

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 Resolution, it shall be recorded in the book of the Governmental Unit kept for that purpose, authenticated by the signatures of the Chairman of the Governing Body and County Clerk of the Governmental Unit, and the title and general summary of the subject matter contained in this Resolution (set out in Section 17 below) shall be published in a newspaper which maintains an office and is of general circulation in the Governmental Unit, or posted in accordance with law, and said Resolution shall be in full force and effect thereafter, in accordance with law.

Section 17. 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 Resolution shall be published in substantially the following form:

(Form of Summary of Resolution for Publication)

Torrance County, New Mexico
Notice of Adoption of Resolution

Notice is hereby given of the title and of a general summary of the subject matter contained in County Resolution No. 2005-30 duly adopted and approved by the Governing Body of Torrance County, New Mexico, on July 13, 2005. Complete copies of the

Resolution are available for public inspection during the normal and regular business hours of the County Clerk, 205 9th Street, Estancia, New Mexico.

The title of the Resolution is:

AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT AND INTERCEPT AGREEMENT BY AND AMONG TORRANCE COUNTY (THE "COUNTY") AND THE NEW MEXICO FINANCE AUTHORITY, EVIDENCING A SPECIAL, LIMITED OBLIGATION OF THE COUNTY TO PAY A PRINCIPAL AMOUNT OF \$544,537 TOGETHER WITH INTEREST AND ADMINISTRATIVE FEES THEREON, FOR THE PURPOSE OF DEFRAYING THE COST OF CONSTRUCTING A FIRE STATION FOR THE NORTHEAST TORRANCE DISTRICT NO. 5 FIRE DEPARTMENT LOCATED IN THE COUNTY AND THE FUNDING OF A LOAN AGREEMENT RESERVE ACCOUNT; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF, ADMINISTRATIVE FEES, AND INTEREST DUE UNDER THE LOAN AGREEMENT SOLELY FROM THE DISTRIBUTIONS OF FIRE PROTECTION FUND REVENUES RECEIVED BY THE COUNTY FOR NORTHEAST TORRANCE DISTRICT NO. 5 FIRE DEPARTMENT FROM THE STATE TREASURER PURSUANT TO SECTION 59A-53-7 NMSA 1978 AND THE DISTRIBUTIONS OF COUNTY FIRE PROTECTION EXCISE TAX REVENUES RECEIVED BY THE COUNTY FROM THE NEW MEXICO TAXATION AND REVENUE DEPARTMENT PURSUANT TO 7-20E-15 NMSA 1978; PROVIDING FOR THE DISTRIBUTION OF FIRE PROTECTION FUND REVENUES FROM THE STATE TREASURER AND COUNTY FIRE PROTECTION TAX REVENUES FROM THE TAXATION AND REVENUE DEPARTMENT TO BE REDIRECTED TO THE NEW MEXICO FINANCE AUTHORITY OR ITS ASSIGNS PURSUANT TO THE INTERCEPT AGREEMENT FOR THE PAYMENT OF PRINCIPAL, ADMINISTRATIVE FEES, AND INTEREST DUE ON THE LOAN AGREEMENT; APPROVING THE FORM OF AND OTHER DETAILS CONCERNING THE LOAN AGREEMENT AND INTERCEPT AGREEMENT AND DETERMINING THE EXACT TERMS OF THE LOAN AGREEMENT AND INTERCEPT AGREEMENT; RATIFYING ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTION INCONSISTENT WITH THIS RESOLUTION; AND AUTHORIZING THE TAKING OF OTHER ACTIONS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THE LOAN AGREEMENT AND INTERCEPT AGREEMENT.

The title sets forth a general summary of the subject matter contained in the Resolution. This notice constitutes compliance with Section 6-14-6 NMSA 1978.

(End of Form of Summary for Publication)

PASSED, APPROVED AND ADOPTED THIS 13th DAY OF JULY, 2005.

BOARD OF COUNTY COMMISSIONERS
TORRANCE COUNTY, NEW MEXICO

By James W Froot
Chairman

[SEAL]

ATTEST:

By Linda Kayser
County Clerk

PASSED, APPROVED AND ADOPTED THIS 13th DAY OF JULY, 2005.

BOARD OF COUNTY COMMISSIONERS
TORRANCE COUNTY, NEW MEXICO

By Jama Frost
Chairman

[SEAL]

ATTEST:

By Linda Kayser
County Clerk

PASSED, APPROVED AND ADOPTED THIS 13th DAY OF JULY, 2005.

BOARD OF COUNTY COMMISSIONERS
TORRANCE COUNTY, NEW MEXICO

By Janna Frost
Chairman

[SEAL]

ATTEST:

By Linda Kayser
County Clerk

PASSED, APPROVED AND ADOPTED THIS ^{27th} ~~13th~~ DAY OF JULY, 2005.

BOARD OF COUNTY COMMISSIONERS
TORRANCE COUNTY, NEW MEXICO

By Jama Frost
Chairman

[SEAL]

ATTEST:

By Linda Kayser
County Clerk

Commissioner LeRoy Candalaria then moved adoption of the foregoing Resolution, duly seconded by Commissioner Paul M. Tito Chavez

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

Those Voting Aye:

Jim Frost

Paul M. Tito Chavez

LeRoy Candalaria

Those Voting Nay:

Those Absent:

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

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

BOARD OF COUNTY COMMISSIONERS
TORRANCE COUNTY, NEW MEXICO

By James Frank
Chair

[SEAL]

ATTEST:

By Linda Kayser
County Clerk

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

BOARD OF COUNTY COMMISSIONERS
TORRANCE COUNTY, NEW MEXICO

By James Frost
Chair

[SEAL]

ATTEST:

By Linda Kayser
County Clerk

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

BOARD OF COUNTY COMMISSIONERS
TORRANCE COUNTY, NEW MEXICO

By Janna Frost
Chair

[SEAL]

ATTEST:

By Linda Kayser
County Clerk

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

BOARD OF COUNTY COMMISSIONERS
TORRANCE COUNTY, NEW MEXICO

By Jama Froot
Chair

[SEAL]

ATTEST:

By Linda Kayser
County Clerk

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STATE OF NEW MEXICO)
)
COUNTY OF TORRANCE)

I, Linda Kayser, the duly elected, qualified and acting Clerk of Torrance County, New Mexico (the "County"), do hereby certify:

1. The foregoing pages are a true, perfect, and complete copy of the record of the proceedings of the County Commission (the "Governing Body"), constituting the governing body of the County had and taken at a duly called regular meeting held at the Torrance County Courthouse, 205 9th Street, Estancia, New Mexico, on July 13, 2005, at the hour of 9:00 a.m., insofar as the same relate to the execution and delivery of the proposed Loan Agreement and Intercept Agreement, a copy of each of which is 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 said meeting was given in compliance with the permitted methods of giving notice of regular meetings of the Governing Body as required by the County's open meetings standards presently in effect.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of August, 2005.



