

In the opinion of Hughes & Stranor, Ltd. Co., Bond Counsel, under existing regulations, rulings and judicial decisions and assuming continuous compliance with certain covenants set forth in the documents pertaining to the Correctional System Revenue Bonds, Series 1997 (the "Correctional System Revenue Bonds"), the Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A (the "Subordinate Gross Receipts Tax Revenue Bonds") and certain requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds are excludable from gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, interest on the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds will not be treated as items of tax preference in calculating the federal alternative minimum tax imposed on individuals and corporations; however, the interest on the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds will be taken into account in determining the adjusted minimum correct earnings for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes). Additionally, in the opinion of Bond Counsel, interest on the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds is exempt from taxation by the State of New Mexico (See "Tax Matters" herein.)

\$30,000,000

**Santa Fe County, New Mexico
Correctional System Revenue Bonds
Series 1997**

\$6,000,000

**Santa Fe County, New Mexico
Gross Receipts Tax Revenue
Bonds, Subordinate Series 1997A**

Dated: February 1, 1997

Due: As Shown on Inside Cover

The Correctional System Revenue Bonds, Series 1997 (the "Correctional System Revenue Bonds") and the Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A (the "Subordinate Gross Receipts Tax Revenue Bonds") are separately secured, are not parity bonds and are being separately offered and sold by the Underwriter herein identified.

The Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"), the securities depository, to which principal and interest payments on the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds will be made. Individual purchases will be made in book entry form only in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of Bond certificates (See, "The Correctional System Revenue Bonds - Book Entry Only System" and "The Subordinate Gross Receipts Tax Revenue Bonds - Book Entry Only System"). Interest is payable semi-annually on the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds on February 1 and August 1 commencing August 1, 1997. Principal is payable annually as described below. The Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds are subject to redemption prior to maturity as described herein.

The scheduled payment of principal of and interest on the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds when due will each be guaranteed under insurance policies to be issued concurrently with the delivery of the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds by FINANCIAL SECURITY ASSURANCE INC. See "The Correctional System Revenue Bonds - Source of Payment and Security for the Bonds - Bond Insurance", "The Subordinate Gross Receipts Tax Revenue Bonds - Source of Payment and Security for the Bonds - Bond Insurance", and "The Insurer" herein.



THE CORRECTIONAL SYSTEM REVENUE BONDS AND THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE SOURCES OF PAYMENT MORE FULLY DESCRIBED HEREIN. THE CORRECTIONAL SYSTEM REVENUE BONDS AND THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS ARE NOT GENERAL OBLIGATIONS OF THE COUNTY AND NEITHER PLEDGE THE FULL FAITH AND CREDIT OF THE COUNTY OR THE AD VALOREM TAXING POWER OR GENERAL RESOURCES OF THE COUNTY, THE STATE OF NEW MEXICO OR ANY POLITICAL SUBDIVISION TO THE PAYMENT OF THE CORRECTIONAL SYSTEM REVENUE BONDS AND THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS.

**MATURITIES, INTEREST RATES AND YIELDS
(See Inside Cover)**

The Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds are being offered when, as and if issued by the County and purchased by the Underwriter, subject to the approving opinion by Hughes & Stranor, Ltd. Co., Albuquerque, New Mexico, Bond Counsel. Certain matters will be passed upon for the Underwriter by Foley & Lardner, Santa Fe, New Mexico. It is anticipated that the Correctional System Revenue Bonds will be available for delivery through The Depository Trust Company, New York, New York on or about February 19, 1997 and that the Subordinate Gross Receipts Tax Revenue Bonds will be available for delivery through The Depository Trust Company on or about March 6, 1997

PIPER JAFFRAY INC.

MATURITIES, INTEREST RATES AND YIELDS

\$30,000,000
 Santa Fe County, New Mexico
 Correctional System Revenue Bonds
 Series 1997

<u>Due</u> <u>February 1</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Due</u> <u>February 1</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>
1999	280,000	4.10%	100.000%	2006	700,000	4.80%	99.279%
2000	295,000	4.20	99.860	2007	735,000	5.00	100.000
2001	310,000	4.30	99.638	2008	775,000	5.00	99.166
2002	320,000	4.40	99.558	2009	810,000	5.10	99.115
2003	335,000	4.50	99.482	2010	850,000	5.20	99.068
2004	350,000	4.60	99.410	2011	895,000	5.20	98.535
2005	365,000	4.70	99.343	2012	945,000	5.20	97.963

\$ 1,265,000 5.00% Term Bonds Due February 1, 2018 Priced at 93.587%
 \$15,285,000 6.00% Term Bonds Due February 1, 2027 Priced at 106.226%

\$6,000,000
 Santa Fe County, New Mexico
 Gross Receipts Tax Revenue Bonds,
 Subordinate Series 1997A

<u>Due</u> <u>February 1</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Due</u> <u>February 1</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>
1999	100,000	4.10%	100.000%	2006	135,000	4.80%	99.280%
2000	100,000	4.20	99.861	2007	140,000	5.00	100.000
2001	105,000	4.30	99.641	2008	145,000	5.00	99.166
2002	110,000	4.40	99.560	2009	155,000	5.10	99.115
2003	115,000	4.50	99.484	2010	160,000	5.20	99.068
2004	120,000	4.60	99.412	2011	170,000	5.20	98.536
2005	125,000	4.70	99.344	2012	180,000	5.20	97.964

\$ 1,265,000 5.00% Term Bonds Due February 1, 2018 Priced at 93.592%
 \$ 2,875,000 6.00% Term Bonds Due February 1, 2027 Priced at 106.220%

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices (the "Official Statement"), does not constitute an offering of any security other than the original offering of the : Santa Fe County, New Mexico Correctional System Revenue Bonds, Series 1997 identified on the cover hereof (the "Correctional System Revenue Bonds"); and Santa Fe County, New Mexico Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A identified on the cover hereof (the "Subordinate Gross Receipts Tax Revenue Bonds"). No dealer, broker, salesman or other person has been authorized by the County or the Underwriter to give any information or make any representation with respect to the Correctional System Revenue Bonds or the Subordinate Gross Receipts Tax Revenue Bonds which is not contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Correctional System Revenue Bonds or the Subordinate Gross Receipts Tax Revenue Bonds, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

The Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds will not be registered under the Securities Act of 1933, as amended, or under any state securities law and will not be listed on any stock or other securities exchange. Neither the United States Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement.

Copies of the Bond Ordinance authorizing the Correctional System Revenue Bonds and the Bond Ordinance authorizing the Subordinate Gross Receipts Tax Revenue Bonds are available upon request at the office of the Santa Fe County Clerk, 102 Grant Avenue, Santa Fe, New Mexico 87501 (505) 986-6281.

The prices at which the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds are offered to the public by the Underwriter (and the yield resulting therefrom) may vary from the initial offering prices or yields appearing on the cover page. In addition, the Underwriter may allow concessions or discounts from such initial public offering prices or yields to dealers and others.

THE COUNTY HAS ENTERED INTO AN UNDERTAKING (THE "UNDERTAKING") FOR THE BENEFIT OF THE HOLDERS OF THE CORRECTIONAL SYSTEM REVENUE BONDS AND THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS TO SEND CERTAIN FINANCIAL INFORMATION AND OPERATING DATA TO CERTAIN INFORMATION REPOSITORIES ANNUALLY AND TO PROVIDE NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF CERTAIN EVENTS, PURSUANT TO THE REQUIREMENTS OF SECTION (b) (5) (i) OF SECURITIES AND EXCHANGE

(i)

COMMISSION RULE 15c2-12 (17 C.F.R. PART 240, §240.15c2-12) (THE "RULE").

AND

THE COUNTY HAS NOT FAILED TO COMPLY WITH ANY SUCH PRIOR UNDERTAKING UNDER THE RULE. A FAILURE BY THE COUNTY TO COMPLY WITH THE UNDERTAKING WILL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THE BOND ORDINANCE OR INDENTURE ALTHOUGH BONDHOLDERS WILL HAVE ANY AVAILABLE REMEDY AT LAW OR IN EQUITY). NEVERTHELESS, SUCH A FAILURE MUST BE REPORTED IN ACCORDANCE WITH THE RULE AND MUST BE CONSIDERED BY ANY BROKER, DEALER OR MUNICIPAL SECURITIES DEALER BEFORE RECOMMENDING THE PURCHASE OR SALE OF THE CORRECTIONAL SYSTEM REVENUE BONDS OR THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS IN THE SECONDARY MARKET. CONSEQUENTLY, SUCH A FAILURE MAY ADVERSELY AFFECT THE TRANSFERABILITY AND LIQUIDITY OF THE CORRECTIONAL SYSTEM REVENUE BONDS AND THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS AND THEIR MARKET PRICE.

The information set forth herein has been obtained from the County and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or any other party described herein since the date hereof.

TABLE OF CONTENTS

INTRODUCTION	1
PURPOSE AND PLAN OF FINANCING	4
Correctional System Revenue Bonds	4
Subordinate Gross Receipts Tax Revenue Bonds	5
DEBT SERVICE COVERAGE TABLES	6
Debt Service Coverage of Senior Lien Debt and Subordinate Gross Receipts Tax Revenue Bonds	6
Debt Service Coverage of Senior Lien Debt, Subordinate Gross Receipts Tax Revenue Bonds and Correctional System Revenue Bonds	7
THE CORRECTIONAL SYSTEM REVENUE BONDS	8
Description of the Bonds	8
Redemption of Bonds Prior to Stated Maturity	8
Notice of Redemption; Selection of Bonds for Partial Redemptions	10
Book Entry Only System	11
Source of Payment and Security for the Bonds	14
THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS	17
Description of the Bonds	17
Redemption of Bonds Prior to Stated Maturity	19
Notice of Redemption; Selection of Bonds for Partial Redemptions	20
Book Entry Only System	22
Source of Payment and Security for the Bonds	23
THE INSURER	24
UNDERTAKING TO PROVIDE ONGOING DISCLOSURE	25
ABSENCE OF MATERIAL LITIGATION	28
LEGAL MATTERS	28
TAX MATTERS	28
ORIGINAL ISSUE DISCOUNT ON THE BONDS	29
ORIGINAL ISSUE PREMIUM ON THE BONDS	31
DESCRIPTION OF RATINGS	31
UNDERWRITING	32
FINANCIAL ADVISOR	32
MISCELLANEOUS	33
COUNTY APPROVAL OF OFFICIAL STATEMENT	33
APPENDIX A - Santa Fe County, New Mexico	
APPENDIX B - Opinion of Bond Counsel With Respect to Correctional System Revenue Bonds	
APPENDIX C - Opinion of Bond Counsel With respect to Subordinate Gross Receipts Tax Revenue Bonds	
APPENDIX D - Definitions and Summaries of Documents Relating to Correctional System Revenue Bonds	
APPENDIX E - Definitions and Summaries of Documents Relating to Subordinate Gross Receipts Tax Revenue Bonds	
APPENDIX F - Form of Insurance Policy	

OFFICIAL STATEMENT

\$30,000,000
Santa Fe County, New Mexico
Correctional System Revenue Bonds
Series 1997

\$6,000,000
Santa Fe County, New Mexico
Gross Receipts Tax Revenue
Bonds, Subordinate Series 1997A

INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to set forth information in connection with the offering of \$30,000,000 Santa Fe County, New Mexico Correctional System Revenue Bonds, Series 1997 (the "Correctional System Revenue Bonds") and the \$6,000,000 Santa Fe County, New Mexico Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A (the "Subordinate Gross Receipts Tax Revenue Bonds").

The Correctional System Revenue Bonds are being issued pursuant to Sections 4-62-1 through 4-62-10 NMSA 1978 and Section 4-37-1 NMSA 1978 (collectively, the "Act") to provide funds for the purposes of acquiring and improving land, acquiring and constructing detention facilities, repairing and rehabilitating detention facilities, to provide correctional services (the "Correctional System Revenue Bond Project"), to fund a Reserve Fund and to pay costs of issuance of the Correctional System Revenue Bonds, including an Underwriter's Discount. The Correctional System Revenue Bonds were approved by the County pursuant to Ordinance No. 1996-17, adopted by the County on December 18, 1996.

The Correctional System Revenue Bonds are being issued under a Trust Indenture, dated as of February 1, 1997 (the "Indenture") from the County of Santa Fe, New Mexico (the "County") to Wells Fargo Bank, Los Angeles, California, as trustee (the "Trustee"), and are secured by a Mortgage, Security Agreement, Fixture Filing and Financing Statement, dated as of February 1, 1997 (the "Mortgage") from the Issuer to the Trustee and Financial Security Assurance Inc., as co-mortgagees.

The Correctional System Revenue Bonds are payable solely from (i) all of the County's right, title and interest in, to and under the Government Agreements, including all payments due under the Government Agreements, (ii) any and all real or personal property, rights and interests of every kind or description which from time to time may be sold, transferred, conveyed, assigned, pledged, mortgaged or delivered to the Trustee as additional security under the Indenture, including without limitation, the Correctional System Revenue Bond Project which has been pledged pursuant to the Mortgage, and (iii) all moneys, securities or investments held in or entitled to be held by the Trustee under the Indenture and investments of all funds and accounts created in the Indenture

(except the Rebate Account) and all interest, profits and proceeds thereof, including without limitation, the Debt Service Reserve Fund, the Revenue Fund, the Interest Fund, and the Principal Fund (collectively, the "Trust Estate"). As used herein, "Government Agreements" means those agreements, if any, between the County and the various municipalities, counties, state or federal governments, and agencies of the foregoing to provide correctional services for prisoners, inmates, or other detainees of such entities.

The County has covenanted in the Indenture that if there is a deficiency or expected in the Debt Service Reserve Fund and it is given notice of such deficiency or expected deficiency that it shall pay from County Gross Receipts Tax Revenues amounts sufficient to satisfy the deficiency or expected deficiency. See, "Sources of Payment and Security for the Bonds - The Correctional System Revenue Bonds" herein. Such covenant creates a subordinate lien upon or pledge of such County Gross Receipts Tax Revenues. As used herein, the term "County Gross Receipts Tax Revenues" means the revenues derived from the first one-eighth increment and one-half of the third one-eighth increment county gross receipts tax levied by the County pursuant to Section 7-20E-9, NMSA 1978, imposed on persons engaging in business in the County. It does not preclude the County from pledging in the future its County Gross Receipts Tax Revenues. Such covenant to make payment from County Gross Receipts Tax Revenues is subject in all respects to the payment of obligations secured by a pledge of County Gross Receipts Tax Revenues heretofore or hereinafter entered into (including the payment of debt service on bonds and other debt instruments); provided, however, that before any additional bonds or other debt instruments are actually issued it must be determined that the County Gross Receipts Tax Revenues received by the County for the twelve months immediately preceding the date of the issuance of such additional bonds shall have been sufficient to pay an amount representing one hundred forty percent (140%) of the combined maximum (excluding amounts to be paid from any unexpended debt service reserve fund at maturity) annual principal and interest coming due in any subsequent Fiscal Year on the then outstanding bonds or obligations payable from County Gross Receipts Tax Revenues and the additional bonds proposed to be issued payable from the County Gross Receipts Tax Revenues. For a further description of the nature of the pledge, see "The Correctional System Revenue Bonds - Source of Payment and Security for the Bonds" herein.

Simultaneously with the issuance and delivery of the Correctional System Revenue Bonds, Financial Security Assurance, Inc. (the "Insurer") has committed to issue a policy of insurance with respect to the Correctional System Revenue Bonds. The policy guarantees unconditionally the payment, when due, of principal and interest on the Correctional System Revenue Bonds. The policy does not insure the principal or interest on the Correctional System Revenue Bonds coming due by reason of acceleration or optional

redemption, nor does it insure the payment of any redemption premium payable upon redemption of the Correctional System Revenue Bonds. See "The Correctional System Revenue Bonds - Source of Payment and Security for the Bonds - Bond Insurance" herein.

The Subordinate Gross Receipts Tax Revenue Bonds are being issued pursuant to the Act to provide funds primarily for constructing, furnishing and equipping a sheriff's facility, related parking facilities, and necessary improvements and additions for drainage, wastewater and streets, to fund a Reserve Fund and to pay costs of issuance of the Subordinate Gross Receipts Tax Revenue Bonds, including an Underwriter's Discount. The Subordinate Gross Receipts Tax Revenue Bonds are issued pursuant to Ordinance No. 1996-18 of the County, as amended (the "Ordinance") adopted by the County on December 18, 1996.

The Subordinate Gross Receipts Tax Revenue Bonds are payable solely from the Pledged County Gross Receipts Tax Revenues. As used herein, the term "Pledged County Gross Receipts Tax Revenues" means the County Gross Receipts Tax Revenues not exceeding in the aggregate one-eighth of one percent (.125%) of the taxable gross receipts reported for the County for each month but only to the extent that 25% of the first one-eighth increment of such revenues (the "reserve revenues") are not otherwise deposited in the County reserve fund pursuant to Section 7-20E-11, N.M.S.A. 1978, as amended, and, if still available, such reserve revenues upon their release from the County reserve fund after the end of each fiscal year, pledged to the Subordinate Gross Receipts Tax Revenue Bonds. The County's outstanding loan from the New Mexico Finance Authority has a prior lien on the Pledged County Gross Receipts Tax Revenues. The County may incur additional indebtedness from time to time that has a prior or parity lien on the Pledged Gross Receipts Tax Revenues; provided, however, that before any such additional bonds or other debt instruments are actually issued it must be determined that the Pledged County Gross Receipts Tax Revenues received by the County for the twelve months immediately preceding the date of the issuance of such additional bonds shall have been sufficient to pay an amount representing one hundred forty percent (140%) of the combined maximum (excluding amounts to be paid from any unexpended debt service reserve fund at maturity) annual principal and interest coming due in any subsequent Fiscal Year on the then outstanding bonds or obligations payable from Pledged County Gross Receipts Tax Revenues and the additional bonds proposed to be issued payable from the Pledged County Gross Receipts Tax Revenues. The lien of the Subordinate Gross Receipts Tax Revenue Bonds on the Pledged County Gross Receipts Taxes is senior to the lien of the Correctional System Revenue Bonds. See, Exhibit E - "Bond Ordinance - Bonds or other Obligations Payable From Pledged Revenues."

Simultaneously with the issuance and delivery of the Subordinate Gross Receipts Tax Revenue Bonds, the Insurer has committed to issue a policy of insurance with respect to the

Subordinate Gross Receipts Tax Revenue Bonds. The policy guarantees unconditionally the payment, when due, of principal and interest on the Subordinate Gross Receipts Tax Revenue Bonds. The policy does not insure the principal of or interest on the Subordinate Gross Receipts Tax Revenue Bonds coming due by reason of acceleration or optional redemption, nor does it insure the payment of any redemption premium payable upon redemption of the Subordinate Gross Receipts Tax Revenue Bonds. See "The Subordinate Gross Receipts Tax Revenue Bonds - Source of Payment and Security for the Bonds - Bond Insurance" herein.

The Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bond are separately secured, are not parity bonds and are being separately offered and sold by the Underwriter.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of its terms and conditions. All statements herein are qualified in their entirety by reference to each document.

PURPOSE AND PLAN OF FINANCING

Correctional System Revenue Bonds

The Correctional System Revenue Bonds are being issued pursuant to provide funds for the purposes of acquiring and improving land, acquiring and constructing detention facilities, repairing and rehabilitating detention facilities, to provide correctional services (the "Correctional System Revenue Bond Project"), to fund a Debt Service Reserve Fund and to pay costs of issuance of the Correctional System Revenue Bonds, including an Underwriter's Discount.

More specifically, the County intends to use a substantial portion of the proceeds of the Correctional System Revenue Bonds to construct a new adult detention facility near the State of New Mexico Penitentiary in Santa Fe County, New Mexico. A portion of the proceeds of the Correctional System Revenue Bonds will also be used to renovate the existing county detention facility so that it may be used as a 156 bed juvenile facility.

The County is currently negotiating with Cornell Corrections, a private corporation to operate the adult detention facility.

The County anticipates allowing other jurisdictions to house adult prisoners in a portion of the new facility and to charge such other jurisdictions, pursuant to inter-governmental agreements, a per diem rate.

The following table shows the estimated sources and uses of the bond proceeds of the Correctional System Revenue Bonds. Accrued interest on the Correctional System Revenue Bonds from February 1, 1997 to the date of delivery of the Correctional System Revenue Bonds will be deposited into the Interest Fund.

Sources of Funds:	
Par Amount of Bonds	\$30,000,000.00
Net Premium	450,656.25
Less: Underwriter's Discount	<u>(495,000.00)</u>
Total Sources of Funds	<u>\$29,955,656.25</u>
Uses of Funds:	
Deposit to Acquisition Fund	\$27,213,208.65
Deposit to Debt Service	
Reserve Fund	2,249,600.00
Deposit to Costs of Issuance Fund	<u>492,847.60</u>
Total uses of Funds	<u>\$29,955,656.25</u>

Subordinate Gross Receipts Tax Revenue Bonds

The Subordinate Gross Receipts Tax Revenue Bonds are being issued pursuant to the Act to provide funds primarily for constructing, furnishing and equipping a sheriff's facility, related parking facilities, and necessary improvements and additions for drainage, wastewater and streets, to fund a Reserve Fund and to pay costs of issuance of the Subordinate Gross Receipts Tax Revenue Bonds, including an Underwriter's Discount.

The following table shows the estimated sources and uses of the bond proceeds of the Subordinate Gross Receipts Tax Revenue Bonds. Accrued interest on the Subordinate Gross Receipts Tax Revenue Bonds from February 1, 1997 to the date of delivery of the Subordinate Gross Receipts Tax Revenue Bonds will be deposited into the Bond Fund.

Sources of Funds:	
Par Amount of Bonds	\$6,000,000.00
Net Premium	83,447.00
Less: Underwriter's Discount	<u>(99,000.00)</u>
Total Sources of Funds	<u>\$5,984,447.00</u>
Uses of Funds:	
Deposit to Acquisition Fund	\$5,461,903.20
Deposit to Debt Service	
Reserve Fund	425,905.00
Deposit to Costs of Issuance Fund	<u>96,638.80</u>
Total uses of Funds	<u>\$5,984,447.00</u>

DEBT SERVICE COVERAGE TABLES

Debt Service Coverage of Senior Lien Debt and Subordinate Gross Receipts Tax Revenue Bonds

The table below shows the debt service coverage of the senior lien loan from the New Mexico Finance Authority (described in the table as the "Outstanding NMFA Note") and the Subordinate Gross Receipts Tax Revenue Bonds based on the actual debt service of such obligations measured against the actual Pledged County Gross Receipts Taxes received by the County from February, 1996 through January, 1997 (described in the table as "Available Gross Receipts Taxes").

<u>Fiscal Year</u>	<u>Outstanding NMFA Note</u>	<u>Subordinate Gross Receipts Tax Bonds</u>	<u>Total Debt Service</u>	<u>Available Gross Receipt Taxes</u>	<u>Coverage</u>
1997	503,491.00	0.00	503,491.00	2,828,942.67	5.6187
1998	504,527.00	325,130.00	829,657.00	2,828,942.67	3.4098
1999	371,006.50	425,130.00	796,136.50	2,828,942.67	3.5533
2000	370,120.50	421,030.00	791,150.50	2,828,942.67	3.5757
2001	0.00	421,830.00	421,830.00	2,828,942.67	6.7064
2002	0.00	422,315.00	422,315.00	2,828,942.67	6.6987
2003	0.00	422,475.00	422,475.00	2,828,942.67	6.6961
2004	0.00	422,300.00	422,300.00	2,828,942.67	6.6989
2005	0.00	421,780.00	421,780.00	2,828,942.67	6.7072
2006	0.00	425,905.00	425,905.00	2,828,942.67	6.6422
2007	0.00	424,425.00	424,425.00	2,828,942.67	6.6654
2008	0.00	422,425.00	422,425.00	2,828,942.67	6.6969
2009	0.00	425,175.00	425,175.00	2,828,942.67	6.6536
2010	0.00	422,270.00	422,270.00	2,828,942.67	6.6994
2011	0.00	423,950.00	423,950.00	2,828,942.67	6.6728
2012	0.00	425,110.00	425,110.00	2,828,942.67	6.6546
2013	0.00	420,750.00	420,750.00	2,828,942.67	6.7236
2014	0.00	421,500.00	421,500.00	2,828,942.67	6.7116
2015	0.00	421,750.00	421,750.00	2,828,942.67	6.7076
2016	0.00	421,500.00	421,500.00	2,828,942.67	6.7116
2017	0.00	420,750.00	420,750.00	2,828,942.67	6.7236
2018	0.00	424,500.00	424,500.00	2,828,942.67	6.6642
2019	0.00	422,500.00	422,500.00	2,828,942.67	6.6957
2020	0.00	422,500.00	422,500.00	2,828,942.67	6.6957
2021	0.00	421,600.00	421,600.00	2,828,942.67	6.7100
2022	0.00	424,800.00	424,800.00	2,828,942.67	6.6595
2023	0.00	421,800.00	421,800.00	2,828,942.67	6.7068
2024	0.00	422,900.00	422,900.00	2,828,942.67	6.6894
2025	0.00	422,800.00	422,800.00	2,828,942.67	6.6910
2026	0.00	421,500.00	421,500.00	2,828,942.67	6.7116
2027	0.00	424,000.00	424,000.00	2,828,942.67	6.6720
Totals	1,749,145.00	12,586,400.00	14,335,545.00	87,697,222.67	

Debt Service Coverage of Senior Lien Debt, Subordinate Gross Receipts Tax Revenue Bonds, and Correctional System Revenue Bonds

The table below shows the debt service coverage of the senior lien loan from the New Mexico Finance Authority (described in the table as the "Outstanding NMFA Note"), the Subordinate Gross Receipts Tax Revenue Bonds, and the Correctional System Revenue Bonds based on the actual debt service of such obligations measured against the actual County Gross Receipts Taxes received by the County from February, 1996 through January, 1997 (described in the table as "Available Gross Receipts Taxes").

<u>Fiscal Year</u>	<u>Outstanding NMFA Note</u>	<u>Correctional System Revenue Bonds</u>	<u>Subordinate Gross Receipts Tax Revenue Bonds</u>	<u>Total Debt Service</u>	<u>Available Gross Receipt Taxes</u>	<u>Coverage</u>
1997	503,491.00	0.00	0.00	503,491.00	4,243,414.00	8.4280
1998	504,527.00	1,644,500.00	325,130.00	2,474,157.00	4,243,414.00	1.7151
1999	371,006.50	1,924,500	425,130.00	2,720,636.50	4,243,414.00	1.5597
2000	370,120.50	1,928,020.00	421,030.00	2,719,170.50	4,243,414.00	1.5606
2001	0.00	1,930,630.00	421,830.00	2,352,460.00	4,243,414.00	1.8038
2002	0.00	1,927,300.00	422,315.00	2,349,615.00	4,243,414.00	1.8060
2003	0.00	1,928,220.00	422,475.00	2,350,695.00	4,243,414.00	1.8052
2004	0.00	1,928,145.00	422,300.00	2,350,445.00	4,243,414.00	1.8054
2005	0.00	1,927,045.00	421,780.00	2,348,825.00	4,243,414.00	1.8066
2006	0.00	2,244,890.00	425,905.00	2,670,795.00	4,243,414.00	1.5888
2007	0.00	2,246,290.00	424,425.00	2,670,715.00	4,243,414.00	1.5889
2008	0.00	2,249,540.00	422,425.00	2,671,965.00	4,243,414.00	1.5881
2009	0.00	2,245,790.00	425,175.00	2,670,965.00	4,243,414.00	1.5887
2010	0.00	2,244,480.00	422,270.00	2,666,750.00	4,243,414.00	1.5912
2011	0.00	2,245,280.00	423,950.00	2,669,230.00	4,243,414.00	1.5898
2012	0.00	2,248,740.00	425,110.00	2,673,850.00	4,243,414.00	1.5870
2013	0.00	2,249,600.00	420,750.00	2,670,350.00	4,243,414.00	1.5891
2014	0.00	2,244,850.00	421,500.00	2,666,350.00	4,243,414.00	1.5915
2015	0.00	2,247,850.00	421,750.00	2,669,600.00	4,243,414.00	1.5895
2016	0.00	2,248,100.00	421,500.00	2,669,600.00	4,243,414.00	1.5895
2017	0.00	2,245,600.00	420,750.00	2,666,350.00	4,243,414.00	1.5915
2018	0.00	2,245,350.00	424,500.00	2,669,850.00	4,243,414.00	1.5894
2019	0.00	2,247,100.00	422,500.00	2,669,600.00	4,243,414.00	1.5895
2020	0.00	2,247,300.00	422,500.00	2,669,800.00	4,243,414.00	1.5894
2021	0.00	2,247,700.00	421,600.00	2,669,300.00	4,243,414.00	1.5897
2022	0.00	2,248,000.00	424,800.00	2,672,800.00	4,243,414.00	1.5876
2023	0.00	2,247,900.00	421,800.00	2,669,700.00	4,243,414.00	1.5895
2024	0.00	2,247,100.00	422,900.00	2,670,000.00	4,243,414.00	1.5893
2025	0.00	2,245,300.00	422,800.00	2,668,100.00	4,243,414.00	1.5904
2026	0.00	2,247,200.00	421,500.00	2,668,700.00	4,243,414.00	1.5901
2027	0.00	2,247,200.00	424,000.00	2,671,200.00	4,243,414.00	1.5886
Total	1,749,145.00	64,569,520.00	12,586,400.00	78,905,065.20	131,545,834.00	

THE CORRECTIONAL SYSTEM REVENUE BONDS

Description of the Bonds

The Correctional System Revenue Bonds are dated February 1, 1997, and bear interest from that date payable on February 1 and August 1 in each year, commencing August 1, 1997. The Correctional System Revenue Bonds bear interest at the rates per annum and mature in the amounts and at the times set forth on the cover page and inside cover page hereof. The principal of, and premium, if any, on the Correctional System Revenue Bonds are payable at the corporate trust office of the Trustee upon presentation and surrender of the Correctional System Revenue Bonds due. Interest payments on the Correctional System Revenue Bonds shall be made by check or draft mailed by the Trustee to the respective Holders thereof on the Record Date at the address shown on the registration books kept by the Trustee; provided, however, that any Holder of at least \$500,000 aggregate principal amount of Correctional System Revenue Bonds may, by prior written instructions filed with the Trustee on or prior to the Record Date with respect to the applicable Interest Payment Date (which instructions shall remain in effect until revoked by subsequent written instructions) instruct that interest payments be made by wire transfer to such Holder to the bank account included in such written instructions, upon payment of any costs therefor. The Record Date is the fifteenth day (whether or not a Business day) of the month preceding the month in which an Interest Payment Date occurs.

For a description of the method of payment of the principal, premium, if any, and interest on the Correctional System Revenue Bonds so long as the Correctional System Revenue Bonds are held pursuant to the Book-Entry System, see "Book Entry Only System" herein.

So long as the Correctional System Revenue Bonds are registered in the name of Cede & Co., registration, transfer and exchange of the Correctional System Revenue Bonds may only be made through DTC. See "Book Entry Only System" herein.

Redemption of Bonds Prior to Stated Maturity

The Correctional System Revenue Bonds are subject to mandatory sinking fund, optional and extraordinary redemption as described below:

Mandatory Sinking Fund Redemption Without Premium. The Correctional System Revenue Bonds maturing February 1, 2018 and February 1, 2027 ("Term Bonds") are subject to mandatory sinking fund redemption in part by lot prior to maturity. The Term Bonds to be redeemed under this provision will be redeemed at a redemption price equal to 100% of the principal amount thereof,

plus accrued interest to the redemption date, without premium, in the principal amounts and on the dates listed below:

Correctional System Revenue Bonds
Maturing on February 1, 2018

<u>Redemption Date</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>
2013	\$ 995,000
2014	1,040,000
2015	1,095,000
2016	1,150,000
2017	1,205,000
2018*	1,265,000

* Stated maturity

Correctional System Revenue Bonds
Maturing on February 1, 2027

<u>Redemption Date</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>
2019	\$1,330,000
2020	1,410,000
2021	1,495,000
2022	1,585,000
2023	1,680,000
2024	1,780,000
2025	1,885,000
2026	2,000,000
2027*	2,120,000

* Stated maturity

Optional Redemption. The Correctional System Revenue Bonds are not subject to optional redemption prior to maturity.

Extraordinary Redemption At Direction of Insurer. Upon receipt by the Trustee of written notice from the Insurer that an "Event of Default" exists under the Insurance Agreement, the Correctional System Revenue Bonds shall be subject to extraordinary mandatory redemption, at the direction of the Controlling Party, in whole or in part on any date, at a price equal to the principal amount of the Correctional System Revenue Bonds to be redeemed plus interest thereon accrued to the date fixed for redemption, without premium, in an amount designated by the Controlling Party from

amounts payable under the Policy, or as otherwise directed by the Controlling Party pursuant to this provision, the Controlling Party shall direct the Trustee in writing as to the maturities and principal amounts of Correctional System Revenue Bonds to be redeemed. As used herein, "Controlling Party" means (a) the Insurer, so long as the Insurer is not in default, and (b) if the Insurer is in default, (i) the Trustee; provided, however, that if the Insurer delivers a written notice of resignation as Controlling Party to the Trustee, the Trustee shall be the Controlling Party; and provided, further, that notwithstanding the occurrence of a default by the Insurer, in the event the principal of, premium, if any, and interest on the Correctional System Revenue Bonds are paid in full and any amounts are owed to the Insurer under the Insurance Agreement, Controlling Party means the Insurer.

Notice of Redemption; Selection of Bonds for Partial Redemptions

Except as otherwise provided in the Indenture, the Trustee shall cause the Registrar to give notice of any redemption, identifying the Correctional System Revenue Bonds to be redeemed, by first-class mail (postage prepaid), not more than 60 days and not less than 30 days prior to the date fixed for redemption to (a) the Holder of each Correctional System Revenue Bond to be redeemed at the address shown on the Bond register on the date the notice of redemption is sent (b) at least two national information services of national recognition which disseminate securities information with respect to tax-exempt securities and (c) the Insurer.