County Clerk

[SEAL]

STATE OF NEW MEXICO)
)
COUNTY OF TORRANCE)

I, Linda Kayser, the duly elected, qualified and acting Clerk of Torrance County, New Mexico (the "County"), do hereby certify:

1. The foregoing pages are a true, perfect, and complete copy of the record of the proceedings of the County Commission (the "Governing Body"), constituting the governing body of the County had and taken at a duly called regular meeting held at the Torrance County Courthouse, 205 9th Street, Estancia, New Mexico, on July 13, 2005, at the hour of 9:00 a.m., insofar as the same relate to the execution and delivery of the proposed Loan Agreement and Intercept Agreement, a copy of each of which is 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 said meeting was given in compliance with the permitted methods of giving notice of regular meetings of the Governing Body as required by the County's open meetings standards presently in effect.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of August, 2005.



County Clerk

[SEAL]

STATE OF NEW MEXICO)
)
COUNTY OF TORRANCE)

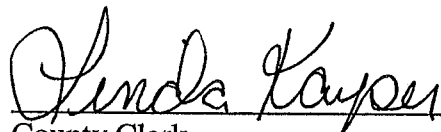
I, Linda Kayser, the duly elected, qualified and acting Clerk of Torrance County, New Mexico (the "County"), do hereby certify:

1. The foregoing pages are a true, perfect, and complete copy of the record of the proceedings of the County Commission (the "Governing Body"), constituting the governing body of the County had and taken at a duly called regular meeting held at the Torrance County Courthouse, 205 9th Street, Estancia, New Mexico, on July 13, 2005, at the hour of 9:00 a.m., insofar as the same relate to the execution and delivery of the proposed Loan Agreement and Intercept Agreement, a copy of each of which is 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 said meeting was given in compliance with the permitted methods of giving notice of regular meetings of the Governing Body as required by the County's open meetings standards presently in effect.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of August, 2005.



County Clerk

[SEAL]

STATE OF NEW MEXICO)
)
COUNTY OF TORRANCE)

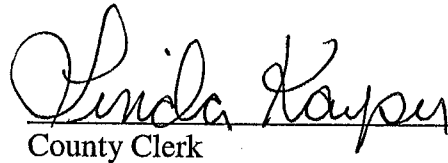
I, Linda Kayser, the duly elected, qualified and acting Clerk of Torrance County, New Mexico (the "County"), do hereby certify:

1. The foregoing pages are a true, perfect, and complete copy of the record of the proceedings of the County Commission (the "Governing Body"), constituting the governing body of the County had and taken at a duly called regular meeting held at the Torrance County Courthouse, 205 9th Street, Estancia, New Mexico, on July 18, 2005, at the hour of 9:00 a.m., insofar as the same relate to the execution and delivery of the proposed Loan Agreement and Intercept Agreement, a copy of each of which is 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 said meeting was given in compliance with the permitted methods of giving notice of regular meetings of the Governing Body as required by the County's open meetings standards presently in effect.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of August, 2005.



County Clerk

[SEAL]

EXHIBIT "A"

Notice of Meeting

\$544,537

LOAN AGREEMENT

dated

August 19, 2005

by and between

NEW MEXICO FINANCE AUTHORITY

and

TORRANCE COUNTY, NEW MEXICO
(Northeast Torrance District No. 5 Fire Department)

The interests of the New Mexico Finance Authority under this Loan Agreement have been assigned to Bank of Albuquerque, N.A., as successor trustee under an Indenture of Trust dated as of June 1, 1995, as amended and supplemented, by and between the NMFA and the Trustee.

LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Loan Agreement"), dated August 19, 2005, entered into by and between the **NEW MEXICO FINANCE AUTHORITY** (the "NMFA"), and **TORRANCE COUNTY, NEW MEXICO** (the "Governmental Unit"), a political subdivision duly organized and existing under the laws of the State of New Mexico.

WITNESSETH:

WHEREAS, the NMFA is a public body politic and corporate constituting a governmental instrumentality, duly organized and created under and pursuant to the laws of the State of New Mexico, particularly Sections 6-21-1 *et seq.*, NMSA 1978, as amended (the "NMFA Act"); and

WHEREAS, one of the purposes of the NMFA Act is to implement a program to permit qualified entities, such as the Governmental Unit, to enter into agreements with the NMFA to facilitate financing of public projects; and

WHEREAS, the Governmental Unit is a political subdivision duly organized and existing under and pursuant to the laws of the State of New Mexico and is a qualified entity under the Act; and

WHEREAS, the County Commission of the Governmental Unit (the "Governing Body"), 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 construction of a fire station for the Northeast Torrance District No. 5 Fire Department located in the Governmental Unit (the "Project") as more fully described on the Term Sheet attached hereto as Exhibit "A"; and

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

WHEREAS, for 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 citizens of the state and that the Project will directly enhance the health and safety of the residents of the Governmental Unit; and

WHEREAS, the Governmental Unit has entered into an Intercept Agreement (the "Intercept Agreement"), dated August 19, 2005, by and between the NMFA and the Governmental Unit and the Distributing State Agencies whereby certain revenues due to the Governmental Unit annually from the State Treasurer (the "Pledged Fire Protection

Fund Revenues"), and certain revenues due to the Governmental Unit monthly from the State Taxation and Revenue Department (the "Pledged County Fire Excise Tax Revenues"), and subordinate to the payment of any outstanding Superior County Fire Excise Tax Obligations related to the Pledged County Fire Excise Tax Revenues, are intercepted by the NMFA or the Trustee, as its assignee, to satisfy payments due under this Loan Agreement; and

WHEREAS, the NMFA has agreed to assign and transfer this Loan Agreement to the Trustee pursuant to the Indenture; 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; and

WHEREAS, the obligation of the Governmental Unit hereunder shall constitute a special, limited obligation of the Governmental Unit, limited to 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 execution, performance and delivery of this Loan Agreement and the Intercept Agreement have been authorized, approved and directed by the Governing Body pursuant to the Resolution; and

WHEREAS, the execution and performance of this Loan Agreement and the Intercept 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 as follows:

ARTICLE I DEFINITIONS

Terms defined in the foregoing Recitals to this Loan Agreement shall have the same meaning when used herein.

"Act" means the general laws of the State, including Sections 4-62-1 through 4-62-10, Section 59A-53-7 and Section 7-20E-15, NMSA 1978, as amended, and enactments of the Governing Body relating to the Loan Agreement and Intercept Agreement, including the Resolution.

"Additional Payment Obligations" mean payments in addition to Loan Agreement Payments required by this Loan Agreement, including, without limitation, payments

required to replenish the Loan Agreement Reserve Account and payments required pursuant to the provisions of Article IX and Article X hereof.

"Administrative Fee" or "Administrative Fee Component" means the 0.25% fee payable to the NMFA for costs of administering the Loan which shall be charged as a portion of each semi-annual Loan Agreement Payment, as 0.125% of the Loan Agreement Balance at the time each Loan Agreement Payment is due.

"Aggregate Annual Debt Service Requirement" means the total principal, interest and Administrative Fee payments, if any, due and payable pursuant to this Loan Agreement and on all Parity Obligations secured by a pledge of the Pledged Revenues for any one Fiscal Year.