All notices of redemption shall be dated and shall state: (i) the redemption date; (ii) the redemption price; (iii) if less than all Outstanding Correctional System Revenue Bonds are to be redeemed, the identification numbers (and, in the case of partial redemption, the respective principal amounts) of the Correctional System Revenue Bonds to be redeemed; (iv) that on the redemption date the redemption price will become due and payable upon each such Correctional System Revenue Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and (v) the place where such Correctional System Revenue Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Office of the Trustee. Failure to mail such notice to the Holder of any Correctional System Revenue Bonds or any defect therein with respect to particular Correctional System Revenue Bonds shall not affect the validity of the redemption of other Correctional System Revenue Bonds with respect to which no such failure or defect has occurred.

If less than all the Correctional System Revenue Bonds are to be called for redemption prior to maturity, the particular Correctional System Revenue Bonds or portions of Correctional System Revenue Bonds to be redeemed shall, except as described under *Extraordinary Mandatory Redemption* above, be selected by the

Trustee pro rata among maturities and by lot within the same maturity. Correctional System Revenue Bonds selected for redemption shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting Correctional System Revenue Bonds for redemption, the Trustee shall treat each Correctional System Revenue Bond as representing that number of Correctional System Revenue Bonds obtained by dividing the principal amount of such Correctional System Revenue Bond by \$5,000.

Prior to giving notice of any optional redemption which shall occur, there shall have been deposited with the Trustee Available Moneys sufficient to make the necessary redemption payment. As used herein, "Available Moneys" means moneys on deposit with the Trustee with respect to which the Trustee has received an unqualified opinion of counsel from counsel nationally recognized in bankruptcy matters to the effect that the use by the Trustee of such moneys in accordance with the Indenture would not constitute a voidable preference under the United States Bankruptcy Code in the event a petition in bankruptcy is filed by or against the entity depositing such moneys or on whose behalf such moneys have been deposited.

Book Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Correctional System Revenue Bonds. The Correctional System Revenue Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Correctional System Revenue Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participant's accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and

dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Correctional System Revenue Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Correctional System Revenue Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Correctional System Revenue Bonds are to be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Correctional System Revenue Bonds except in the event that use of the book-entry system for the Correctional System Revenue Bonds is discontinued.

To facilitate subsequent transfers, all Correctional System Revenue Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Correctional System Revenue Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Correctional System Revenue Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Correctional System Revenue Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory agreements as may be in effect from time to time.

While the Correctional System Revenue Bonds are in the book entry only system, redemption notices shall be sent to Cede & Co. If less than all of the Correctional System Revenue Bonds within an issue are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Correctional System Revenue Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Correctional System Revenue Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Correctional System Revenue Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Correctional System Revenue Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

NEITHER THE COUNTY NOR THE TRUSTEE HAS RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR TO PERSONS FOR WHOM PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF PORTIONS OF THE CORRECTIONAL SYSTEM REVENUE BONDS FOR REDEMPTION.

THE COUNTY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OF A DEPOSITORY, ANY PERSON CLAIMING A BENEFICIAL INTEREST IN ANY CORRECTIONAL SYSTEM REVENUE BONDS UNDER OR THROUGH A DEPOSITORY, OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING REGISTERED OWNERS, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY, THE PAYMENT BY A DEPOSITORY OR

ANY PARTICIPANT OF A DEPOSITORY OF ANY AMOUNT IN RESPECT OF PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON ANY CORRECTIONAL SYSTEM REVENUE BOND, ANY NOTICE WHICH IS REQUIRED TO BE GIVEN TO REGISTERED OWNERS UNDER THE INDENTURE, THE SELECTION OF A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE CORRECTIONAL SYSTEM REVENUE BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE CORRECTIONAL SYSTEM REVENUE BONDS.

Source of Payment and Security for the Bonds

Sources of Payment - General

THE CORRECTIONAL SYSTEM REVENUE BONDS ARE LIMITED OBLIGATIONS OF THE COUNTY, PAYABLE SOLELY FROM THE SOURCES OF PAYMENT MORE FULLY DESCRIBED HEREIN. THE CORRECTIONAL SYSTEM REVENUE BONDS ARE NOT GENERAL OBLIGATIONS OF THE COUNTY AND NEITHER PLEDGE THE FULL FAITH AND CREDIT OF THE COUNTY OR THE AD VALOREM TAXING POWER OR GENERAL RESOURCES OF THE COUNTY, THE STATE OF NEW MEXICO OR ANY POLITICAL SUBDIVISION TO THE PAYMENT OF THE CORRECTIONAL SYSTEM REVENUE BONDS.

The Correctional System Revenue Bonds are payable solely from (i) all of the County's right, title and interest in, to and under the Government Agreements, including all payments due under the Government Agreements, (ii) any and all real or personal property, rights and interests of every kind or description which from time to time may be sold, transferred, conveyed, assigned, pledged, mortgaged or delivered to the Trustee as additional security under the Indenture, including without limitation, the Mortgage, and (iii) all moneys, securities or investments held in or entitled to be held by the Trustee under the Indenture and investments of all funds and accounts created in the Indenture (except the Rebate Account) and all interest, profits and proceeds thereof, including without limitation, the Debt Service Reserve Fund, the Revenue Fund, the Interest Fund, and the Principal Fund (collectively, the "Trust Estate"). As used herein, "Government Agreements" means those agreements, if any, between the County and the various municipalities, counties, state or federal governments, and agencies of the foregoing to provide correctional services for prisoners, inmates, or other detainees of such entities.

Description of Government Agreements

The Correctional System Revenue Bonds are payable from revenues generated from the Inter-Governmental Agreements which the County expects to enter into with respect to the Correctional System Revenue Bond Project.

Mortgage

The Correctional System Revenue Bonds are secured, pursuant to the Mortgage, by a mortgage on the real property constituting the Correctional System Revenue Bond Project. See Exhibit B - "Summary of Mortgage", attached hereto.

Debt Service Reserve Fund

Immediately upon the sale and delivery of the Correctional System Revenue Bonds, a deposit in the amount of \$2,249,600 from the proceeds of the Correctional System Revenue Bonds shall be made into the Debt Service Reserve Fund created under the Indenture. Moneys in the Debt Service Reserve Fund are to be withdrawn from the Debt Service Reserve Fund and concurrently credited to the Interest Fund or Principal Fund, to the extent and at the times necessary, and to the extent such amounts are available in the debt Service Reserve Fund to prevent deficiencies therein. Whenever the amount in the Debt Service Reserve Fund is less than the Reserve Requirement, moneys on deposit in the Revenue Fund are to be applied to cure the deficiency. As used herein, "Reserve Requirement" means an amount equal to the lesser of: (a) ten percent (10%) of the original principal amount of the Correctional System Revenue Bonds; (b) the maximum annual debt service of the Correctional System Revenue Bonds; or (c) one hundred twenty five percent (125%) of the average annual debt service on the Correctional System Revenue Bonds.

County Deficiency Covenant

Prior to withdrawing moneys from the Debt Service Reserve Fund for prevention of deficiencies in the Interest Fund or the Principal Fund, the Trustee shall notify the County at least forty-five days prior to any Interest Payment Date of the amount, or estimated amount, of any such deficiency. The County may, no later than two Business days prior to the Interest Payment Date, deposit with the Trustee from any legally available funds of the County, an amount equal to such deficiencies. The Trustee is required to immediately apply any such deposit to the Interest Fund, the Principal Fund, or both Accounts to make the required payments on the Correctional System Revenue Bonds. If the County fails to make such deposit or deposits less than the required amount, the Trustee shall withdraw the appropriate amounts from the Debt Service Reserve Fund.

In the Indenture, the County covenants and agrees with the Holders and the Trustee to pay from County Gross Receipts Tax Revenues amounts sufficient to satisfy the deposit requirements for deficiency amounts described above. Such covenant and agreement on the part of the County to pay such amounts from County Gross Receipts Tax Revenues shall be cumulative to the extent not paid, and shall continue until such County Gross Receipts Tax Revenues or other legally available funds in amounts sufficient to make all required payments shall have been paid.

The above covenant to pay creates a subordinate lien upon or pledge of such County Gross Receipts Tax Revenues. It does not preclude the County from pledging in the future its County Gross Receipts Tax Revenues. The above covenant to appropriate County Gross Receipts Tax Revenues is subject in all respects to the payment of obligations secured by a pledge of County Gross Receipts Tax Revenues theretofore or thereafter entered into (including the payment of debt service on bonds and other debt instruments); provided, however, that before any additional bonds or other instruments are actually issued it must be determined that the County Gross Receipts Tax Revenues received by the County for the twelve months immediately preceding the date of issuance of such additional bonds shall have been sufficient to pay an amount representing one hundred forty percent (140%) of the combined maximum (excluding amounts to be paid from any unexpended debt service reserve fund at maturity) annual principal and interest coming due in any subsequent Fiscal Year on the then outstanding bonds or obligations payable from the County Gross Receipts Tax Revenues and the additional bonds proposed to be issued payable from the County Gross Receipts Tax Revenues.

Bond Insurance

Concurrently with the issuance of the Correctional System Revenue Bonds, Financial Security Assurance Inc. (the "Insurer") will issue its Municipal Bond Insurance Policy (the "Policy") for the Correctional System Revenue Bonds. The Policy guarantees the scheduled payment of principal and interest on the Correctional System Revenue Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

THE POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

For a description of the Insurer, see "The Insurer" herein.

Additional Bonds

Upon furnishing the Trustee with certain documentation specified in the Indenture, additional bonds may be issued under the Indenture for the purposes of expanding, enlarging, rehabilitating, or reequipping the Project; provided, however, that before any senior or parity additional bonds or other instruments are actually issued it must be determined that the County Gross Receipts Tax Revenues received by the County for the twelve months immediately preceding the date of issuance of such additional bonds shall have been sufficient to pay an amount representing one hundred forty percent (140%) of the combined maximum (excluding amounts to be paid from any unexpended debt service reserve fund at maturity) annual principal and interest coming due in any subsequent Fiscal Year on the then outstanding bonds or obligations

payable from the County Gross Receipts Tax Revenues and the additional bonds proposed to be issued payable from the County Gross Receipts Tax Revenues. All additional bonds issued under the Indenture shall rank on a parity with the Correctional System Revenue Bonds.

THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS

Description of the Bonds

The Subordinate Gross Receipts Tax Revenue Bonds are dated February 1, 1997, and bear interest from that date payable on February 1 and August 1 in each year, commencing August 1, 1997. The Subordinate Gross Receipts Tax Revenue Bonds bear interest at the rates per annum and mature in the amounts and at the times set forth on the cover page and inside cover page hereof. The principal of, and premium, if any, on the Subordinate Gross Receipts Tax Revenue Bonds are payable at the principal office of the County Treasurer as paying agent (the "Paying Agent") upon presentation and surrender of the Subordinate Gross Receipts Tax Revenue Bonds due. Interest payments on the Subordinate Gross Receipts Tax Revenue Bonds shall be made by check or draft mailed by the Paying Agent to the respective Holders thereof (or by such other arrangement as may be mutually agreed to by the Paying Agent and the Holder) on the Record Date at the address shown on the registration books kept by the County Treasurer, as registrar (the "Registrar"). The Record Date is the fifteenth day (whether or not a Business day) of the month preceding the month in which an Interest Payment Date occurs.

For a description of the method of payment of the principal, premium, if any, and interest on the Subordinate Gross Receipts Tax Revenue Bonds so long as the Subordinate Gross Receipts Tax Revenue Bonds are held pursuant to the Book-Entry System, see "Book Entry Only System" herein.

So long as the Subordinate Gross Receipts Tax Revenue Bonds are registered in the name of Cede & Co., registration, transfer and exchange of the Subordinate Gross Receipts Tax Revenue Bonds may only be made through DTC. See "Book Entry Only System" herein.

Redemption of Bonds Prior to Stated Maturity

The Subordinate Gross Receipts Tax Revenue Bonds are subject to mandatory sinking fund, optional and extraordinary redemption as described below:

Mandatory Sinking Fund Redemption Without Premium. The Subordinate Gross Receipts Tax Revenue Bonds maturing February 1, 2018 and February 1, 2027 ("Term Bonds") are subject to mandatory

sinking fund redemption in part by lot prior to maturity. The Term Bonds to be redeemed under this provision will be redeemed at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, without premium, in the principal amounts and on the dates listed below:

Subordinate Gross Receipts Tax Revenue Bonds
Maturing on February 1, 2018

<u>Redemption Date</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>
2013	\$185,000
2014	195,000
2015	205,000
2016	215,000
2017	225,000
2018*	240,000

* Stated maturity

Subordinate Gross Receipts Tax Revenue Bonds
Maturing on February 1, 2027

<u>Redemption Date</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>
2019	\$250,000
2020	265,000
2021	280,000
2022	300,000
2023	315,000
2024	335,000
2025	355,000
2026	375,000
2027*	400,000

* Stated maturity

Optional Redemption. The Subordinate Gross Receipts Tax Revenue Bonds are not subject to optional redemption prior to maturity.

Extraordinary Redemption At Direction of Insurer. Upon receipt by the Paying Agent of written notice from the Insurer that an "Event of Default" exists under the Insurance Agreement, the Subordinate Gross Receipts Tax Revenue Bonds shall be subject to extraordinary mandatory redemption, at the direction of the Controlling Party, in whole or in part on any date, at a price equal to the principal amount of the Subordinate Gross Receipts Tax

Revenue Bonds to be redeemed plus interest thereon accrued to the date fixed for redemption, without premium, in an amount designated by the Controlling Party from amounts payable under the Policy, or as otherwise directed by the Controlling Party pursuant to this provision, the Controlling Party shall direct the Paying Agent in writing as to the maturities and principal amounts of Subordinate Gross Receipts Tax Revenue Bonds to be redeemed. As used herein, "Controlling Party" means (a) the Insurer, so long as the Insurer is not in default, and (b) if the Insurer is in default, (i) the Paying Agent; provided, however, that if the Insurer delivers a written notice of resignation as Controlling Party to the Paying Agent, the Paying Agent shall be the Controlling Party; and provided, further, that notwithstanding the occurrence of a default by the Insurer, in the event the principal of, premium, if any, and interest on the Subordinate Gross Receipts Tax Revenue Bonds are paid in full and any amounts are owed to the Insurer under the Insurance Agreement, Controlling Party means the Insurer.

Notice of Redemption; Selection of Bonds for Partial Redemptions

The Registrar shall give notice of any redemption, identifying the Subordinate Gross Receipts Tax Revenue Bonds to be redeemed, by first-class mail (postage prepaid), at least 30 days prior to the date fixed for redemption to (a) the Holder of each Subordinate Gross Receipts Tax Revenue Bond to be redeemed at the address shown on the Bond register on the date the notice of redemption is sent and (b) the Insurer.

Notice of redemption will specify the amount being redeemed, and shall further state that on the redemption date there will become and be due and payable upon each Subordinate Gross receipts Tax Revenue Bond to be redeemed at the office of the Paying Agent, the principal amount thereof plus accrued interest to the redemption date and the stipulated premium, if any, and that from and after such date, the redemption amount having been deposited and notice having been given, interest will cease to accrue. Failure to mail such notice to the Holder of any Subordinate Gross Receipts Tax Revenue Bonds or any defect therein with respect to particular Subordinate Gross Receipts Tax Revenue Bonds shall not affect the validity of the redemption of other Subordinate Gross Receipts Tax Revenue Bonds with respect to which no such failure or defect has occurred.

If less than all the Subordinate Gross Receipts Tax Revenue Bonds are to be called for redemption prior to maturity, the particular Subordinate Gross Receipts Tax Revenue Bonds or portions of Subordinate Gross Receipts Tax Revenue Bonds to be redeemed shall, except as described under *Extraordinary Mandatory Redemption* above, be selected by the Paying Agent pro rata among maturities and by lot within the same maturity. Subordinate Gross Receipts Tax Revenue Bonds selected for redemption shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting

Subordinate Gross Receipts Tax Revenue Bonds for redemption, the Paying Agent shall treat each Subordinate gross Receipts Tax Revenue Bond as representing that number of Subordinate Gross Receipts Tax Revenue Bonds obtained by dividing the principal amount of such Correctional System Revenue Bond by \$5,000.

Book Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Subordinate Gross Receipts Tax Revenue Bonds. The Subordinate Gross Receipts Tax Revenue Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Subordinate Gross Receipts Tax Revenue Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participant's accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Subordinate Gross Receipts Tax Revenue Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Subordinate Gross Receipts Tax Revenue Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction,

as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Subordinate Gross Receipts Tax Revenue Bonds are to be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Subordinate Gross Receipts Tax Revenue Bonds except in the event that use of the book-entry system for the Subordinate Gross Receipts Tax Revenue Bonds is discontinued.

To facilitate subsequent transfers, all Subordinate Gross Receipts Tax Revenue Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Subordinate Gross Receipts Tax Revenue Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Subordinate Gross Receipts Tax Revenue Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Subordinate Gross Receipts Tax Revenue Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory agreements as may be in effect from time to time.

While the Subordinate Gross Receipts Tax Revenue Bonds are in the book entry only system, redemption notices shall be sent to Cede & Co. If less than all of the Subordinate Gross Receipts Tax Revenue Bonds within an issue are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Subordinate Gross Receipts Tax Revenue Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Subordinate Gross Receipts Tax Revenue Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Subordinate Gross Receipts Tax Revenue Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment

on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Subordinate Gross Receipts Tax Revenue Bonds at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

THE COUNTY HAS NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR TO PERSONS FOR WHOM PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF PORTIONS OF THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS FOR REDEMPTION.

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OF A DEPOSITORY, ANY PERSON CLAIMING A BENEFICIAL INTEREST IN ANY SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS UNDER OR THROUGH A DEPOSITORY, OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING REGISTERED OWNERS, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY, THE PAYMENT BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY OF ANY AMOUNT IN RESPECT OF PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON ANY CORRECTIONAL SYSTEM REVENUE BOND, ANY NOTICE WHICH IS REQUIRED TO BE GIVEN TO REGISTERED OWNERS UNDER THE INDENTURE, THE SELECTION OF A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS.

Source of Payment and Security for the Bonds

Sources of Payment - General

THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS ARE LIMITED OBLIGATIONS OF THE COUNTY, PAYABLE SOLELY FROM THE SOURCES OF PAYMENT MORE FULLY DESCRIBED HEREIN. THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS ARE NOT GENERAL OBLIGATIONS OF THE COUNTY AND NEITHER PLEDGE THE FULL FAITH AND CREDIT OF THE COUNTY OR THE AS VALOREM TAXING POWER OR GENERAL RESOURCES OF THE COUNTY, THE STATE OF NEW MEXICO OR ANY POLITICAL SUBDIVISION TO THE PAYMENT OF THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS.

The Subordinate Gross Receipts Tax Revenue Bonds are payable solely from the Pledged County Gross Receipts Tax Revenues. As used herein, the term "Pledged County Gross Receipts Tax Revenues" means the County Gross Receipts Tax Revenues not exceeding in the aggregate one-eighth of one percent (.125%) of the taxable gross receipts reported for the County for each month but only to the extent that 25% of the first one-eighth increment of such revenues (the "reserve revenues") are not otherwise deposited in the County reserve fund pursuant to Section 7-20E-11, N.M.S.A. 1978, as amended, and, if still available, such reserve revenues upon their release from the County reserve fund after the end of each fiscal year, pledged to the Subordinate Gross Receipts Tax Revenue Bonds.

The County's outstanding loan from the New Mexico Finance Authority has a prior lien on the Pledged County Gross Receipts Tax Revenues. The County may incur additional indebtedness from time to time that has a prior or parity lien on the Pledged Gross Receipts Tax Revenues; provided, however, that before any such additional bonds or other instruments are actually issued it must be determined that the Pledged County Gross Receipts Tax Revenues received by the County for the twelve months immediately preceding the date of issuance of such additional bonds shall have been sufficient to pay an amount representing one hundred forty percent (140%) of the combined maximum (excluding amounts to be paid from any unexpended debt service reserve fund at maturity) annual principal and interest coming due in any subsequent Fiscal Year on the then outstanding bonds or obligations payable from the Pledged County Gross Receipts Tax Revenues and the additional bonds proposed to be issued payable from the Pledged County Gross Receipts Tax Revenues. The lien of the Subordinate Gross Receipts Tax Revenue Bonds on the Pledged County Gross Receipts Taxes is senior to the lien of the Correctional System Revenue Bonds. See Exhibit E - "The Bond Ordinance - Bonds or Other Obligations Payable From Pledged Revenues".

Reserve Fund

Immediately upon the sale and delivery of the Subordinate Gross Receipts Tax Revenue Bonds, a deposit in the amount of

\$425,905 from the proceeds of the Subordinate Gross Receipts Tax Revenue Bonds shall be made into the Reserve Fund created under the Ordinance. Moneys in the Reserve Fund are to be withdrawn from the Debt Service Reserve Fund and concurrently credited to the Bond Fund, to the extent and at the times necessary, and to the extent such amounts are available in the Reserve Fund to prevent deficiencies therein. Whenever the amount in the Reserve Fund is less than the Reserve Requirement, moneys on deposit in the Revenue Fund are to be applied to cure the deficiency. As used herein, "Reserve Requirement" means an amount equal to the lesser of: (a) ten percent (10%) of the original principal amount of the Subordinate Gross Receipts Tax Revenue Bonds; (b) the maximum annual debt service of the Subordinate Gross Receipts Tax Revenue Bonds; or (c) one hundred twenty five percent (125%) of the average annual debt service on the Subordinate Gross Receipts Tax Revenue Bonds.

Bond Insurance

Concurrently with the issuance of the Subordinate Gross Receipts Tax Revenue Bonds, Financial Security Assurance Inc. (the "Insurer") will issue its Municipal Bond Insurance Policy (the "Policy") for the Subordinate Gross Receipts Tax Revenue Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Subordinate Gross Receipts Tax Revenue Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

THE POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

For a description of the Insurer, see "The Insurer" herein.

THE INSURER

Financial Security Assurance Inc. (the "Insurer") is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is a New York Stock Exchange listed company whose major shareholders include Fund American Enterprises Holdings Inc., The Tokio Marine and Fire Insurance Co., Ltd. and US WEST Capital Corporation. The shareholders of Holdings are not liable for the obligations of the Insurer.

At September 30, 1996, the Insurer's total policyholders' surplus and contingency reserves were approximately \$664,796,000 and its total unearned premium reserve was approximately \$405,784,000 in accordance with statutory accounting principles. At September 30, 1996, the Insurer's total shareholders' equity was approximately \$795,183,000 and its total net unearned premium reserve was approximately \$358,145,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference.

Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds.

Copies of such materials incorporated by reference will be provided upon request to: Financial Security Assurance Inc., 350 Park Avenue, New York, New York 10022, Attention: Communications department (Telephone (212) 826-0100).

The Policy for the Correctional System Revenue Bonds and the Policy for the Subordinate Gross Receipts Tax Revenue Bonds do not protect investors against changes in the market value of such respective Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. The Insurer makes no representation regarding the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds or the advisability of investing in the respective Bonds. The Insurer makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that the Insurer has provided to the County the information presented under this caption for inclusion in the Official Statement.

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

The County has made a written undertaking for the benefit of the holders of the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds required by Section (b)(5)(i) of securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CAR Part 240, Section 240, 15c2-12)(the "Rule").

The County undertakes to provide the following information:

- a. Annual Financial Information;
- b. Audited Financial Statements, if any; and
- c. Material Event Notices.

The County shall, while any Correctional System Revenue Bonds or Subordinate Gross Receipts Tax Revenue Bonds are outstanding, provide the Annual Financial Information on or before December 31 of each year (the "Report Date"), to each then existing NRMSIR and the SID, if any. The County may adjust the Report Date if the County changes its fiscal year by providing written notice of the change of fiscal year and the new Report Date to each then existing NRMSIR and the SID, if any; provided that the new Report Date shall be 180 days after the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration. It shall be sufficient if the County provides to each then existing NRMSIR and the SID, if any, the Annual Financial Information by specific reference to documents previously provided to each NRMSIR and the SID, if any, or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board.

If not provided as part of the Annual Financial Information, the County shall provide the Audited Financial Statements when and if available while any Correctional System revenue Bonds or Subordinate Gross Receipts Tax revenue Bonds are outstanding to each then existing NRMSIR and the SID, if any.

If a Material Event occurs while any Correctional System Revenue Bonds or Subordinate Gross Receipts Tax Revenue Bonds are outstanding, the County shall provide a Material Event Notice in a timely manner to the Municipal Securities Rulemaking Board and the SID, if any. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Correctional system Revenue Bonds or Subordinate Gross Receipts Tax Revenue Bonds, as applicable.

The County shall provide, in a timely manner, to the Municipal Securities Rulemaking Board and to the SID, if any, notice of any failure by the County while any Correctional System Revenue Bonds or Subordinate Gross Receipts Tax Bonds are outstanding to provide to each then existing NRMSIR and the SID, if any, Annual Financial Information on or before the Report Date.

The following are the definitions of the capitalized terms used in this section:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principals ("GAAP") for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB") or operating data with respect to the County, provided at least annually, of the type included in the Official Statement with respect to the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds; which Annual Financial Information may, but is not required to, include Audited Financial Statements.

"Audited Financial Statements" means the County's annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State of New Mexico.

"Material Event" means any of the following events, if material, with respect to the Correctional System Revenue Bonds or the Subordinate Gross Receipts Tax Revenue Bonds, as applicable:

- (a) Principal and interest payment delinquencies;
- (b) Unscheduled draws on debt service reserves respecting financial difficulties;
- (c) Non-payment related defaults;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;

- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (g) Modifications of rights of security holders;
- (h) Bond calls;
- (i) Release, substitution, or sale of property securing payment of the securities; and
- (j) Rating changes.

"Material Event Notice" shall mean written or electronic notice of a Material Event.

"NRMSIR" means a nationally recognized municipal securities information repository, as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule.

"SID" means a state information repository as operated or designated by the State as such for the purposes referred to in the Rule.

Unless otherwise required by law and subject to technical and economic feasibility, the County shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the County's information.

The continuing obligation of the County to provide Annual Financial Information, Audited Financial Statements, if any, and Material Event Notices shall terminate once there are no longer any Correctional System Revenue Bonds or Subordinate Gross Receipts Tax Revenue Bonds outstanding. This section shall be null and void in the event that the County delivers to each then existing NRMSIR and the SID, if any, an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this section or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Correctional System Revenue Bonds and Subordinate Gross Receipts Tax Revenue Bonds. This agreement may be amended without the consent of the Bondholders, but only upon delivery by the County to each then existing NRMSIR and the SID, if any, of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this section and by the County with the Rule.

Any failure by the County to perform in accordance with this section shall not constitute an Event of default; however, the bondholders may sue to enforce performance of the undertakings set forth herein.

ABSENCE OF MATERIAL LITIGATION

At the time of original delivery of the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds, the County will deliver a no litigation certificate to the effect that no litigation, administrative action or proceeding is pending or, to the knowledge of the appropriate County officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Correctional System Revenue Bonds or the Subordinate Gross Receipts Tax Revenue Bonds, or contesting or questioning the proceedings and authority under which such Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of such Bonds.

LEGAL MATTERS

The County has engaged Hughes & Strumor, Ltd. Co., Attorneys at Law, Albuquerque, New Mexico, as Bond Counsel in connection with the issuance of the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds. Legal matters incident to the issuance of the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds and with regard to the tax-exempt status of the interest thereof (see "Tax Matters" below) are subject to the approving legal opinions of Bond Counsel. A signed copy of its opinions, dated the date of the original delivery of the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds, will be delivered at the time of the original delivery thereof. Certain other matters will be passed upon by Foley & Lardner, Santa Fe, New Mexico, counsel to the Underwriter.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Correctional System Revenue Bonds and the Subordinate gross Receipts Tax Revenue Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance. The County has covenanted in the Subordinate Gross Receipts Tax Revenue Bonds Bond ordinance and in the Indenture to maintain the exclusion of the interest on the Subordinate Gross Receipts Tax Revenue Bonds and the Correctional System Revenue Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In the opinion of Bond Counsel, under existing law, and assuming compliance with the aforementioned covenants, interest on the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds. Bond Counsel is also of the opinion that the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds are not "private activity bonds" within the meaning of Section 57(a)(5) of the Code; therefore, the interest on the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on seventy-five percent (75%) of the excess of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction).

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds may affect the tax status of the interest thereon. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds from gross income for federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any other federal, state (other than state of New Mexico) or local tax law consequences with respect to the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds, or the interest thereon.

Bond Counsel is of the opinion that the interest on the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds is exempt from tax imposed by the State of New Mexico.

ORIGINAL ISSUE DISCOUNT ON THE BONDS

The initial public offering price of the Correctional System Revenue Bonds maturing on February 1, 2000 through February 1, 2006, and February 1, 2008 through February 1, 2018, and the Subordinate Gross Receipts Tax Revenue Bonds maturing on February 1, 2000 through February 1, 2006, and February 1, 2008 through February 1, 2018 (the "Discounted Bonds") is less than the principal amount payable at maturity. As a result, the Discounted Bonds will be considered to be issued with original issue discount. The difference between the initial offering price of the Discounted Bonds, as set forth on the inside front cover page of this Official Statement (assuming a substantial amount of each maturity is sold at such price), and the principal amount payable at maturity of the Discounted Bonds will be treated as "original issue discount". With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the initial public offering price

(assuming a substantial amount of that maturity is sold at that price) and who holds such Discounted Bond to maturity, the full amount of original issue discount will constitute interest which is not includable in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, under present federal income tax law, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

The original issue discount on each of the Discounted Bonds is treated as accruing daily over the term of such Discounted Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on February 1 and August 1 (with straight-line interpolation between compounding dates).

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discounted Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discounted Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discounted Bonds (including sale, redemption or payment at maturity). An owner of a Discounted Bond who disposes of such Discounted Bond prior to maturity should consult his tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discounted Bond prior to maturity.

As described above regarding tax-exempt interest, a portion of the original issue discount that accrues in each year to an owner of a Discounted Bond may result in certain collateral federal income tax consequences. In the case of a corporation, such portion of the original issue discount will be included in the calculation of the corporation's alternative minimum tax liability and the environmental tax liability. Corporate owners of any Discounted Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability or an environmental tax liability although the owners of such Discounted Bonds will not receive corresponding cash payment until a later year.

Owners who purchase Discounted Bonds in the initial public offering but at a price different than the initial offering price at which a substantial amount of that maturity of the Discounted Bonds was sold to the public should consult their own tax advisors with respect to the tax consequences of the ownership of the Discounted Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discounted Bonds. Owners who do not purchase Discounted Bonds in the initial public offering should consult

their own tax advisors with respect to the tax consequences of the ownership of the Discounted Bonds.

Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

ORIGINAL ISSUE PREMIUM ON THE BONDS

The Correctional System Revenue Bonds maturing February 1, 2027 and the Subordinate Gross Receipts Tax Bonds maturing February 1, 2027 (the "Premium Bonds") have an issue price that is greater than the amount payable at maturity of such Premium Bonds.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of the Premium Bonds.

DESCRIPTION OF RATINGS

The Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds have each been issued bond ratings of "AAA" by Standard & Poor's Ratings Services ("S&P") and "Aaa" by Moody's Investors Service based, in each case, on the condition that Financial Security Assurance, Inc. will issue its Bond Insurance Policy in respect of the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds. Such ratings are not based upon a credit evaluation of the County.

In addition, S & P has issued an underlying rating, based upon a credit evaluation of the County, of A for the Subordinate Gross

Receipts Tax Revenue Bonds and A- for the Correctional System Revenue Bonds.

The ratings reflect only the view of such rating agency and are not a recommendation to buy, sell or hold the Correctional System Revenue Bonds or the Subordinate Gross receipts Tax Revenue Bonds. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely, if in the judgment of the rating agencies circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price or marketability of the affected Bonds.

An explanation of the significance of each rating may be obtained from the rating agency furnishing the same at the following addresses: Standard & Poor's Ratings service, a division of The McGraw-Hill Companies, Inc., 25 Broadway, New York, New York 10004; and Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007.

UNDERWRITING

The Correctional System Revenue Bonds are being purchased by Piper Jaffray Inc. (the "Underwriter"). The applicable Bond Purchase Agreement provides that the Underwriter will purchase all of the Correctional System Revenue Bonds, if any are purchased. In connection with the issuance of the Correctional System Revenue Bonds, the Underwriter will purchase the Correctional System Revenue Bonds at a price of \$29,955,656.25 (the principal amount of the Correctional System Revenue Bonds, plus an original issue premium of \$951,644.10, less an original issue discount of \$500,987.85 and an Underwriter's Discount of \$495,000) plus accrued interest.

The Subordinate Gross Receipts Tax Revenue Bonds are being purchased by the "Underwriter". The applicable Bond Purchase Agreement provides that the Underwriter will purchase all of the Subordinate Gross Receipts Tax Revenue Bonds, if any are purchased. In connection with the issuance of the Subordinate Gross Receipts Tax Revenue Bonds, the Underwriter will purchase the Subordinate Gross Receipts Tax Revenue Bonds at a price of \$5,984,447 (the principal amount of the Subordinate Gross Receipts Tax Revenue Bonds, plus an original issue premium of \$178,825, less an original issue discount of \$95,378 and an Underwriter's Discount of \$99,000) plus accrued interest.

FINANCIAL ADVISOR

Southwest Securities, Inc. has acted as financial advisor to the County in connection with this financing.

MISCELLANEOUS

The references herein to the Correctional System Revenue Bonds, the Subordinate Gross Receipts Tax Revenue Bonds, the Subordinate Gross Receipts Tax Bond Ordinance, the Indenture, the Mortgage, the Governmental Agreements and other documents are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions reference is made to such documents. Copies of the documents under mentioned under this heading are on file at the offices of the County.

It is anticipated that CUSIP identification numbers will be printed on the Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds, but neither the failure to print such numbers on any Bond nor any error in the printing of such numbers shall constitute cause for a failure by the purchaser thereof to accept delivery of and pay for any Correctional System Revenue Bonds or Subordinate Gross Receipts Tax Revenue Bonds.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

COUNTY APPROVAL OF OFFICIAL STATEMENT

This Official Statement has been authorized and approved by the County, is considered to be true, complete and correct in all material respects, and does not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements made herein, in light of the circumstances under which they were made, not misleading.