"Authorized Officers" means in the case of the Governmental Unit, the Chair of the Governing Body and Manager, Treasurer and Clerk of the Governmental Unit, and in the case of the NMFA, the Chair, Vice-Chair, Secretary and Executive Director.

"Bonds" means public project revolving fund revenue bonds, if any, issued hereafter by the NMFA and specifically related to the Loan Agreement and the Loan Agreement Payments.

"Business Day" means a day on which the Trustee is open for the conduct of substantially all of its business operations.

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

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"Debt Service Account" means the Debt Service Account established in the name of the Governmental Unit and administered by the NMFA.

"Distributing State Agency" means the department or agency of the State, as described on the Term Sheet, authorized to distribute certain tax revenues or special fund revenues to or on behalf of the Government Unit.

"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 pursuant to the Indenture, to be held and administered by the Trustee 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 this Loan Agreement, including legal fees.

"Fiscal Year" means the period commencing on July 1 in 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.

"Governing Body" means the duly organized Board of County Commissioners of the Governmental Unit and any successor governing body.

"Governmental Unit" means Torrance County, New Mexico.

"Indenture" means the General Indenture of Trust and Pledge between the NMFA and Sunwest Bank of Albuquerque, N.A., Albuquerque, New Mexico, dated as of June 1, 1995 (which indenture has been assigned to Bank of Albuquerque, N.A., Albuquerque, New Mexico, as successor trustee) and all supplemental indentures thereto.

"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.

"Intercept Agreement" means the Intercept Agreement, dated August 19, 2005, between the Governmental Unit and the NMFA providing for the direct payment of Pledged Revenues in amounts sufficient to pay Loan Agreement Payments.

"Interest Component" means the portion of each Loan Agreement Payment paid as interest on this Loan Agreement as shown on Exhibit "B" hereto.

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

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

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

"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 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 of this 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.

"Loan Agreement Principal Amount" means the original principal amount of this Loan Agreement as shown on the Term Sheet.

"Loan Agreement Reserve Account" means the loan agreement reserve account established in the name of the Governmental Unit, funded by the Governmental Unit, and administered by the Trustee pursuant to the Indenture.

"Loan Agreement Reserve Requirement" means with respect to the Loan, an amount not to exceed the least of (i) ten percent (10%) of the Loan Agreement Principal Amount, (ii) 125% of the average Aggregate Annual Debt Service Requirement under the Loan Agreement, or (iii) the maximum Aggregate Annual Debt Service Requirement under the Loan Agreement.

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

"Parity Obligations" means this Loan Agreement, and any other obligations, now or hereafter issued or incurred, payable from or secured by a lien or pledge of the Pledged Revenues and issued with a lien on the Pledged Revenues on a parity with this Loan Agreement.

"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 County Fire Excise Tax Revenues" means the funds the Governmental Unit receives monthly from the New Mexico Taxation and Revenue Department pursuant to Sections 7-20E-15 and 7-1-6.15, NMSA 1978.

"Pledged Fire Protection Fund Revenues" means the funds the Governmental Unit receives annually from the New Mexico State Treasurer for the Northeast Torrance

District No. 5 Fire Department pursuant to 59A-53-7 NMSA 1978, in the amount certified by the State Fire Marshal or the State Fire Board.

"Pledged Revenues" means, collectively, the Pledged County Fire Excise Tax Revenues and the Pledged Fire Protection Fund Revenues, pledged to payment of the Loan Agreement Payments pursuant to the Resolution and described on the Term Sheet.

"Principal Component" means the portion of each Loan Agreement Payment paid as principal on this Loan Agreement as shown on Exhibit "B" hereto.

"Program Account" means the Program Account established in the name of the Governmental Unit and administered by the Trustee pursuant to the Indenture.

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

"Resolution" means the Governmental Unit Resolution No. 2005-30 adopted by the Governing Body approving this Loan Agreement and the Intercept Agreement and pledging the Pledged Revenues to the payment of the Loan Agreement Payments as shown on the Term Sheet.

"State" means the State of New Mexico.

"Superior County Fire Excise Tax Obligations" means the Loan Agreement between the NMFA and the Governmental Unit dated March 1996, in the aggregate principal amount of \$ _____ and currently outstanding in the aggregate principal amount of \$3,482.00.

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

"Trustee" means Bank of Albuquerque, N.A., Albuquerque, New Mexico, or any successor trust company, national or state banking association or financial institution at the time appointed Trustee by the NMFA.

"Unassigned Rights" means the rights of the NMFA to receive payment of Administrative Fees, reports and indemnity against claims pursuant to the provisions of this Loan Agreement which are withheld in the granting clauses of the Indenture from the pledge, assignment and transfer of this Loan Agreement to the Trustee.

ARTICLE II REPRESENTATIONS, COVENANTS AND WARRANTIES

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

(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 and the Resolution 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 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 and Intercept 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 of New Mexico. Pursuant to the laws of the State, as amended and supplemented from time to time, the Governmental Unit is authorized to enter into the transactions contemplated by this Loan Agreement and the Intercept 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, the Intercept 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 Loan Agreement Reserve Account and Debt Service Account) to the construction of the Project.

(e) Payment of Loan Agreement. 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 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) Construction of Project. The Project will consist of constructing fire station for the Northeast Torrance District No. 5 Fire Department located in the Governmental Unit and will be constructed so as to comply with all applicable ordinances and regulations, if any, and any and all applicable laws relating to the construction of the Project and to the use of Pledged Revenues.

(g) Necessity of Project. The construction of the Project under the terms and conditions provided for 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 Special Obligation. The Governmental Unit has taken all required action necessary to authorize the execution and delivery of this Loan Agreement and the Intercept Agreement, and this Loan Agreement and the Intercept Agreement constitute legal, valid and binding special obligations of the Governmental Unit enforceable in accordance with their terms.

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

(j) Benefit to Governmental Unit. During the Loan Agreement Term, the Project will at all times be used for the purpose of benefitting the Governmental Unit as a whole.

(k) Governmental Unit. The Governmental Unit is a "governmental unit" within the meaning of Sections 103 and 141(b)(6) of the Code. In addition, no amounts disbursed from the Program Account and used to finance the Project shall be used in the trade or business of a person who is not a "governmental unit" within the meaning of Sections 103 and 141(b)(6) of the Code.

(l) Amount of Loan Agreement. 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, (ii) the Loan Agreement Reserve Requirement, and (iii) 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.

(m) No Breach or Default Caused by Loan Agreement or Intercept Agreement. Neither the execution and delivery of this Loan Agreement and the

Intercept Agreement, nor the fulfillment of or compliance with the terms and conditions in the Loan Agreement and the Intercept Agreement, nor the consummation of the transactions contemplated herein and therein, 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, 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.

(n) Irrevocability of Resolution. 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.

(o) Existence of Additional Debt. Except for the Parity Obligations and Superior County Fire Excise Tax Obligations, if any, 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 parity lien on Pledged Revenues. 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.

(p) 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 the Intercept Agreement to comply with its obligations under this Loan Agreement or the Intercept Agreement. Neither the execution and delivery of this Loan Agreement or the Intercept Agreement by the Governmental Unit nor compliance by the Governmental Unit with the obligations under such agreements, 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.