SANTA FE COUNTY, NEW MEXICO

/s/ Richard D. Anaya
Chairman, Board of County Commissioners

APPENDIX A

SANTA FE COUNTY, NEW MEXICO

The County has enacted the first, second and third one-eighth increments.

TAX ADMINISTRATION

The Department is responsible for administering the gross receipts and Compensating Tax Act and for collecting the State Gross Receipts Tax and all local option gross receipts taxes imposed by New Mexico counties and municipalities. The Department makes monthly distributions to counties and municipalities, as applicable, of State shared receipts and of receipts from local option gross receipts taxes.

TAX RATE HISTORY

The County has enacted the first one-eighth increment, the second one-eighth increment, and the third one-eighth increment by ordinance.

GROSS RECEIPTS TAX EXEMPTIONS

Some activities and industries are exempt from the State Gross Receipts Tax, many by virtue of their taxation under other laws. Exemptions include but are not limited to receipts of governmental agencies and certain organizations (some of which are taxable pursuant to legislation enacted in 1991), and receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, interest and receipts from the sale of or leasing of natural gas, oil or mineral interests. Various deductions are allowed including but not limited to receipts from various types of sales or leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from processing certain agricultural products, receipts from certain publication sales, and certain receipts from interstate commerce transactions. In spite of the numerous specified exemptions and deductions from gross receipts taxation, the general presumption is that all receipts of a person engaging in business in the State are subject to the State Gross Receipts Tax and applicable county and municipal local option gross receipts taxes.

GROSS RECEIPTS TAX COVENANT; SUBORDINATE GROSS RECEIPTS TAX PLEDGE

As described in the Official Statement under "The Correctional System Revenue Bonds - Source of Payment and Security for the Bonds - County Deficiency Covenant", the County agrees and covenants with the Holders and the Trustee to pay from the County Gross Receipts Tax Revenues (the first one-eighth increment and one-half of the third one-eighth increment), amounts sufficient to satisfy the requirement that the County cure deficiencies in the Debt Service Reserve Fund for the Correctional System Revenue Bonds. The covenant creates a subordinate lien upon or pledge of such County

Gross Receipts Tax Revenues. The above covenant is subject in all respects to the payment of obligations secured by a pledge of the County's Gross Receipts Tax Revenues heretofore of hereafter entered into (including the payment of debt service on bonds and other debt instruments); provided, however, that before any senior or parity additional bonds or other instruments are actually issued it must be determined that the County Gross Receipts Tax Revenues received by the County for the twelve months immediately preceding the date of issuance of such additional bonds shall have been sufficient to pay an amount representing one hundred forty percent (140%) of the combined maximum (excluding amounts to be paid from any unexpended debt service reserve fund at maturity) annual principal and interest coming due in any subsequent Fiscal Year on the then outstanding bonds or obligations payable from the County Gross Receipts Tax Revenues and the additional bonds proposed to be issued payable from the County Gross Receipts Tax Revenues..

As described in the Official Statement under "The Subordinate Gross Receipts Tax Revenue Bonds - Source of Payment and Security for the Bonds - Source of Payment - General", the Subordinate Gross Receipts Tax Revenue Bonds are payable solely from the first one-eighth increment of County Gross Receipts Tax Revenues but only to the extent that 25% of the first one-eighth increment are not otherwise deposited in the County reserve fund, and, if still available, such reserve revenues upon their release from the County reserve fund after the end of each fiscal year, pledged to the Subordinate Gross Receipts Tax Revenue Bonds. The pledge described in this paragraph is subordinate to the pledge of the same Gross Receipts Tax Revenues made to support the outstanding loan from the New Mexico Finance Authority. In addition, the County may incur additional indebtedness from time to time that has a prior or parity lien on the Pledged County Gross Receipts Tax Revenues; provided, however, that before any such additional bonds or other instruments are actually issued it must be determined that the Pledged County Gross Receipts Tax Revenues received by the County for the twelve months immediately preceding the date of issuance of such additional bonds shall have been sufficient to pay an amount representing one hundred forty percent (140%) of the combined maximum (excluding amounts to be paid from any unexpended debt service reserve fund at maturity) annual principal and interest coming due in any subsequent Fiscal Year on the then outstanding bonds or obligations payable from the Pledged County Gross Receipts Tax Revenues and the additional bonds proposed to be issued payable from the Pledged County Gross Receipts Tax Revenues. The lien of the Subordinate Gross Receipts Tax Revenue Bonds on the Pledged County Gross Receipts Taxes is senior to the lien of the Correctional System Revenue Bonds.

COUNTY GROSS RECEIPTS TAX REVENUES

Month	91/92	92/93	93/94	94/95	95/96	96/97
July	\$ 167,852	\$ 301,405	\$ 325,488	\$ 361,778	\$ 370,541	\$ 348,085
August	178,891	308,932	343,582	363,796	410,380	410,153
September	182,172	293,579	326,178	398,165	362,507	377,171
October	173,011	306,930	342,879	375,846	377,105	373,371
November	180,589	282,641	310,657	351,402	372,636	379,730
December	173,500	281,575	336,712	352,233	385,736	340,706
January	175,240	280,535	302,462	329,829	325,087	360,388
February	209,186	319,745	419,013	429,270	406,354	
March	226,309	225,031	237,095	254,582	254,649	
April	237,896	306,256	356,299	347,985	290,223	
May	231,865	259,331	312,600	328,582	316,326	
June	258,806	311,303	319,905	339,972	386,258	
Total	\$ 2,395,397	\$ 3,477,262	\$ 3,932,870	\$ 4,233,441	\$ 4,257,804	

The above reflects receipts of the first one-eighth increment and one-half of the third one-eighth increment. Only the first one-eighth increment has been pledged to the Subordinate Gross Receipts Tax Revenue Bonds.

Source: Taxation and Revenue Department

COUNTY TAXABLE GROSS RECEIPTS DISTRIBUTION

1986

<u>Category</u>	<u>Total Value</u>	<u>No. of Returns</u>
Agriculture	\$ 8,411,247	435
Mining	0	0
Contracting	230,548,563	7,815
Manufacturing	103,602,754	2,543
TCU	179,108,947	1,292
Wholesale	123,881,496	2,089
Retail	606,499,309	14,679
FIRE	57,261,616	2,177
Hotel/Lodging	43,608,791	842
Services	290,965,591	21,663
Total Government	619,687	83
Other	0	0
TOTAL	<u>\$1,645,745,408</u>	<u>53,688</u>

1991

<u>Category</u>	<u>Total Value</u>	<u>No. of Returns</u>
Agriculture	\$ 13,348,874	575
Mining	719,090	45
Contracting	354,787,404	10,930
Manufacturing	146,477,766	3,466
TCU	170,652,129	1,561
Wholesale	178,866,419	2,682
Retail	920,146,667	17,948
FIRE	82,947,291	2,410
Hotel/Lodging	94,928,171	1,046
Services	473,332,699	26,977
Total Government	645,037	107
Other	2,353,378	87
TOTAL	<u>\$2,439,204,926</u>	<u>67,834</u>

1996

<u>Category</u>	<u>Total Value</u>	<u>No. of Returns</u>
Agriculture	\$ 17,128,234	555
Mining	307,450	25
Contracting	438,781,357	12,548
Manufacturing	212,891,995	3,898
PCU	185,149,588	1,828
Wholesale	319,825,412	3,584
Retail	1,327,404,900	21,784
Fire	206,395,010	3,002
Hotel/Lodging	125,315,599	1,145
Services	726,583,056	33,200
Total Government	156,514	35
Other	4,187,279	248
TOTAL	<u>3,563,727,502</u>	<u>81,833</u>

Source: Taxation and Revenue Department, State of New Mexico

SANTA FE COUNTY

The information on the following pages relating to Santa Fe County and its finances is provided for general information only. The Correctional System Revenue Bonds and the Subordinate Gross Receipts Tax Revenue Bonds are both revenue bonds payable solely from the sources described in the Official Statement.

THE CORRECTIONAL SYSTEM REVENUE BONDS AND THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS ARE NOT GENERAL OBLIGATIONS OF THE COUNTY AND NEITHER PLEDGE THE FULL FAITH AND CREDIT OF THE COUNTY OR THE AD VALOREM TAXING POWER OR GENERAL RESOURCES OF THE COUNTY, THE STATE OF NEW MEXICO OR ANY POLITICAL SUBDIVISION TO THE PAYMENT OF THE CORRECTIONAL SYSTEM REVENUE BONDS AND THE SUBORDINATE GROSS RECEIPTS TAX REVENUE BONDS.

DEBT AND OTHER OBLIGATIONS

(as of 12/1/96)

GENERAL OBLIGATION BONDS OUTSTANDING

<u>Issue date</u>	<u>Issue Amount</u>	<u>Balance Remaining</u>
Series May 1, 1991	\$1,500,000	\$ 900,000
Series March 1, 1992	\$1,750,000	1,470,000
Series June 1, 1992	\$4,500,000	3,850,000
Series March 1, 1993	\$3,500,000	<u>3,300,000</u>
	Total Outstanding:	<u>\$9,520,000</u>

Outstanding Revenue Bonds:

<u>Type of Bond:</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount</u>	<u>Final Maturity</u>
Environmental Services Gross Receipts Tax Revenue Bonds, Series 1993	\$1,500,000	\$1,200,000	9-1-05

Other Debt:

The County is party to capital leases and other agreements as follows:

<u>Leases:</u>	<u>Balance</u>	<u>Current Payments</u>	<u>Security</u>
Lease - State Board of Finance	\$523,425	\$58,158/Year	Voting Machines
Lease - Caterpillar Financial	\$389,268	\$9,726/Month	Road Equipment

Joint Powers Agreement:

The County entered into a Joint Powers Agreement dated November 18, 1996 with the City of Santa Fe to create the Santa Fe Solid Waste Management Agency (a regional landfill authority). The Agency sold \$6,260,000 of facility revenue bonds on December 3, 1996. The Bonds, when issued are self-liquidating revenue bonds and are not a direct obligation of the County or City. Until such time as the Agency is operational, the County will pay 50% of operational and other expenses, which other expenses are estimated to be \$1,700,000. The County has cash on hand for this purpose. Also, as a result of closing the existing County landfill simultaneously with the opening of the regional landfill, the County estimates closure and post-closure costs of approximately \$2,100,000 as of June 30, 1995. Actual costs may be higher. The County reports the landfill closure and post closure costs as a liability on their balance sheet.

Additional Obligations:

Although there is no assurance that the obligations will be issued, the County expects to issue \$10,500,000 of general obligation bonds on or about February 19, 1997.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

GENERAL OBLIGATION DEBT SERVICE SCHEDULE

Cal. Year	<u>Existing Debt Service</u>		<u>The Proposed G.O. Issue</u>		Total Debt Service
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Estimated Interest</u>	
1997	545,000	546,516			\$1,091,516
1998	600,000	510,175	125,000	801,890	2,037,065
1999	685,000	469,675	420,000	560,853	2,135,528
2000	740,000	424,672	265,000	542,373	1,972,045
2001	820,000	377,102	85,000	530,448	1,812,550
2002	805,000	331,502	150,000	526,538	1,813,040
2003	840,000	287,495	225,000	519,488	1,871,983
2004	925,000	240,675	250,000	508,688	1,924,363
2005	1,035,000	189,050	300,000	496,438	2,020,488
2006	1,095,000	130,575	300,000	481,438	2,007,013
2007	1,080,000	73,525	400,000	466,138	2,019,663
2008	350,000	17,150	610,000	445,338	1,422,488
2009			780,000	413,008	1,193,008
2010			810,000	370,888	1,180,888
2011			850,000	326,338	1,176,338
2012			890,000	279,163	1,169,163
2013			935,000	229,323	1,164,323
2014			980,000	176,495	1,156,495
2015			1,030,000	121,125	1,151,125
2016			<u>1,095,000</u>	<u>62,415</u>	<u>1,157,415</u>
Totals	\$9,520,000	3,598,112	\$10,500,000	7,858,379	\$31,476,491

FINANCIAL DATA
(December 1, 1996)

COUNTY VALUATION

1996 Assessed Valuation	\$2,790,009,875
Estimated Actual Value ⁽¹⁾	\$8,416,847,959

BONDED INDEBTEDNESS

Outstanding Bonds	\$ 9,520,000
This Series 1997 Issue	10,500,000
Less Principal Fund Balance 11/30/96	<u>(272,500)</u>

Net Direct Debt \$19,747,500

OVERLAPPING GENERAL OBLIGATION BONDED DEBT

	1996 Assessed Valuation	G.O. Bonded Debt	% Applicable	County Overlapping Debt
State of New Mexico	\$20,949,488,693	\$140,471,000	13.3%	\$18,712,292
City of Santa Fe	1,676,316,673	-0-	100%	-0-
Santa Fe Public Schools	2,560,459,684	40,200,000	100%	40,200,000
Santa Fe Community College	2,560,459,684	29,465,000	100%	29,465,000
Moriarity School District*	167,159,028	8,825,000	45%	3,971,250
Pojoaque School District*	98,561,339	2,475,000	100%	2,475,000
Espanola School District*	214,110,424	7,240,000	25.8%	<u>1,867,920</u>
Total Overlapping Debt				<u>\$96,691,462</u>
Overlapping & Net Direct Debt				\$116,438,962

*Where applicable.

DEBT RATIOS

	Assessed Value	Actual Value	Per Capita
Direct Debt	0.70%	0.23%	\$173.00
Direct and Overlapping Debt	4.17%	1.38%	\$1,020.50
Per Capita ⁽²⁾	\$24,458	\$73,748	-----

(1) Actual value is computed by multiplying the assessed value by 3 and adding the exemptions.

(2) December 31, 1995 Estimated Population of Santa Fe County 114,100

BONDING CAPACITY

Legal bonding capacity (4% of assessed value)	\$111,600,395
Less total bonds to be outstanding	<u>- 19,747,500</u>
Capacity in excess of present requirements	\$91,852,895

ASSESSED VALUATION

PROPERTY SUBJECT TO TAXATION

Real property is subject to taxation with certain exemptions. Within the real property classification, exemptions include: property of the United States of America; property of the State, all counties, towns, cities and school districts or other municipal corporations; public libraries; community ditches and all laterals thereof; all church property not used for commercial purposes; all property used for educational and charitable purposes; all cemeteries not used or held for private or corporate profit; motor vehicles (other than mobile homes) and all bonds of the State, counties, municipalities and districts. Also, certain amounts of the taxable value of property is exempt from taxation if such property is owned by the head of a family who is a State resident or is owned by a veteran or a veteran's unmarried surviving spouse if the veteran or spouse is a State resident. All tangible personal property has been exempted from property taxation by statute except for tangible personal property used, produced, manufactured, held for sale, leased or maintained by a person for purposes of his profession, business or occupation (unless otherwise specifically exempted from property taxation by the Federal or State Constitution or law); tangible property for which the owner has claimed a deduction from depreciation for federal income tax purposes; mobile homes; livestock; and certain inventories of personal property.

ASSESSMENT OF PROPERTY

The county assessor sets the value of most residential and nonresidential real and personal property within the county. However, those properties used in the businesses of railroads, communications, pipelines, public utilities and airlines are valued by the Central Assessment Bureau, Property Tax Division of the Taxation and Revenue Department. The Central Assessment Bureau also is responsible for the valuation of electric generating facilities, mineral properties and certain industrial machinery. The value of oil and natural gas property and equipment is determined by the Oil and Gas Accounting Division of the Taxation and Revenue Department based on the prior calendar year's output. The net taxable value of all property is one-third of the actual value (the "Assessment Ratio").

The value of residential property for property taxation purposes is its market value as determined by sales of comparable property or, if that method cannot be used due to the lack of comparable sales data for the property being valued, then its value is determined using an income method or costs method of valuation. Regardless of the method used for valuation, the valuation authority must apply generally accepted appraisal techniques.

Each county assessor must mail a notice by April 1 of each year to each property owner informing him of the net taxable value of his property that has been valued for property taxation purposes, the tax ratio, the classification of the property valued, and other information. The Central Assessment Bureau must also send notices by May 1 of each year to property owners with property subject to valuation by the Property Tax Division. A property owner may protest the value or classification of his or her property by filing a petition of protest with the Director of the Property Tax Division or with the appropriate county assessor. The protest hearing may be held before the Director of the Property Tax Division or before the appropriate county valuation protest board, dependent upon whether the Property Tax or the local county assessor was responsible for review of the valuation. A property owner may appeal an order made by the Director of the Property Tax Division or a county valuation protest board by filing with the court of appeals a notice of appeal within 45 days of the date the order was made.

REASSESSMENT

New Mexico has a state-wide property reassessment program. The program's objective is to keep property values close to their market values so that there will be a high correlation between the value of a property and its share of the tax burden. The first reassessment under this present program was in 1986, and such reassessments will continue to occur biannually. In 1995, property values were adjusted to their 1993 market levels. The effect of the reassessment program in 1995 on the County's assessed valuation was an increase in assessed value of 30%.