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

(r) Budgeting of Pledged Revenues. The portion of the Pledged Revenues necessary to pay the Loan Agreement Payments, as and when due, are not needed or budgeted to pay current or anticipated operational or other expenses

of the Governmental Unit, except any outstanding Superior County Fire Excise Tax Obligations.

(s) Expected Coverage Ratio. The Pledged Revenues (giving credit for any increase in Pledged Revenues which has received final approval of the Governing Body and become effective) 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, 125% of the maximum Aggregate Annual Debt Service Requirement.

(t) 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.

(u) 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.

(v) Continuing Disclosure. 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 to assign or securitize the Loan Agreement Payments by issuance of Bonds by the NMFA pursuant to the Indenture, and notification of any event deemed material by the NMFA.

(w) Tax Covenants. The Governmental Unit covenants that it shall restrict the use of the proceeds of this Loan Agreement in such manner and to such extent, if any, as may be necessary so that this Loan Agreement will not constitute an arbitrage bond under Section 148 of the Code and that it shall pay any applicable rebate to the Internal Revenue Service. Authorized Officers, including the Chair of the Governing Body, Manager, Clerk and Treasurer of the Governmental Unit, are hereby authorized and directed to execute an Arbitrage and Tax Certificate as may be required by the NMFA and such additional certificates as shall be necessary to establish that this Loan Agreement is not an "arbitrage bond" within the meaning of Section 148 of the Code and the Treasury Regulations promulgated or proposed with respect thereto, including Treasury Regulation Sections 1.148-1 through 1.148-11, 1.149 and 1.150 as the same currently exist, or may from time to time hereafter be amended, supplemented or revised. The Governmental Unit covenants to comply with the provisions of any such Arbitrage and Tax Certificate and the provisions thereof will be incorporated herein by reference to the same extent as if set forth herein. The Governmental Unit covenants that no use will be made of the proceeds of this Loan Agreement, or any funds or accounts of the Governmental Unit which may be deemed to be Gross Proceeds (as defined in Treasury Regulation Section 1.148-1(b)) of this

Loan Agreement, which use, if it had been reasonably expected on the Closing Date, would have caused this Loan Agreement to be classified as an "arbitrage bond" within the meaning of Section 148 of the Code. Pursuant to this covenant, the Governmental Unit obligates itself to comply throughout the Loan Agreement Term with the requirements of Sections 103 and 141 through 150 of the Code and the regulations proposed or promulgated with respect thereto. The Governmental Unit further represents and covenants that no bonds or other evidence of indebtedness of the Governmental Unit payable from substantially the same source as this Loan Agreement have been or will be issued, sold or delivered within 15 days prior to or subsequent to the Closing Date. The Governmental Unit hereby designates the Loan Agreement as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code.

(x) County Fire Protection Excise Tax. The Governmental Unit covenants that it will not repeal County Ordinance No. 2004-4, which imposes the County Fire Protection Excise Tax, prior to its mandatory repeal date as specified in Ordinance No. 2004-4, and will seek to impose the County Fire Protection Excise Tax for at least the Loan Agreement Term pursuant to Section 7-20E-15 NMSA 1978, and the County Local Option Gross Receipts Taxes Act, Chapter 7, Article 20E, NMSA 1978, including adoption, as necessary, of any ordinances to extend the imposition of the County Fire Protection Excise Tax. In addition to adoption of any ordinance to continue the imposition of the County Fire Protection Excise Tax, the Governmental Unit agrees to call an election pursuant to Section 7-20E-15(E) NMSA 1978, as necessary, to obtain the approval of the majority of qualified voters in the Governmental Unit for the continued imposition of the County Fire Protection Excise Tax.

Section 2.2 Representations, Covenants and Warranties of the NMFA. The NMFA represents, covenants and warrants for the benefit of the Governmental Unit as follows:

(a) Authorization of Loan Agreement and Intercept Agreement. The NMFA is a public body politic and corporate 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 the Intercept Agreement and, by proper action, has duly authorized the execution and delivery of this Loan Agreement and the Intercept Agreement, based upon the NMFA's findings that:

(i) The Governmental Unit is a disadvantaged qualified entity in that its median household income is \$24,276, which is less than seventy-five percent (75%) of the State median household income of \$34,134;

(ii) The Project is important to the overall capital needs of the State and directly enhances the health and safety of the residents of the Governmental Unit.

(b) Assignment of Rights. The NMFA will not pledge or assign the Pledged Revenues, the Loan Agreement Payments or any of its other rights under this Loan Agreement and the Intercept Agreement except to the Trustee pursuant to the Indenture.

(c) No Breach or Default Caused by Loan Agreement or Intercept Agreement. Neither the execution and delivery of this Loan Agreement or the Intercept Agreement, nor the fulfillment of or compliance with the terms and conditions of this Loan Agreement or the Intercept Agreement, nor the consummation of the transactions contemplated in this Loan Agreement or the Intercept 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.

(d) 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 the Intercept Agreement or to comply with its obligations under this Loan Agreement or the Intercept Agreement. Neither the execution and delivery of this Loan Agreement or the Intercept Agreement by the NMFA, nor compliance by the NMFA with its obligations under this Loan Agreement and the Intercept Agreement requires the approval of any regulatory body, or any other entity, which approval has not been obtained.

(e) Legal, Valid and Binding Obligations. This Loan Agreement and the Intercept Agreement constitute the legal, valid and binding obligations of the NMFA enforceable in accordance with their terms.

(f) Tax-Exempt Reimbursement of Amount Loaned. The NMFA intends to reimburse the Public Project Revolving Fund for the amount of the Loan from the proceeds of tax-exempt bonds which the NMFA expects to issue within eighteen months of the Closing Date.

ARTICLE III
LOAN AGREEMENT TERM

The Loan Agreement Term shall commence on the Closing Date and shall not terminate until this Loan Agreement has been paid in full or provision for the payment of this Loan Agreement has been made pursuant to Section 8.1 hereof.

ARTICLE IV
LOAN; APPLICATION OF MONEYS

Section 4.1 Application of Loan Agreement Proceeds. On the Closing Date, the NMFA shall transfer the Loan Agreement Principal Amount to the Trustee for deposit as follows:

(a) The amount shown on the Term Sheet shall be deposited into the Program Account to be maintained by the Trustee and disbursed pursuant to Section 6.2 hereof at the direction of the Governmental Unit as needed by the Governmental Unit to construct the Project; and

(b) the amount shown on the Term Sheet as the Loan Agreement Reserve Account deposit shall be deposited in the Loan Agreement Reserve Account maintained by the Trustee pursuant to the Indenture; and

(c) the amount shown on the Term Sheet shall be deposited into the Debt Service Account to be maintained by the NMFA or its assignee and utilized as provided in Section 5.2 hereof.