ABSTRACT OF ASSESSED VALUATION

	<u>1996</u>	<u>1995</u>
Land and improvements	2,664,423,415	2,580,290,332
Personal property	64,376,833	61,106,714
Mobile homes	38,186,104	33,983,860
Livestock	<u>2,072,768</u>	<u>2,236,381</u>
Assessor's taxable value	2,769,059,120	2,677,617,287
Less exemptions	<u>(46,818,334)</u>	<u>(42,137,632)</u>
Assessor's net value	2,722,240,786	2,635,479,655
Centrally assessed property	<u>67,769,089</u>	<u>71,515,361</u>
Assessed valuation	<u>\$2,790,009,875</u>	<u>\$2,706,995,016</u>

CENTRALLY ASSESSED PROPERTY BY INDUSTRY CLASS

<u>CLASS</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Railroads	\$1,825,664	\$1,461,931	\$1,382,923	\$1,879,807	\$2,341,271
Airlines	24,731	35,881	35,885	46,837	34,448
Microwave	110,452	88,688	70,685	49,558	72,312
Telephone	19,916,715	19,779,254	20,515,335	21,693,880	20,526,509
Telephone REA	301,646	321,630	1,523,166	1,978,160	2,017,675
Electric	25,698,286	24,688,216	26,637,847	27,079,658	29,231,971
Electric Generating	18,321	15,566	13,694	11,015	8,155

Electric REA	1,370,538	1,640,439	1,739,930	1,576,078	2,024,162
Water	4,639,061	5,110,763	5,392,773	5,693,751	227,836 (1)
Pipeline	3,219,470	3,251,767	2,106,355	2,993,809	3,454,986
Gas Utility	5,438,803	5,957,212	7,229,552	7,773,395	7,450,304
Contractors	487,466	207,049	509,524	72,105	831,202
Sand & Gravel	143,507	180,184	122,051	176,151	107,162
Pumice Mining	161,207	141,051	27,977	34,894	-0-
Copper Mining	64,463	74,069	n/a	67,154	-0-
Other Minerals	1,474,257	12,163	n/a	79,418	225,250
Non-Producing Mines	31,418	31,415	65,505	31,411	-0-
Total Centrally Assessed	\$64,926,405	\$62,997,278	\$68,327,935	\$71,499,810	\$68,553,243 (1)

(1) The City of Santa Fe purchased the water system from Public Service Company of New Mexico in 1995. The assessed value of the water system (in excess of \$5,800,000) was removed from the tax rolls; therefore, causing an overall decrease in centrally assessed values in 1996.

ASSESSED VALUATION COMPARISON

Tax Year	Santa Fe County	Percentage of Increase	State of New Mexico	Percentage of Increase
1996	\$2,790,009,875	5.9%	\$20,949,488,693	2.9%
1995	2,635,688,881	30.0%	20,357,044,533	12.3%
1994	2,027,900,844	3.7%	18,122,876,437	3.5%
1993	1,956,155,414	7.0%	17,511,540,122	4.3%
1992	1,827,817,367	23.7%	16,797,144,000	2.6%
1991	1,476,455,267	---	16,366,800,000	---

TAX RATES

YIELD CONTROL

Section 7-37-7.1, NMSA 1978, limits the allowable increase in property taxes from the preceding year. Specifically, no rate shall be set or assessment imposed which will produce current tax revenues in excess of the prior year's tax revenues plus a percent that is determined by a growth control factor. The growth control factor is the sum of ("G") the growth in the assessed valuation due to net new additions to the property tax rolls, expressed as a percent of the prior year's assessed, and ("I") the percentage change, not in excess of five percent, in the annual business indicator index between the prior calendar year and the year next preceding the prior calendar year. The resulting yield control equation is:

$$\text{Current tax revenues} = \text{prior tax revenues} \times (G+I)$$

Where: G is never less than 100%

I is never less than 0% or more than 5%

The annual business indicator index is defined as "annual implicit price deflator index for state and local government purchases of goods and services, as published in the United States Department of Commerce monthly publication entitled "Summary of Current Business" or any successor publication for the calendar year." The yield control formula applies to both residential and nonresidential property, but the calculations for each property class are made separately. Additionally, the yield control formula applies to any authorized operating levy but not to any debt service levy.

20-MILL LIMITATION ANALYSIS

Article VIII, Section 2 of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the County to \$20.00 per \$1,000 of assessed value. This

limitation does not apply to special levies, such as levies for bond issues, authorized at an election by a majority of the qualified voters within the County. The overlapping operational levies of the County were within the 20-mill limit.

RESIDENTIAL AND NON-RESIDENTIAL PROPERTY

Property in New Mexico is subclassified as either residential or nonresidential based on its use. The calculation of revenue limitations for Yield Control, as discussed above, is performed separately for each property class. The result is that levies for operational purposes may be different for each property class. The County's residential assessed valuation was \$1,863,179,941 and the value on nonresidential property was \$926,829,934. The levies below are shown for each property class.

TAX RATES IN SANTA FE COUNTY

Property Tax Burden

The table below sets forth a sample mill levy for the County residents:

<u>Taxing Entity</u>	<u>Mill Levies</u>	
	<u>1996 Mill Levy (1)</u>	
	<u>Residential Property</u>	<u>Nonresidential Property</u>
State of New Mexico	1.556	1.556
Santa Fe County	3.919	5.879
Santa Fe Municipal School District	5.695	5.787
City of Santa Fe	0.471	1.050
Santa Fe College District	<u>2.959</u>	<u>3.186</u>
TOTAL	14.600	17.458

(1) These figures represent taxes assessed in 1996 and collectible in F/Y 96/97.

Source: State of New Mexico, Department of Finance and Administration.

Historical Summary of Total Tax Rates

(Residential)

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
State of New Mexico	1.343	1.596	1.212	1.276	1.556
Santa Fe County	5.032	4.979	4.740	3.821	3.919
City of Santa Fe	0.578	0.580	0.588	0.458	0.471
Santa Fe Public Schools	5.917	6.096	5.866	5.679	5.695
Santa Fe Community College	3.763	3.665	3.640	2.900	2.959

Historical Summary of Tax Rates for Bonds

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
State of New Mexico	1.343	1.596	1.212	1.276	1.556
Santa Fe County	0.747	0.747	0.444	0.400	0.400
City of Santa Fe	0.000	0.000	0.000	0.000	0.000
Santa Fe Public Schools	3.758	3.996	3.707	3.552	3.564
Santa Fe Community College	1.746	1.722	1.641	1.790	1.942

Source: State of New Mexico, Department of Finance and Administration.

(REMAINDER OF PAGE INTENTIONALLY LEFT BANK)

Major Taxpayers

Major Taxpayers in the County

		<u>1995</u>	<u>1996</u>
<u>Centrally Assessed:(1)</u>			
Gas Co. of NM	Gas Utility	\$7,773,395	\$7,450,304
Public Service Co. of NM	Electric Utility	27,079,658	29,231,971
Water System	Water Utility	5,387,554	N/A*
US West	Telephone Utility	21,632,068	20,486,923
Centel Cellular	Telephone Utility	1,156,101	1,140,842
AT&SF	Railroad	1,775,805	2,211,268
Ed-America Pipe	Gas Pipeline	999,921	1,569,565
Cortez CO2	Gas Pipeline	1,964,546	1,824,802
Central NM Electric	Electric Utility	723,556	877,720
Jemez Electric	Electric Utility	762,821	787,144
Misc. Contractors		72,105	831,202
<u>County Assessor Assessed:(2)</u>			
Eldorado Partnership	Hotel	4,848,671	6,098,167
Villa Linda Mall	Shopping Center	8,081,314	6,446,559
N.M. Hotels, Ltd.	Hilton Hotel	5,060,964	3,406,717
Property Trust	Land Developers	3,562,500	3,623,688
Corp. de la Fonda	Hotel	5,595,294	4,238,130
De Vargas	Shopping Center	3,506,055	3,506,406
James Kirkpatrick/Inn at Loretto	Commercial Bldgs.	5,279,449	3,873,260

* The City of Santa Fe purchased the water utility from PNM in 1995; therefore the assessed value has been removed from the tax rolls.

Source: (1) Department of Taxation and Revenue, Property Tax Division; (2) Santa Fe County Assessor.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

TAX COLLECTIONS

TAX COLLECTIONS - COUNTY

<u>Tax Year</u>	<u>Net Taxes Charged to Treasurer</u>	<u>Tax Collections</u>	<u>Percentage Collected</u>
<u>As of June 30, 1996</u>			
1995	\$39,400,584	\$37,156,888	94.31%
1994	33,631,143	32,783,848	97.48%
1993	33,854,110	33,749,406	99.69%
1992	31,282,271	32,039,449	102.42%
1991	27,251,335	26,724,162	98.07%
<u>As of June 30, 1995</u>			
1994	\$33,689,774	\$31,397,983	93.20%
1993	33,910,107	33,246,993	98.04%
1992	31,310,961	31,952,295	102.05%
1991	27,246,418	26,702,860	98.01%
1990	22,515,784	21,895,334	97.24%
<u>As of June 30, 1994</u>			
1993	\$34,040,890	\$31,556,661	92.70%
1992	31,277,509	31,304,115	97.00%
1991	27,486,882	26,614,527	96.83%
1990	22,513,480	21,833,882	96.98%
1989	22,897,227	22,770,054	99.44%
<u>As of June 30, 1993</u>			
1992	\$31,780,513	\$29,487,435	94.25%
1991	26,901,519	26,134,348	95.94%
1990	21,947,649	21,758,604	99.19%
1989	23,417,286	22,745,035	99.32%
1988	16,420,751	17,652,622	99.53%
1987	15,011,613	14,928,123	99.70%
<u>As of June 30, 1992</u>			
1991	\$27,176,216	\$25,070,005	92.25%
1990	21,954,585	21,365,002	97.31%
1989	22,921,162	22,679,179	98.94%
1988	17,746,084	17,643,828	99.42%
1987	14,974,945	14,924,607	99.66%

First Half 1995 taxes were due November 10, 1995 and Second Half taxes were due April 10, 1996

Source: Santa Fe County Treasurer.

METHODS OF TAX COLLECTION

Current taxes for all units of government are collected by the county treasurer and distributed monthly to the various political subdivisions to which they are due.

Property taxes are payable to the county treasurer in two (2) equal installments due on November 10 of the tax year in which the tax bill was prepared and mailed and on April 10 of the following year. Pursuant to Section 7-38-46, NMSA 1978, property taxes are delinquent thirty days after the date on which they are due.

INTEREST ON DELINQUENT TAXES

Pursuant to Section 7-38-49, NMSA 1978, if property taxes are not paid for any reason within thirty (30) days after the date they are due, interest on the unpaid taxes accrues from the thirtieth (30th) day after they are due until the date they are paid. Interest accrues at the rate of one percent (1%) per month or any fraction of a month.

PENALTY FOR DELINQUENT TAXES

Pursuant to Section 7-38-50, NMSA 1978, if property taxes become delinquent, a penalty of one percent (1%) of the delinquent tax for each month, or any portion of a month, remaining unpaid are imposed, but the total penalty will not exceed five percent (5%) of the delinquent taxes. The minimum penalty imposed is \$5.00. A county can suspend application of the minimum penalty requirement for any tax year.

If property taxes become delinquent because of an intent to defraud by the property owner, fifty percent (50%) of the property taxes due or fifty dollars (\$50.00), whichever is greater, is added as a penalty.

REMEDIES AVAILABLE FOR NON-PAYMENT OF TAXES

Pursuant to Section 7-38-47, NMSA 1978, property taxes are the personal obligation of the person owning the property on the date on which the property was subject to valuation for property taxation purposes. A personal judgement may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes.

Taxes on real property are a lien against the real property. Pursuant to Section 7-38-65, NMSA 1978, delinquent taxes on real property may be collected by selling the real property on which the taxes are delinquent.

Pursuant to Section 7-38-53, NMSA 1978, delinquent property taxes on personal property may be collected by asserting a claim against the owner(s) of the personal property for which the taxes are delinquent.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

COUNTY GOVERNMENT

THE GOVERNMENT BODY

Santa Fe County was established by the laws of the Territory of New Mexico of 1852, under provisions of the act now referred to as Section 4-26-1 of the New Mexico Statutes Annotated, 1978 Compilation. The County operates under the commission-manager form of government and provides the following services as authorized in the grant of powers: public safety (police, fire), highways and streets, sanitation, health and social services, low rent housing assistance, culture-recreation, public improvements, planning and zoning, and general administrative services. Brief resumes of the County Manager and financial staff members, as well as the roster of County Commissioners follows:

County Manager: Domingo Sanchez, III has served as the County Manager since February 1995. Mr. Sanchez has a Bachelor of Science, Electrical Engineering degree from New Mexico State University, Las Cruces, New Mexico and a Masters of Business Administration from the College of Santa Fe. Since 1984, Mr. Sanchez has served as the Executive Director for the New Mexico State Transportation Authority, Agency Director of Administrative office of the District Attorneys, Executive budget Analyst with the State of New Mexico Department of Finance and Administration, and as Engineer II on the Salt River Project , Phoenix Arizona.

Finance Director: The position of Finance Director is vacant as of January 31, 1997. The former Finance Director, David Wolf, is acting as a consultant to the County until a permanent replacement is found. David Wolf served as County Finance Director since February 1995. Mr. Wolf has a Bachelor of Accountancy degree from New Mexico State University, Las Cruces, New Mexico and is a licensed Certified Public Accountant. Since 1987, Mr. Wolf has served as Tax Accounts Auditor with New Mexico Taxation and Revenue Department, Controller for Thornburg Management Company, and Lead Financial Accountant for El Paso Electric Company.

Santa Fe County Commissioners

Commissioner Marcos Phillip Trujillo
Commissioner Paul Duran
Commissioner Javier M. Gonzales
Commissioner Richard D. Anaya
Commissioner Joe S. Grine, Jr.

RETIREMENT PLAN

All full-time County employees must participate in a defined benefit contributory retirement plan through the Public Employees Retirement Act (PERA), a cost-sharing multiple employer public employee retirement system. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and nonvested accumulated plan benefits, the plan's net assets available for benefits, the assumed rate of return used in computing the present value and the ten-year historical trend information presenting PERA's progress in accumulating sufficient assets to pay benefits when due, is not available to individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer is provided at the state-wide level in a separately issued financial statement of the PERA.

Covered employees are required by state statute to contribute 9.15 percent of their gross salary for general member coverage in accordance with Municipal Division - General Coverage Plan 3, and 12.35 percent for police member coverage in accordance with Police Coverage Plan 4. The County is required by State Statute to contribute the following percentages in accordance with the respective plans above:

9.15% for general member coverage
18.5% for police member coverage

During the year, the County, including the Housing Authority, decided to change the percentage of contributions allowed by state statute and thereby contributed 19.0125% and the employees' contribution is 3.2575%. The County contribution requirement for the year ended June 30, 1995, was \$1,570,561, which consisted of \$844,425 from the County and \$726,136 from employees. The County's payroll for the year ended June 30,

1995, for employees covered by the PERA was \$7,367,647 and substantially all employees of the County are covered by PERA. The Housing Authority's payroll for the year ended June 30, 1995, for employees covered by the PERA was \$374,700 and substantially all employees of the Housing Authority are covered by PERA. The Housing Authority contribution requirement for the year ended June 30, 1995 was \$68,571, which consisted of \$36,350 from the Housing Authority and \$32,221 from the employees.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE COUNTY

BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into the following generic fund types:

Governmental Fund Types:

1. **General Fund** - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. It is funded primarily through property, sale and other miscellaneous taxes.
2. **Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.
3. **Capital Project Funds** - The Capital Project Funds are used to account for financial resources to be used for the acquisition of major capital facilities and related costs. Capital Project funding is comprised of bond proceeds, federal and state grants and/or current federal funds.
4. **Special Revenue Funds** - The County receives funds from various sources, the expenditure of which is legally restricted to specified purposes. These revenues and expenditures are accounted for in this fund.

Proprietary Fund Type-Enterprise Funds. Enterprise funds are established to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges; and (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control and accountability.

Fiduciary Fund Type-Agency Funds. Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resource". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable sources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost, except for donated assets which are valued at their fair market value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with the measurement of the results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Because they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. If the amounts of revenues cannot be reasonably estimated or realization is not assured, or if the revenues will not be available to pay current liabilities, they are not recorded as a revenue in the current year. Under these accounting policies, property taxes collected but unremitted to the County and expenditures in excess of grant revenues are accrued as receivables at the year end.

COUNTY FINANCIAL STATEMENTS

The following data have been excerpted from audits of the County for the fiscal years ending June 30, 1993 through June 30, 1996. As presented, the data does not include the related "Notes to Financial Statement" which are an integral part of the audited financial statements. The audits are available upon request from the County.

SANTA FE COUNTY

**Combined Statement of Revenues, Expenditures and Changes in Fund Equity
General Fund**

For the Years Ended June 30, 1993-June 30, 1996⁽¹⁾

Revenues:	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Grants	\$ 222,312	\$ 489,196	\$ 226,770	\$ 201,555
Taxes & Special Assessments	15,590,261	15,146,081	15,094,885	13,431,621
Interest Earnings	1,189,737	1,011,701	685,967	515,056
Fines, forfeitures & penalties	173,940	166,320		2,820
Charges for services	1,198,213	1,475,569	831,317	775,154
Licenses & Permits	261,571	227,143	444,111	410,755
Other	<u>494,015</u>	<u>728,052</u>	-----	-----
Total Revenues	19,130,049	\$19,244,062	\$17,283,050	\$15,336,961
Expenditures:				
General Government Services	9,628,873	7,021,803	6,154,965	5,478,623
Public Safety	3,909,777	6,206,238	5,661,940	5,307,158
Highways and streets	691,711	1,221,734	602,733	891,524
Health & Welfare	255,157	215,920	179,065	143,135
Culture & recreation	<u>77,364</u>	<u>147,041</u>	<u>1,033,543</u>	<u>1,002,515</u>
Total Expenditures	<u>14,562,662</u>	<u>14,812,736</u>	<u>13,632,246</u>	<u>12,822,955</u>
Excess (deficiency) revenues/expenditures	\$4,567,167	\$4,431,326	3,650,804	2,514,006
Transfers in (out)	19,182	(2,889,212)	(1,912,491)	(2,822,910)
Fund Equity Beginning of Year	8,674,088	7,365,743	5,627,430	5,936,334
Period adjustments	(147,263)	262,129	---	---
Residual Equity transfers	-----	<u>(495,898)</u>	-----	-----
Fund Equity End of Year⁽¹⁾	<u>\$13,113,174</u>	<u>\$8,674,088</u>	<u>\$7,365,743</u>	<u>5,627,430</u>

⁽¹⁾ The 1993, 1994, 1995 and 1996 Information was obtained from the County's audited financial statements for the period ended June 30 in each year.

THE COUNTY'S CURRENT FINANCES

ACCOUNT BALANCES - Budgeted Funds (As of June 30, 1996)

General Operating Fund	\$12,382,768.84
Road	966,849.90
Farm and Range	28,768.12
Recreation	2,588.83
Indigent Hospital	821,790.01
Indigent Cemetery	47.01
Fire districts	783,367.13
Emergency medical	52,957.71
Debt Service	1,375,217.60
Regional Landfill	390,957.58
Valuation Fund	24,173.88
Law Enforcement	1,058,991.17
Law Enforcement	12,384.88
MCH Planning Council	4,663.53
Contingency Reserve Fund	1,206,783.88
Lodgers Tax Facility	293,984.80
Lodgers Tax Other	97,469.38
SF County Water Company	581,962.72
Community DWI Prevention	(105.06)
D.A.R.E. Grant	2,249.63
Federal Forfeiture Moneys	7,742.35
Camino Carlos Rael Sewer	66,062.50
Corrections Fund	12,253.02
Environ. Revenues Debt Service	1,147,319.05
Environ. Revenues Bond Proceeds	1,458,784.10
Environ. Revenues Reserve Fund	171,915.86
Development Fees	1,263,702.57
Traffic Safety Step	0.00
Region III DECC	6,775.96
GO Bond Proj. Jud/Adm. #2	56,067.48
Community DWI Prevention #2	(93,085.71)
Clerk Recording File Fund	92,810.00
SB 7749-CR	34,044.00
Rio En Medico Comm. Project	47,623.20
Cops Fast	484.15
Public Works Road Projects	(163,921.99)
Health Care Services	0.00
1996 Fiscal Equipment financing	774,685.80
GAP	260,914.82
Housing Authority	0.00
Equipment Loan Debt Service	0.00
Housing Services	<u>0.00</u>
 Total Fund Balances 6-30-96	 \$25,234,048.70

	<u>Revised 96/97 Budget</u>	<u>Thru Month Ending November 30, 1996</u>	<u>Percent of Budget</u>
Beginning cash balance	\$11,493,208	\$11,493,208	
Transfers in (out)	(6,063,400)	(6,063,400)	
Total Available	5,429,808	5,429,808	
Revenues:			
Property taxes	11,975,000	3,073,120	26%
Gross receipts taxes	4,200,000	1,670,507	40%
Other State source taxes	671,000	235,118	35%
Charges for services	1,135,550	738,173	65%
Interest on investments	809,475	342,941	42%
Miscellaneous	485,775	54,340	11%
Total Revenues	<u>19,276,800</u>	<u>6,114,199</u>	32%
Total Resources	\$24,706,608	\$11,544,007	
EXPENDITURES:			
General government	13,807,435	6,803,228	49%
Public safety	4,423,318	1,752,637	40%
Health and welfare(1)	-	-	0%
Culture-recreation	100,850	58,759	58%
Social Services	125,500	-	0%
Capital Outlay and Other	<u>1,086,196</u>	<u>515,379</u>	0%
Total Expenditures	19,542,299	9,130,002.79	47%

(Note: Expenditures includes encumbrances.)

(1) Santa Fe County budgeted \$4,200,000 for Fiscal Year 97 for Health and Welfare of its citizens. The amount is included in the Indigent Fund and is fully encumbered.

COUNTY ECONOMIC AND DEMOGRAPHIC FACTORS

This section contains general information concerning the County. The information has been obtained from sources believed to be reliable but it is not guaranteed as to accuracy of completeness. The reader is referred to the source of the data where indicated for complete information.

Located in north-central New Mexico, the County was first established in 1610. It is largely surrounded by the Sangre de Cristo and Jemez mountains and is bisected by the Rio Grande. Only the southwest corner of the County consists of plains.

The County is relatively prosperous, ranking second among New Mexico counties in per-capita income. The City, New Mexico's state capital, dominates the County economy with strong tourism and governmental activity. The main tourist attractions in the area include the Santa Fe Ski Basin, the Santa Fe Opera, the Santa Fe National Forest and the Pecos Wilderness. In addition, the area includes attractions such as the Santa Fe art community, Santa Fe Downs horse racing track and the bi-lingual and tri-cultural character of the City and County.

The County operates under the commission form of government which oversees: the assessment, collection and distribution of ad valorem taxes by an elected assessor and treasurer; law enforcement by an elected sheriff; recording and filing by an elected county clerk; road maintenance by an appointed road manager; fire protection by volunteer fire departments; administrative services by an appointed county manager; and planning, health, welfare, recreation and cultural affairs by appointed citizen advisory boards. The Board of County Commissioners of the County consists of five individuals elected for staggered terms. The County is divided into five districts as equal in population as possible. The function of the County is briefly addressed in the grant of powers provided to all New Mexico counties pursuant to Section 4-37-1 NMSA 1978: the function of the County is "... to provide for the safety, preserve the health, promote the prosperity and improve the morals, order, comfort and convenience of the county or its inhabitants...."

POPULATION

Population Growth and Projections

<u>Year</u>	<u>City of Santa Fe</u>	<u>Santa Fe County</u>	<u>New Mexico</u>
1980 (Census)	49,299	75,519	1,308,302
1990 (Census)	55,859	99,288	1,520,207
1994 (Est.)	60,300	107,900	1,624,500
1995 (Est.)	63,600	114,100	1,672,900
1996 (Est.)	64,300	117,300	1,700,400
2000 (Proj.)	65,866	124,454	1,838,539
2005 (Proj.)	70,241	132,182	1,880,103

Source: University of New Mexico, Bureau of Economic Analysis (2/90) and U.S. Bureau of the Census (10/95); Projections from the Bureau of Business and Economic Research, University of New Mexico (5/94) and Sales and Marketing Management, 1996.

The following table provides an age profile of the City and County population as of February 1, 1996, and comparative data for the State and the United States:

<u>Age</u>	<u>Percent of City Population</u>	<u>Percent of County Population</u>	<u>Percent of New Mexico Population</u>	<u>Percent of U.S. Population</u>
0-17	23.1%	26.1%	29.9%	26.0%
18-24	8.2%	7.6%	8.7%	9.3%
25-34	13.9%	14.6%	15.1%	15.5%
35-49	28.2%	28.4%	22.8%	23.2%
50 and older	26.6%	23.3%	23.5%	26.0%

Source: Sales and Marketing Management, Survey of Buying Power, 1996.

The total population of the City grew by 13.3% over the decade of the 1980s (1980-1990) while the County total population grew 31.4% during the same period. According to population projections set forth above, the population of the County is expected to grow by 25.35% between 1990 and 2000.

Source: New Mexico Labor Market Review.

INCOME

Residents of the City and County had an estimated total effective buying income (personal income less personal tax and nontax payments such as fines, penalties and contributions to social insurance) in 1995 of \$1,174,077 and \$1,987,776, respectively. The table set forth below shows per household effective buying income categories for residents of the City and County in 1995 and comparative data for the State and the United States.

<u>Effective Buying Income Category</u>	<u>Percent of City Households</u>	<u>Percent of County Households</u>	<u>Percent of New Mexico Households</u>	<u>Percent of U.S. Households</u>
Under \$20,000	27.3%	27.6%	37.9%	30.2%
\$20,000-34,999	24.4	24.9	25.4	23.8
\$35,000-49,999	18.3	18.0	16.4	18.4
\$50,000 and over	<u>30.0</u>	<u>29.5</u>	<u>20.3</u>	<u>27.6</u>
	100.0%	100.0%	100.0%	100.0%

Source: Sales and Marketing Management, Survey of Buying Power, August, 1996.

The table below sets forth the per-capita income, based on the total gross personal income divided by the population, for the County, the State and the United States. Although the State of New Mexico per capita income remains lower than the per capita income of the United States as a whole, the County per capita income continually is higher than the per capita income of the State of New Mexico as a whole, and, in recent years, has exceeded the per capita income of the United States as a whole.

<u>Year</u>	<u>County</u>	<u>State of New Mexico</u>	<u>United States</u>
1984	\$12,746	\$10,648	\$13,332
1985	13,833	11,322	14,155
1986	14,184	11,562	14,906
1987	14,527	11,893	15,638
1988	15,525	12,554	16,610
1989	16,679	13,388	17,690
1990	18,120	14,213	18,667
1991	19,090	14,817	19,201
1992	20,367	15,518	20,146
1993	21,545	16,295	20,900
1994	22,538	17,038	21,699

Revised June 1, 1996.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

County per capita personal income, at \$22,538 was 132% of the state average in 1994, the latest year for which county personal income figures are available. (New Mexico per capita personal income is about 78% of the U.S. national average). The County placed 2nd out of 33 in a ranking of New Mexico counties by per capita personal income level.

Source: UNM Bureau of Business & Economic Research.

EMPLOYMENT

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Manufacturing	1,738	1,865	1,850	1,850	2,100	2,100	2,000
Mining & Construction	2,757	2,973	3,000	2,800	3,200	3,700	3,600
Transportation & Utilities	885	965	1,050	1,100	1,200	1,200	1,200
Wholesale & Retail Trade	10,007	10,747	12,800	13,000	14,350	14,700	14,900
Finance, Insurance & Real Estate	1,831	2,000	2,500	2,600	2,700	2,900	3,100
Services & Misc.	12,118	12,456	17,100	18,800	18,800	19,900	20,800
Government	<u>12,280</u>	<u>13,103</u>	<u>24,400</u>	<u>23,450</u>	<u>24,250</u>	<u>24,500</u>	<u>24,800</u>
Totals:	41,616	44,109	62,800	62,750	66,600	69,000	70,400

Source: New Mexico Department of Labor.

Civilian Labor Force--County

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Labor Force	54,645	57,255	59,263	60,805	61,704	62,227
Employment	52,866	55,140	56,917	58,409	59,450	59,585
Unemployment	1,779	2,115	2,346	2,396	2,254	2,662
Rate %	3.3	3.7	4.0	3.9	3.7	4.3

Source: New Mexico Department of Labor, Economic Research and Analysis, 4/1/96.

Annual Average Unemployment

<u>Year</u>	<u>Santa Fe County</u>	<u>Santa Fe Co. - MSA</u>	<u>New Mexico</u>	<u>United States</u>
1995	4.3%	3.9%	6.3%	5.6%
1994	3.7%	3.3%	6.3%	6.1%
1993	3.9%	3.5%	7.7%	6.9%
1992	4.0%	3.6%	7.0%	7.5%
1991	3.7%	3.3%	7.1%	6.8%
1990	3.3%	3.0%	6.5%	5.6%
1989	4.7%	4.1%	6.7%	5.3%
1988	5.9%	5.2%	7.8%	5.5%
1987	6.5%	5.7%	8.9%	6.2%
1986	6.2%	5.4%	9.2%	7.0%
1985	6.2%	5.3%	8.8%	7.2%

Source: New Mexico Department of Labor (4/1/96 Revision).

The County economy is driven primarily by state government employment and tourism and lacks a significant base in the goods-producing industries. The County has experienced few unemployment problems over the last 12 years.

The preliminary unemployment rate in Santa Fe MSA for April, 1996, the latest month available, was 4.0%. The County alone preliminary unemployment rate was 4.3%.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

County of Santa Fe--Major Employers
(As of April 1, 1996)

<u>Employer</u>	<u>Estimated Employees</u>	<u>Type of Business</u>
State of New Mexico	8,400	Government
Santa Fe Public Schools	1,900	Education
U.S. Government	1,750	Government
St. Vincent's Hospital	1,093	Medical
City of Santa Fe	1,067	Government
Santa Fe Community College	705	Education
Santa Fe Opera	*660	Entertainment/Arts
Visiting Nurse Service	350	Medical
Santa Fe County	342	Government
Presbyterian Medical Service	341	Medical
Wal-Mart	300	Retail Store
Furr's Supermarket	280	Retail/Food Chain
El Dorado Hotel	270	Hotel
Santa Fe Indian School	265	Education
Jewel Osco	250	Retail/Food Chain
La Fonda Hotel	225	Hotel

*Seasonal Employment

Source: Santa Fe Economic Development Office and New Mexico Department of Labor and individual employers.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

APPENDIX B
OPINION OF BOND COUNSEL
WITH RESPECT TO
CORRECTIONAL SYSTEM REVENUE BONDS

[FORM OF BOND COUNSEL OPINION]

February __, 1997

Board of County Commissioners
Santa Fe County
102 Grant Avenue
Santa Fe, New Mexico 87501

Wells Fargo Bank, N.A., Trustee
707 Wilshire Blvd.
MAC 2818-111
Los Angeles, California 90017

\$30,000,000
SANTA FE COUNTY, NEW MEXICO
CORRECTIONAL SYSTEM REVENUE BONDS
SERIES 1997

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Board of County Commissioners of Santa Fe County, New Mexico (the "County") of \$30,000,000 Santa Fe County, New Mexico Correctional System Revenue Bonds, Series 1997, dated February 1, 1997 (the "Series 1997 Bonds") pursuant to §§ 4-62-1 through 4-62-10, NMSA 1978, as amended and § 4-37-1, NMSA 1978, as amended, (collectively, the "Act") and County Ordinance No. 1996-17 adopted December 18, 1996 and County Resolution No. 1997-19 adopted February 11, 1997, (collectively, the "Bond Legislation"). We have examined the Constitution and laws of the State of New Mexico and such certified proceedings and other documentation as we deem necessary to render this opinion.

All capitalized terms used in this opinion letter shall have the meanings ascribed to them in the Trust Indenture dated as of February 1, 1997 (the "Trust Indenture") by and between the County and Wells Fargo Bank, N.A., (the "Trustee").

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify them by independent investigation.

Board of County Commissioners
Santa Fe County
February __, 1997
Page 2

We have not been engaged, or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 1997 Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (except that we consent to the inclusion of a facsimile of this opinion in the Official Statement).

We have reviewed the Trust Indenture and such other documents as we believed were necessary to be reviewed in connection with the rendition of the opinions set forth in this letter. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as certified, conformed or photostatic copies.

Based upon the foregoing, we are of the opinion, under the laws, published rulings, regulations and court decisions existing on the date of this opinion:

1. The County is duly created and validly existing as a political subdivision of the State of New Mexico.

2. The proceedings of the County show lawful authority for the issuance by the County of the Series 1997 Bonds under the laws of the State of New Mexico now in force. The County has full authority and power to issue and sell the Series 1997 Bonds, to execute, deliver and perform its obligations under the Trust Indenture, the Series 1997 Bonds, the Mortgage, and the other Project Documents, to assign its right, title and interest in the property forming the Trust Estate, and to carry out and consummate all other transactions to be carried out and consummated by it pursuant to the Project Documents.

3. The Trust Indenture has been duly authorized, executed and delivered by the County, the performance by the County of its obligations under the Trust Indenture and the Series 1997 Bonds, including the payment of principal and interest thereon, have been duly authorized by all necessary action, and, assuming due authorization, execution and delivery thereof by the Trustee, the Trust Indenture is a legal, valid and binding obligation of the County enforceable in accordance with its terms. By the terms of the Trust Indenture, all of the County's right, title and interest in and to the property comprising the Trust Estate and all other property, rights, money, securities and other amounts that are pledged or assigned or which are or may, by delivery, assignment, or otherwise become, subject to the lien and security interest created by the Trust Indenture, have been assigned to the Trustee.

4. The Series 1997 Bonds have been duly authorized, executed and delivered by the County all in accordance with the Act and the Bond Legislation, are valid and binding special limited obligations of the County, are entitled to the protections, benefits and security of the Trust Indenture, and are payable by the County; however, the County has not pledged its faith and credit to the

payment of the interest on or principal of the Series 1997 Bonds and the Series 1997 Bonds are payable solely out of the revenues and assets of the County pledged therefore pursuant to the Trust Indenture, subject to the provisions of the Trust Indenture permitting the use and application thereof for the purposes and on the terms and conditions set forth in the Trust Indenture.