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 equal to the Loan Agreement Principal 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 Parity Obligations, and Subordinate to the payment of any outstanding Superior County Fire Excise Tax Obligations as related to the Pledged County Fire Protection Excise Tax Revenues, (ii) the Debt Service Account, (iii) the Loan Agreement Reserve Account, and (iv) 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 Section 8.1 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 or provision for payment by the Governmental Unit, 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 the Administrative Fee Component, the payment schedule of which is attached hereto 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 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 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 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 on behalf of the Governmental Unit and the Loan Agreement Reserve Account shall be established and held by the Trustee on behalf of the Governmental Unit. All Loan Agreement Payments received by the NMFA pursuant to the Intercept Agreement shall be accounted for and maintained on an ongoing basis by the NMFA in a separate debt service account maintained by the NMFA in connection with the Loan, and shall be remitted to the Trustee prior to the date on which the Trustee is required to make payments on outstanding related Bonds. The amounts on deposit in the Debt Service Account and the Loan Agreement Reserve Account shall be expended and used by the Trustee or the NMFA, as the case may be, only in the manner and order of priority specified below:

(a) As a first charge and lien, but not an exclusive first charge, on the Pledged Fire Protection Fund Revenues (on a parity with the lien on the Pledged Fire Protection Fund Revenues created by any outstanding Parity Obligations), the NMFA shall collect and deposit the amount below from the Pledged Fire Protection Fund Revenues received under the Intercept Agreement, which shall be transferred to the Trustee prior to the date on which the Trustee is required to make payments on outstanding related Bonds. As a subordinate charge and lien,

but not an exclusive subordinate charge, on the Pledged County Fire Excise Tax Revenues (on a parity with the lien on the Pledged County Fire Excise Tax Revenues created by any outstanding Parity Obligations, and subordinate to the lien on the Pledged County Fire Excise Tax Revenues created by any outstanding Superior County Fire Excise Tax Obligations), the NMFA shall collect and deposit the amount below from the Pledged County Fire Excise Tax Revenues received under the Intercept Agreement, which shall be transferred to the Trustee prior to the date on which the Trustee is required to make payments on outstanding related Bonds:

(i) Interest Components and Administrative Fee Components. Annually, beginning in July 2006 and continuing each July thereafter for the Loan Agreement Term, an amount which is necessary to pay the maturing Interest Components and Administrative Fee Components coming due on this Loan Agreement as described in Exhibit "B";

(ii) Principal Payments. Annually, beginning in July 2006 and continuing each July thereafter for the Loan Agreement Term, an amount which is necessary to pay the maturing Principal Components coming due on this Loan Agreement as described in Exhibit "B".

(b) Each Loan Agreement Payment (less the NMFA's Administrative Fee, which the NMFA shall withhold) shall be transferred by the NMFA from the Debt Service Account to the Trustee, who shall deposit the Loan Agreement Payment to the Revenue Fund (as defined in the Indenture) on the due date of such payment.

(c) As a second charge and lien on the Pledged Revenues received from the Governmental Unit after the payments in (a) and (b) have been made, the Trustee shall transfer and deposit to the Loan Agreement Reserve Account any amounts necessary to fully replenish the Loan Agreement Reserve Account to the Loan Agreement Reserve Requirement. Moneys in the Loan Agreement Reserve Account shall be held and administered by the Trustee and shall be used only to prevent deficiencies in the payment of the Principal Component, Interest Component and Administrative Fee Component of the Loan Agreement Payments resulting from a failure to deposit into the Debt Service Account sufficient funds to pay debt service requirements on the Loan; provided, that the final two Interest Components and Administrative Fee Components and the final Principal Component on the Loan shall be payable from the Loan Agreement Reserve Account. If funds are withdrawn from the Loan Agreement Reserve Account to pay debt service on the Loan, at the direction of the NMFA or the Trustee, additional Pledged Revenues shall be deposited into the Loan Agreement Reserve Account in an amount sufficient to restore the amount on deposit therein to the Loan Agreement Reserve Requirement within one year following such withdrawal; provided, that no additional Pledged Revenues shall be intercepted to replenish the Loan Agreement Reserve Account following the transfer of the

amount in the Loan Agreement Reserve Account to the Debt Service Account for payment of the final two Interest Components and Administrative Fee Components and the final Principal Component.

Notwithstanding any other provisions hereof, the NMFA shall have the right to waive the requirement of the Loan Agreement Reserve Account and the Loan Agreement Reserve Requirement, and any moneys in the Loan Agreement Reserve Account may, at the written direction of the NMFA, be applied to the Debt Service Account, applied to the prepayment of the Loan pursuant to Section 8.1 hereof, released to the Governmental Unit for the Project or used for any other purposes provided by law. If amounts in the Loan Agreement Reserve Account are released by the NMFA, the references in this Loan Agreement to the Loan Agreement Reserve Account, the NMFA Loan Agreement Reserve Account and the Loan Agreement Reserve Requirement shall be of no further force and effect.

(d) After making the payments required by subparagraph (b) above, the NMFA shall annually use the balance of the Pledged Revenues received under the Intercept Agreement at the direction of the Governmental Unit (i) to credit against upcoming Loan Agreement Payments, or (ii) to distribute to the Governmental Unit's account in the Fire Protection Fund or to the Governmental Unit for any other purposes, as 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 at the address designated in Section 11.1 herein, for remittance to the Trustee. The obligation of the Governmental Unit to make payments hereunder, from and to the extent of 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, the Trustee, any vendor or any other person, the Governmental Unit shall make all deposits hereunder, from and to the extent of 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 Parity Obligations. No provision of this Loan Agreement shall be construed in such a manner as to prevent the issuance by the Governmental Unit of additional Parity 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 Parity Obligations are actually issued (excluding refunding bonds or refunding obligations which refund Parity Obligations but including parity refunding bonds and obligations which refund subordinate 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 and Loan Agreement Reserve Account as provided herein.

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

(c) The Pledged Revenues received by or credited to the Governmental Unit for the Fiscal Year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional Parity Obligations (the "Historic Test Period") shall have been sufficient to pay an amount representing one hundred twenty-five percent (125%) of the combined maximum Aggregate Annual Debt Service Requirements coming due in any subsequent Fiscal Year on the then outstanding Parity Obligations and any outstanding Superior County Fire Excise Tax Obligations and the Parity 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 Parity 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 all or part of this Loan Agreement as permitted by Section 5.5 hereof.

(f) Except for any outstanding Superior County Fire Excise Tax Obligations, the Governmental Unit shall not issue any new bonds or other obligations payable from the Pledged Revenues having a lien thereon prior and superior to this Loan Agreement.

Section 5.5 Refunding Obligations. 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 subparagraph (e) of Section 5.4 hereof and 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 are Parity Obligations 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 (f) 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 the 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 refunded obligations and by the outstanding obligations not refunded on and prior to the last maturity date of such unrefunded obligations; or

(ii) The refunding bonds or other refunding obligations are issued in compliance with subparagraphs (a) through (f) 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 established by the NMFA for the Governmental Unit may be invested by the NMFA in Permitted Investments at the discretion of the NMFA. Money on deposit in the Program Account and Loan Agreement Reserve Account created hereunder may be invested by the Trustee in Permitted Investments at the written direction of the NMFA or at the discretion of the Trustee. Any earnings on said accounts shall be held and administered in each respective account and utilized in the same manner as the other moneys on deposit therein.

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 Construct the Project. The Governmental Unit hereby agrees that to effectuate the purposes of this Loan Agreement and to effectuate the construction 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 construct the Project.

The Governmental Unit agrees to construct 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 Trustee shall disburse moneys for the Program Account in accordance with Section 6.2 of the Indenture upon receipt by the Trustee of a requisition substantially in the form of Exhibit "C" attached hereto signed by an Authorized Officer of the Governmental Unit.

No disbursement shall be made from the Program Account without the approval of Bond Counsel (i) to reimburse the Governmental Unit's own funds for expenditures made prior to the Closing Date, (ii) to refund or advance refund any tax-exempt obligations issued by or on behalf of the Governmental Unit, or (iii) to be used, directly or indirectly, to finance a project used or to be used in the trade or business of a person who is not a "governmental unit," within the meaning of Section 141(b)(6) of the Code.

Section 6.3 Completion of Construction of the Project. Upon completion of construction of the Project, an Authorized Officer of the Governmental Unit shall deliver a certificate to the NMFA and the Trustee stating that, to the best of his knowledge the Project construction 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 Construction. Upon completion of the construction of the Project as signified by delivery of the completion certificate contemplated in Section 6.3 hereof or in the event that the NMFA and the Trustee shall not have received a certificate of completion as required by Section 6.3 hereof by the date three years from the Closing Date, the Trustee 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 debt service on this Loan Agreement.

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 the Authorized Officer of the NMFA or the Governmental Unit, as the case may be, and any party hereto shall be authorized to act on any such approval or request.

Section 7.3 Requirements of Law. 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, the Project or the Pledged Revenues.

Section 7.4 Lien; Equality of Liens. The Loan Agreement Payments constitute an irrevocable first lien (but not necessarily an exclusive first lien) upon the Pledged Fire Protection Fund Revenues. The Loan Agreement Payments constitute an irrevocable subordinate lien (but not necessarily an exclusive subordinate lien) upon the Pledged County Fire Excise Tax Revenues, junior and subordinate to any outstanding Superior County Fire Excise Tax Obligations. The Governmental Unit covenants that the Loan Agreement Payments and any Parity Obligations herein authorized to be issued and from time to time outstanding shall be equitably and ratably secured by a first 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 Parity Obligations regardless of the fact that they may be actually issued and delivered at different times.

Section 7.5 Expeditious Construction. The Governmental Unit shall complete the construction of the Project with all practical dispatch.

Section 7.6 Bank Designation of Loan Agreement. For purposes of and in accordance with Section 265 of the Code, the Governmental Unit hereby designates this Loan Agreement as an issue qualifying for the exception for certain qualified tax-exempt obligations to the rule denying banks and other financial institutions 100% of the deduction for interest expenses which is allocable to tax-exempt interest. The Governmental Unit reasonably anticipates that the total amount of tax exempt obligations (other than obligations described in Section 265(b)(3)(C)(ii) of the Code) which will be issued by the Governmental Unit and by any aggregated issuer during calendar year 2005 will not exceed \$10,000,000. For purposes of this Section 7.6, "aggregated issuer" means any entity which (i) issues obligations on behalf of the Governmental Unit; (ii) derives its issuing authority from the Governmental Unit, or (iii) is directly or indirectly controlled by the Governmental Unit within the meaning of Treasury Regulatory Section 1.150-1(e). The Governmental Unit hereby represents that (a) it has not created and does not intend to create and does not expect to benefit from any entity formed or availed of to avoid the purposes of Section 265(b)(3)(C) or (D) of the Code and (b) the total amount of obligations so designated by the Governmental Unit, and all aggregated issuers for calendar year 2005 does not exceed \$10,000,000.

Section 7.7 Arbitrage Rebate Exemption. The Governmental Unit hereby certifies and warrants, for the purpose of qualifying for the exception contained in Section 148(f)(4)(D) of the Code, to the requirement to rebate arbitrage earnings from investments of the proceeds of the Loan Agreement (the "Rebate Exemption"), that (i) this Loan Agreement is issued by the Governmental Unit which has general taxing powers, (ii) neither this Loan Agreement nor any portion thereof is a private activity bond

as defined in Section 141 of the Code ("Private Activity Bond"), (iii) all of the net proceeds of this Loan Agreement are to be used for local government activities of the Governmental Unit (or of a governmental unit, the jurisdiction of which is entirely within the jurisdiction of the Governmental Unit) and (iv) neither the Governmental Unit nor any aggregated issuer has issued or is reasonably expected to issue any Tax-Exempt Bonds other than (A) Private Activity Bonds (as those terms are used in Section 148(f)(4)(D) of the Code) and (B) issued to refund (other than to advance refund (as used in the Code)) any bond to the extent the amount of the refunding bond does not exceed the outstanding amount of the refunded bond, during calendar year 2005, which would in the aggregate amount exceed \$5,000,000. For purposes of this paragraph, "aggregated issuer" means any entity which (a) issues obligations on behalf of the Governmental Unit, (b) derives its issuing authority from the Governmental Unit, or (c) is subject to direct or indirect control by the Governmental Unit within the meaning of Treasury Regulation Section 1.150-1(e). The Governmental Unit hereby represents that it has not created, does not intend to create and does not expect to benefit from any entity formed or availed of to avoid the purposes of Section 148(f)(4)(D) of the Code.

Accordingly, with respect to the Loan Agreement, the Governmental Unit will qualify for the rebate exemption granted under Section 148(f)(4)(D) of the Code and the Governmental Unit shall be treated as meeting the requirements of paragraphs (2) and (3) of Section 148(f) of the Code relating to the required rebate of arbitrage earnings to the United States.

ARTICLE VIII PREPAYMENT OF LOAN AGREEMENT PAYMENTS

Section 8.1 Prepayment. 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 on or after one year following the closing date without penalty or prepayment premium. The Governmental Unit may designate the due dates of the Principal Component being prepaid in the event of a partial prepayment. Any such prepayment shall include accrued interest to the redemption date of the corresponding Bonds to be redeemed, if any, and notice of intent to make such prepayment shall be provided to the NMFA and the Trustee by the Governmental Unit no less than forty-five (45) days prior to the prepayment date. The Trustee shall recalculate the Loan Agreement Payments due under this Loan Agreement in the event of a partial prepayment in a manner which is consistent with the manner in which the Bonds, if any, are prepaid.

ARTICLE IX INDEMNIFICATION

Section 9.1 Indemnification. From and to the extent of the Pledged Revenues, the Governmental Unit shall and hereby agrees to indemnify and save the NMFA and the Trustee harmless against and from all claims, by or on behalf of any person, firm,

corporation or other legal entity arising from the acquisition, construction and 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 construction 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 the Trustee harmless, from and to the extent of 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 the Trustee, shall defend the NMFA or the Trustee, as applicable, 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;

(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 the Trustee unless the NMFA and the Trustee 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 the Trustee but cannot be cured within the applicable 30-day period, the NMFA and the Trustee 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 herein 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);

(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;

(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 30 days after such filing, but the NMFA and the Trustee shall have the right to intervene in the proceedings prior to the expiration of such 30 days to protect their interests;

(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 30 days, but the NMFA and the Trustee shall have the right to intervene in the proceedings prior to the expiration of such 30 days 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 or the Trustee 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 or the Intercept Agreement:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce the rights of the NMFA and the Trustee under this Loan Agreement and the Intercept 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 to enjoin any acts or things which are unlawful or violate the rights of the NMFA or the Trustee; 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 to 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 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 or the Trustee 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 or the Trustee 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 or the Trustee may in their 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 the 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 payments of principal and all expenses of the NMFA or the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the NMFA or the Trustee 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 and the Trustee shall be restored to their former positions 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 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 shall default under any of the provisions hereof and the NMFA or the Trustee shall employ attorneys or incur 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 or the Trustee, as applicable, 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 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, Torrance County, P.O. Box 48, Estancia, New Mexico 87016, Attention: County Manager; if to the NMFA, New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501, Attention: Executive Director; and if to the Trustee, Bank of Albuquerque, N.A., Trust Division, 201 3rd Street, N.W., Suite 1400, Albuquerque, New Mexico 87102. The Governmental Unit, the NMFA, and the Trustee 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 Amendments. This Loan Agreement may be amended only with the written consent of the NMFA and the Governmental Unit.

Section 11.4 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 Governing Body, 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 Governing Body 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 11.5 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 11.6 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 11.7 Assignment by the NMFA. Pursuant to the Indenture, this Loan Agreement (less the Administrative Fee) and the Intercept Agreement have been and is hereby assigned and transferred by the NMFA to the Trustee, which assignment and transfer is hereby acknowledged and approved by the Governmental Unit.

Section 11.8 Compliance with Governing Law. It is hereby declared by the Governing Body 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 11.9 Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.10 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 this page intentionally left blank)

IN WITNESS WHEREOF, the NMFA, on behalf of itself and as authorized by the NMFA Board of Directors on April 28, 2005, has executed this Loan Agreement in its corporate name with its corporate seal hereunto affixed 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 its duly authorized officers. All of the above are effective as of the date first above written.

NEW MEXICO FINANCE AUTHORITY

By _____
Stephen R. Flance, Chair

[SEAL]

Attest:

By _____
Joanna Prukop, Secretary

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

Modrall, Sperling, Roehl, Harris & Sisk, P.A.,
as Bond Counsel

By _____
Christopher P. Muirhead

TORRANCE COUNTY, NEW MEXICO

By James F. Root
Chair

[SEAL]

Attest:

By Kinda Kayser
County Clerk

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EXHIBIT "A"

TERM SHEET

Governmental Unit: Torrance County, New Mexico

Project Description: Construction of a fire station for the Northeast Torrance District No. 5 Fire Department located in the Governmental Unit

Loan Agreement Principal Amount: \$544,537

Pledged Revenues: The distribution of fire protection fund revenues to the Government Unit for the Northeast Torrance District No. 5 Fire Department made annually by the State Treasurer pursuant to Section 59A-53-7 NMSA 1978, in the amount certified by the State Fire Marshal or the State Fire Board, and the distribution of county fire protection excise tax revenues to the Governmental Unit made monthly by the New Mexico Taxation and Revenue Department pursuant to Section 7-20E-15 and 7-1-6.14, NMSA 1978.

Distributing State Agency: State of New Mexico Treasurer's Office and Taxation and Revenue Department

Currently Outstanding Parity Obligations: \$27,000 NMFA Loan to the County of Torrance dated March, 1996 (Pledged County Fire Excise Tax Revenues only)

Authorizing Legislation: County Resolution No. 2005-30 adopted on July 13, 2005

Closing Date: August 19, 2005

Interest Rate: 2.654% (which includes the Administrative Fee)

Program Account Deposit: \$500,000.00

Debt Service Account Deposit: \$0.18

Loan Agreement Reserve Account Deposit: \$44,536.82

EXHIBIT "B"

DEBT SERVICE SCHEDULE FOR LOAN REPAYMENT

[SEE ATTACHED]

EXHIBIT "C"

FORM OF REQUISITION

RE: \$544,537 Loan Agreement by and between Torrance County, New Mexico, and the NMFA (the "Loan Agreement").

TO: Bank of Albuquerque, N.A.
c/o 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 – Torrance County, New Mexico, with regard to the above-referenced Loan Agreement the following:

REQUISITION NUMBER: _____

NAME AND ADDRESS OF PAYEE: _____

AMOUNT OF PAYMENT: \$ _____

PURPOSE OF PAYMENT: _____

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 – Torrance County.

All representations contained in the Loan Agreement and the related closing documents remain true and correct and Torrance County 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, Torrance County shall and understands its obligation to complete the construction 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

Title _____

INTERCEPT AGREEMENT

THIS INTERCEPT AGREEMENT made and entered into this 19th day of August, 2005, by and between the **NEW MEXICO FINANCE AUTHORITY** (the "NMFA"), a public body politic and corporate constituting a governmental instrumentality under the laws of the State of New Mexico and **COUNTY OF TORRANCE, NEW MEXICO** (the "Governmental Unit"), a political subdivision duly organized and existing under the laws of the State of New Mexico.

WITNESSETH:

WHEREAS, Sections 6-21-1 through 6-21-31, NMSA 1978, as amended, authorized the creation of the NMFA within the State of New Mexico to assist in financing the cost of construction of public project(s), such as the construction of a fire station for the Governmental Unit's Northeast Torrance District No. 5 Fire Department (the "Project"), of participating qualified entities, including the Governmental Unit; and

WHEREAS, pursuant to Sections 6-21-1 through 6-21-31, NMSA 1978, as amended, and Sections 4-62-1 through 4-62-10, NMSA 1978, as amended, (collectively, the "Act") the NMFA and the Governmental Unit are authorized to enter into agreements to facilitate the financing and construction of the Project as described in the loan agreement by and between the NMFA and the Governmental Unit of even date herewith (the "Loan Agreement"); and

WHEREAS, the Governmental Unit desires to construct the Project, which construction is permitted under the Act; and

WHEREAS, the NMFA has established its loan program (the "Program") funded by its public project revolving fund for financing the acquisition of infrastructure and equipment projects upon the execution of the Loan Agreement and the assignment of loan agreements to a trustee (the "Trustee"); and

WHEREAS, the Governmental Unit desires to borrow \$544,537 from the Program to construct the Project (the "Loan") which Loan is to be governed by this Intercept Agreement and by the Loan Agreement, respectively; and

WHEREAS, the Act confers upon the NMFA the authority to loan funds from the Program to the Governmental Unit to construct the Project, and Section 59A-53-7 NMSA 1978, as amended, authorizes the Governmental Unit to direct that its annual distribution of fire protection fund revenues from the State Treasurer for the benefit of the Governmental Unit for the Northeast Torrance District No. 5 Fire Department (the "Pledged Fire Protection Fund Revenues"), and Sections 7-20E-15 and 7-1-6.15, NMSA 1978, as amended, authorizes the Governmental Unit to direct that its monthly distribution of county fire protection excise tax revenues from the New Mexico Taxation and Revenue Department for the benefit of the Governmental Unit (the "Pledged Fire

Excise Tax Revenues”) (collectively with the Pledged Fire Protection Fund Revenues, the “Pledged Revenues”) be paid to the NMFA to secure payments under the Loan Agreement.

NOW THEREFORE, the parties hereby agree as follows:

Except where the context by clear implication otherwise requires, capitalized terms used in this Intercept Agreement shall have for all purposes of this Intercept Agreement the meanings assigned thereto in the Loan Agreement and the General Indenture of Trust and Pledge dated as of June 1, 1995, and all supplemental indentures thereto (the "Indenture") by and between the NMFA and the Trustee.

Section 1. Authorization to the NMFA. The Governmental Unit hereby recognizes that the NMFA has made a Loan to the Governmental Unit in the amount of \$544,537 to finance the construction of the Project. Pursuant to the Loan Agreement and this Intercept Agreement, the Loan and all debt service payments on the Loan made by or on behalf of the Governmental Unit shall be collected by the NMFA and remitted to the Trustee. All payments due on the Loan from Pledged Revenues shall be paid by the Treasurer of the State of New Mexico and the New Mexico Taxation and Revenue Department (the "Distributing State Agencies") to the NMFA or its designee, on behalf of the Governmental Unit, from scheduled distributions of Pledged Revenues in accordance with the Intercept Schedule attached hereto as Exhibit "A" (the "Intercept Schedule").

This Intercept Agreement shall be deemed a written certification, authorization and request by the Governmental Unit to the Distributing State Agencies to pay to the NMFA, on behalf of the Governmental Unit, sums shown on the Intercept Schedule from annual distributions of Pledged Fire Protection Fund Revenues pursuant to Section 59A-53-7 NMSA 1978, as amended, and monthly distributions of Pledged Fire Excise Tax Revenues pursuant to Sections 7-20E-15 and 7-1-6.15, NMSA 1978, as amended, to insure compliance with the Loan Agreement and repayment of the Loan. Upon written notice to the Distributing State Agencies from the NMFA, the amount of the Pledged Revenues to be paid to the NMFA shall be increased from the amounts shown on Exhibit "A" to defray any delinquencies in the Debt Service Account established for the Governmental Unit. Any accumulation of Pledged Revenues in an amount in excess of the next Loan Agreement Payment shall be redirected by the NMFA to the benefit of the Governmental Unit on a timely basis as provided in Section 5.2(d) of the Loan Agreement.

To the extent that Pledged Revenues are insufficient to meet the debt service requirements due on any outstanding Superior Fire Excise Tax Obligations, the Loan and other Parity Obligations now or hereafter issued or incurred, the amounts intercepted under this Intercept Agreement shall be reduced to allow partial payment on a pro-rata basis of the debt service due and owing on any outstanding Superior Fire Excise Tax Obligations, the Loan Agreement and other Parity Obligations.

Section 2. Term; Amendments. This Intercept Agreement will remain in full force and effect from its effective date as herein provided until such time as the Loan made pursuant to the Loan Agreement and this Intercept Agreement have been paid in full. Nothing herein shall be deemed in any way to limit or restrict the Governmental Unit from issuing its own obligations, providing its own program or participating in any other program for the financing of public projects which the Governmental Unit may choose to finance. This Intercept Agreement may be amended only by written instrument signed by the parties hereto.

Section 3. Authorization. The execution and performance of the terms of this Intercept Agreement have been authorized and approved by Resolution No. 2005.30 passed and adopted on July 27, 2005, by the Governing Body of the Governmental Unit, which Resolution is in full force and effect on the date hereof.

Section 4. Severability of Invalid Provisions. If any one or more of the provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such provision shall be null and void and shall be deemed separable from the remaining provisions and shall in no way affect the validity of any of the other provisions hereof.

Section 5. Counterparts. This Intercept 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 6. Further Authorization. The Governmental Unit agrees that the NMFA shall do all things necessary or convenient to the implementation of the Program to facilitate the Loan to the Governmental Unit.

Section 7. Effective Date. This Intercept Agreement shall take effect on the Closing Date of the Loan.

Section 8. Initial Intercept Date. As indicated on the Intercept Schedule, the first distribution of Pledged Fire Protection Fund Revenues that is to be intercepted by the Treasurer of the State of New Mexico under the terms of this Intercept Agreement are Pledged Fire Protection Fund Revenues due to the Governmental Unit distributed in July 2006. The first distribution of Pledged Fire Excise Tax Revenues that is to be intercepted by the New Mexico Taxation and Revenue Department under the terms of this Intercept Agreement are the Pledged Fire Excise Tax Revenues due to the Governmental Unit distributed in the first month following the Closing Date (September 2005).

Section 9. Final Intercept Date. Once the Loan has been fully paid off and satisfied, the NMFA shall provide written notice to the Distributing State Agencies to discontinue the interception of the Governmental Unit's Pledged Revenues.

IN WITNESS WHEREOF, the parties to this Intercept Agreement have caused their names to be affixed hereto by the proper officers thereof as of the date first above written.

NEW MEXICO FINANCE AUTHORITY

By _____
Executive Director

(SEAL)

Attest:

By _____
Administrator

TORRANCE COUNTY, NEW MEXICO

By _____
Chairman

(SEAL)

Attest:

By *Hinda Kayser*
County Clerk

Acknowledged:

Acknowledged:

By _____
State Treasurer

By _____
State Fire Marshal

Date: _____

Date: _____

Acknowledged:

By _____
State Taxation & Revenue Dept.

Date: _____

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EXHIBIT "A"

INTERCEPT SCHEDULE

Torrance County, New Mexico

<u>Annually</u>	<u>Pledged Revenues</u>	<u>Amount</u>
Beginning July 2006 ending July 2019	State Fire Protection Fund distribution to Torrance County, New Mexico, for the Northeast Torrance District No. 5 Fire Department pursuant to Section 59A-53-7, NMSA 1978	<u>\$ 20,277.68 for first year then every year after the amount will be \$24,195.00 every year there after until the loan is paid in full.</u>

<u>Monthly</u>	<u>Pledged Revenues</u>	<u>Amount</u>
September 2005 through April 2020	County Fire Protection Excise Tax Revenues distribution to Torrance County, New Mexico, pursuant to Sections 7-20E-15 and 7-1-6.15, NMSA 1978	<u>\$1,559.82 for the first year and \$1,701.33 per month every month thereafter until the loan is paid in full</u>

STATE OF NEW MEXICO)
) ss.
 COUNTY OF TORRANCE)

The County Commission (the "Governing Body") of Torrance County, New Mexico, met in regular session in full conformity with the law and the rules and regulations of the Governing Body at the Torrance County Courthouse, 205 9th Street, Estancia, New Mexico, being the meeting place of the Governing Body for the meeting held on the 27th day of July, 2005, at the hour of 9:00 a.m. Upon roll call, the following members were found to be present:

Present: Jim Frost
Paul M Tito Chavez
LeRoy M. Candalaria

Absent: _____

Also Present: _____

Thereupon, there was officially filed with the County Clerk a copy of a proposed resolution in final form.