5. The interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income. The opinions set forth in the preceding sentence are subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Series 1997 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The County has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 1997 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 1997 Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 1997 Bonds.

The difference between the principal amount of the Series 1997 Bonds maturing on February 1, 2000 through February 1, 2006 and February 1, 2008 through February 1, 2018 (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters of wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Series 1997A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.

The difference between the principal amount of the Series 1997 Bonds maturing on February 1, 2027 (the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price

Board of County Commissioners
Santa Fe County
February __, 1997
Page 4

is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year.

6. Interest on the Series 1997 Bonds is exempt from taxation by the State of New Mexico under present State of New Mexico laws.

7. The Series 1997 Bonds are exempt from registration under the Securities Act of 1933 and the New Mexico Securities Act of 1986 and the Trust Indenture is exempt from qualification under the Trust Indenture Act of 1939.

The rights of the owners of the Series 1997 Bonds and the enforceability of the terms of the Series 1997 Bonds, and the Trust Indenture and the Project Documents are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws heretofore enacted affecting creditor's rights generally to the extent constitutionally applicable and to general principles of equity (regardless of whether applied by a court of law or equity).

Very truly yours,

HUGHES & STRUMOR, LTD. CO.

APPENDIX C
OPINION OF BOND COUNSEL
WITH RESPECT TO
SUBORDINATE GROSS RECEIPTS TAX
REVENUE BONDS

[FORM OF BOND COUNSEL OPINION]

March __, 1997

Board of County Commissioners
Santa Fe County
102 Grant Avenue
Santa Fe, New Mexico 87504

\$6,000,000
SANTA FE COUNTY, NEW MEXICO
GROSS RECEIPTS TAX REVENUE BONDS
SUBORDINATE SERIES 1997A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Santa Fe County, New Mexico (the "Issuer") of its \$6,000,000 Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A, dated February 1, 1997, (the "Subordinate Series 1997A Bonds") pursuant to §§ 4-62-1 through 4-62-10, and § 4-37-1, NMSA 1978, as amended, (the "Act") and a Bond Ordinance and Resolution of the Issuer adopted December 18, 1996 and February 11, 1997, respectively (collectively, the "Bond Ordinance"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Subordinate Series 1997A Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Bond Ordinance and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

In connection with the issuance of this opinion, we have assumed the authenticity and genuineness of all signatures on original documents and the conformity of all copies to the original documents.

Board of County Commissioners
Santa Fe County
March __, 1997
Page 2

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a county and political subdivision of the State of New Mexico with the power and authority to adopt the Bond Ordinance, perform the agreements on its part contained therein, and issue the Subordinate Series 1997A Bonds.
2. The Bond Ordinance has been duly adopted by the Issuer and constitutes a valid and binding special, limited obligation of the Issuer enforceable upon the Issuer.
3. Pursuant to the Act, the Bond Ordinance creates a valid lien on the Pledged Revenues pledged by the Bond Ordinance for the security of the Subordinate Series 1997A Bonds.
4. The Subordinate Series 1997A Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the sources provided therefor in the Bond Ordinance.
5. The interest on the Subordinate Series 1997A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Subordinate Series 1997A Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Subordinate Series 1997A Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Subordinate Series 1997A Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Subordinate Series 1997A Bonds.

The difference between the principal amount of the Subordinate Series 1997A Bonds maturing on February 1, 2000 through February 1, 2006 and February 1, 2008 through February 1, 2018 (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters of wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Series 1997A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and

Board of County Commissioners
Santa Fe County
March __, 1997
Page 3

the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.

The difference between the principal amount of the Subordinate Series 1997A Bonds maturing on February 1, 2027 (the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year.

6. The interest on the Subordinate Series 1997A Bonds is exempt from taxation by the State of New Mexico under present State of New Mexico laws.

7. The Subordinate Series 1997A Bonds are exempt from registration under the Securities Act of 1933 and the State of New Mexico securities law.

The rights of the holders of the Subordinate Series 1997A Bonds and the enforceability of the Subordinate Series 1997A Bonds and the Bond Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Other than as described in this opinion, we are not opining on the tax consequences to any person or entity of the investment in, or receipt of interest on, the Subordinate Series 1997A Bonds.

Very truly yours,

HUGHES & STRUMOR, LTD. CO.

APPENDIX D
DEFINITIONS AND SUMMARIES
OF DOCUMENTS RELATING TO
CORRECTIONAL SYSTEM REVENUE BONDS

SUMMARY OF INDENTURE AND MORTGAGE

This summary of the Indenture and the Mortgage is not complete and reference is made to each document for a full statement of its terms and provisions. Copies of the Indenture and the Mortgage may be obtained from the County during the period that the Correctional System Revenue Bonds are being offered and thereafter from the Trustee upon request.

INDENTURE DEFINITIONS

The following capitalized terms as used in the Indenture have the following meanings unless the context requires otherwise.

"*Account*" means any fund or account established by the Trustee pursuant to the Indenture.

"*Acquisition Fund*" means the fund established pursuant to Section 5.06 of the Indenture for the purpose of receiving Bond proceeds to acquire the Project.

"*Act*" means, collectively, Section 4-62-1 through 4-62-10 N.M.S.A. 1978, as amended and Section 4-37-1, N.M.S.A. 1978, as amended.

"*Authorized Denomination*" means \$5,000 principal amount or any integral multiple thereof.

"*Authorized Issuer Representative*" means a person at the time designated to act on behalf of the Issuer by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by one of its authorized signatories. Any action or instrument required to be taken or executed by the Issuer must be authorized or executed by an Authorized Issuer Representative.

"*Available Moneys*" means moneys on deposit with the Trustee with respect to which the Trustee has received an unqualified Opinion of Counsel from counsel nationally recognized in bankruptcy matters to the effect that the use by the Trustee of such moneys in accordance with this Indenture would not constitute a voidable preference under the United States Bankruptcy Code in the event a petition in bankruptcy is filed by or against the entity depositing such moneys or on whose behalf such moneys have been deposited.

"*Beneficial Owner*" shall mean the Person that is considered to be the beneficial owner of any Bond pursuant to the arrangements for book-entry determination of ownership applicable to DTC.

"*Bond*" or "*Bonds*" means any one or all, as the case may be, of the Issuer's Santa Fe County, New Mexico Correctional System Revenue Bonds, Series 1997 in the aggregate principal amount of \$30,000,000 issued under the Indenture.

"*Bond Counsel*" means a firm of nationally recognized attorneys at law experienced in the issuance of tax-exempt revenue bonds under the exemption provided under Section 103 of the Code.

"*Bond Insurer*" means Financial Security Assurance Inc.

"*Bond Legislation*" means collectively, County Ordinance No. 1996-17 and the County Resolution adopted on February 11, 1997.

"*Bond Register*" has the meaning set forth in Section 2.06 of the Indenture.

"*Business Day*" means any day other than (a) a Saturday or Sunday or (b) a day on which (i) banking institutions in the City of New York or in the city in which the Principal Office of the Trustee is located are, or (ii) the New York Stock Exchange is, authorized or obligated by law or executive order to be closed.

"*Chairman*" means the duly elected Chairman of the Board of County Commissioners of the Issuer or the Vice Chairman acting in his absence.

"*Closing Date*" means February 19, 1997.

"*Code*" means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds, and any successor statute, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the Treasury Department or Internal Revenue Service of the United States.

"*Controlling Party*" means (a) Bond Insurer, so long as no Bond Insurer Default exists, and (b) if a Bond Insurer Default exists, (i) the Trustee; provided, however, that, if Bond Insurer delivers a written notice of resignation as Controlling Party to the Trustee, the Trustee shall be the Controlling Party; and provided further that, notwithstanding the occurrence of a Bond Insurer Default, in the event the principal of, premium, if any, and interest on the Bonds are paid in full and any amount are owed to Bond Insurer under the Insurance Agreement, "Controlling Party" means Bond Insurer.

"*Cost of Issuance Fund*" means the Account created pursuant to Section 5.03 of the Indenture.

"*County*" means Santa Fe County, New Mexico.

"*County Clerk*" or "*Clerk*" means the duly elected County Clerk of the Issuer or a Deputy County Clerk acting in her absence.

"*County Gross Receipts Tax Revenues*" means the revenues derived from the first one-eighth increment and one-half of the third one-eighth increment county gross receipts tax levied by the County pursuant to Section 7-20E-9, NMSA 1978, imposed on persons engaging in business in the County, which revenues are remitted monthly by the Revenue Division of the Taxation and Revenue Department of the State to the County as authorized by Sections 7-1-6 and 7-1-6.4, NMSA 1978, and which remittances currently equal 3/16ths of one percent (.1875%) of the taxable gross receipts reported for the County for the month for which such remittance is made.

"*Debt Service Reserve Fund*" means the Account created pursuant to Section 5.06 of the Indenture.

"*DTC*" means The Depository Trust Company, New York, New York, and its successors or any replacement securities depository appointed hereunder.

"*DTC Participant*" means those securities brokers or dealers, banks, trust companies, clearing corporations and various other entities for which DTC holds bonds from time to time as a securities depository.

"*Eligible Investments*" means any of the investments set forth on Exhibit B hereto which are legal investments under the laws of the State for moneys held under the Indenture.

"*Event of Default*" means any event of default specified in Section 8.01 of the Indenture.

"Bond Insurer Default" means any one of the following events shall have occurred and be continuing:

(a) Bond Insurer fails to make or provide for any payment required under the Policy in accordance with its terms;

(b) Bond Insurer (i) files any petition or commences any case or proceeding under any provision or chapter of the United States Bankruptcy Code or any other similar federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization; (ii) makes a general assignment for the benefit of its creditors; or (iii) has an order for relief entered against it under the United States Bankruptcy Code or any other similar federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization which is final and nonappealable; or

(c) a court of competent jurisdiction, the New York Department of Insurance or other competent regulatory authority enters a final and nonappealable order, judgment or decree (i) appointing a custodian, trustee, agent or receiver for Bond Insurer or for all or any material portion of its property or (ii) authorizing the taking of possession by a custodian, trustee, agent or receiver of Bond Insurer (or the taking of possession of all or any material portion of the property of Bond Insurer).

"Fiscal Agent" means the "Insurer's Fiscal Agent," if any, designated pursuant to the terms of the Policy.

"Government Agreements" means those agreements, if any, between the County and the various municipalities, counties, state or federal governments, and agencies of the foregoing to provide correctional services for prisoners, inmates, or other detainees of such entities.

"Government Securities" means direct obligations of the United States of America and obligations on which the full and timely payment of principal and interest is fully and unconditionally guaranteed by the United States of America.

"Holder" or **"Bondholder"** of the Bonds means the registered owner of any Bond as shown on the registration books maintained by the Registrar, but shall not mean Beneficial Owners, and shall include Bond Insurer in its capacity as subrogee hereunder.

"Indenture" means this Trust Indenture dated as of February 1, 1997 by and between the Issuer and the Trustee, together with any amendments or supplements hereto.

"Insurance Agreement" means the Insurance and Indemnity Agreement, among the Issuer, and Bond Insurer, as amended and supplemented in accordance with the provisions thereof.

"Interest Fund" means the Account created pursuant to Section 5.05 of the Indenture.

"Interest Payment Date" means each February 1 and August 1, commencing August 1, 1997.

"Investment Agreement" has the meaning given to such term in Exhibit B to the Indenture.

"Issuer" means Santa Fe County, New Mexico.

"Management Agreement" means the Management Agreement to be entered into between the Issuer and the Manager, as amended and supplemented in accordance with the provisions thereof.

"Manager" means the entity appointed as such under the Management Agreement;

"*Moody's*" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized rating agency.

"*Mortgage*" means the Mortgage, Security Agreement, etc. dated February 1, 1997, together with any rider, addendum or amendment thereto, as amended from time to time in accordance with its terms.

"*Outstanding*" means, when used with reference to the Bonds, as at any particular date, the aggregate of all Bonds authenticated and delivered under the Indenture, except:

- (a) Bonds canceled or surrendered to the Trustee for cancellation at or prior to such date;
- (b) Bonds for the redemption of which sufficient moneys shall have been theretofore deposited with the Trustee, provided that notice of such redemption shall have been given as provided in Article IV of the Indenture or provisions satisfactory to the Trustee shall have been made therefor;
- (c) Bonds deemed to be paid in accordance with Section 13.01 of the Indenture; and
- (d) Bonds alleged to have been lost, stolen or destroyed pursuant to Section 2.09 of the Indenture and for which replacement Bonds have been issued.

"*Person*" means an individual, joint stock company, trust, unincorporated association, joint venture, corporation, business or owner trust, partnership or other organization or entity (whether governmental or private).

"*Policy*" means the Municipal Bond Insurance Policy issued by Bond Insurer with respect to the Bonds issued hereunder, including any endorsements thereto.

"*Policy Payments Account*" means the account created pursuant to Section 10.01(b) of the Indenture.

"*Preference Recovery*" means any amount previously distributed to a Holder that is recovered as a voidable preference by a trustee in bankruptcy pursuant to the United States Bankruptcy Code, 11 U.S.C. §§ 101 et seq., as amended, in accordance with a final, nonappealable order of a court having competent jurisdiction.

"*Premium Letter*" means the letter, dated the date of issuance of the Policy, from Bond Insurer to the Issuer setting forth the payment arrangements for the premium due with respect to the Policy and certain related expense payment arrangements.

"*Principal Fund*" means the Account created pursuant to Section 5.06 of the Indenture.

"*Principal Office*" means the office designated as such by the respective party in writing to the Issuer, Bond Insurer and the Trustee as set forth in Section 14.05 of the Indenture.

"*Project*" means acquiring and improving land, acquiring and constructing detention facilities, repairing and rehabilitating detention facilities, to provide correctional services, all within the County.

"*Project Documents*" means the Indenture, the Mortgage, the Government Agreements, the Insurance Agreement, and the Management Agreement.

"*Rebate Fund*" means the Account established pursuant to Section 5.10 of the Indenture.

"*Record Date*" means the fifteenth day (whether or not a Business Day) of the month immediately preceding the month in which a Interest Payment Date occurs.

"*Registrar*" means the Trustee at its Principal Office, or any successor thereto.

"*Repurchase Agreement*" shall have the meaning given to such term in Exhibit B to the Indenture.

"*Revenue Fund*" means the Account created pursuant to Section 5.03 of the Indenture.

"*S&P*" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized rating agency.

"*Series 1997 Bonds*" means, the Santa Fe County, New Mexico Correctional System Revenue Bonds, Series 1997 in the aggregate principal amount of \$30,000,000.

"*Sinking Fund Redemption Date*" means any date on which Bonds are required to be redeemed pursuant to Section 4.01(c) of the Indenture.

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

"*Tax Certificate*" means the Issuer's Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986.

"*Trustee*" means Wells Fargo Bank, Los Angeles, California, and its successors in trust hereunder.

"*Trustee's Fee*" means the annual fee payable to the Trustee, as Trustee, Registrar and paying agent in an amount equal to the fees set forth in the letter of the Trustee, dated on or prior to the Closing Date, and provided to Bond Insurer on or before the Closing Date.

"*Trust Estate*" means all of the Issuer's right, title and interest in, to and under the moneys, agreements, properties, interests and rights described in Clauses A through C of the Granting Clauses of the Indenture.

"*Underwriter*" means Piper Jaffray, Inc. its successors and assigns.

INDENTURE

Authorization of Bonds. The Indenture authorizes to be issued under and secured by the Indenture the Issuer's Bonds entitled "Santa Fe County, New Mexico Correctional System Revenue Bonds, Series 1997 in the aggregate principal amount of \$30,000,000 (the "Bonds").

Source of Payment. The Issuer is obligated to pay the principal of, premium, if any, and the interest on the Bonds solely out of the Trust Estate. The Bonds shall constitute a valid claim of the respective Holders thereof against the Trust Estate, which is pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds and which shall be utilized for no other purpose, except as expressly authorized in the Indenture. The Bonds, together with interest thereon, shall be limited obligations of the Issuer giving rise to no charge against the Issuer's general credit and payable solely from, and constitute claims of the Holders thereof against only, the Trust Estate. The Bonds, the premium, if any, and the interest thereon shall not be deemed to constitute debt of the Issuer, the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation provision, and neither the Issuer (except to the extent of the Trust Estate), the State nor any political

properties other than those specifically pledged thereto.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained herein, against any past, present or future member, director, officer, employee or agent of the Issuer, under any rule of law or equity or statutory or constitutional provision, or by the enforcement of any assessment or penalty or otherwise.

Anything in the Indenture to the contrary notwithstanding, any payment with respect to the principal of or interest on the Bonds which is made with moneys received pursuant to the terms of the Policy shall not be considered payment by the Issuer of the Bonds, shall not discharge the Issuer (to the extent of its obligations hereunder) in respect of its obligation to make such payment and shall not result in the payment of or the provision for the payment of the principal of or interest on the Bonds within the meaning of Section 13.01 hereof. The Issuer and the Trustee acknowledge that, without the need for any further action on the part of Bond Insurer, the Issuer or the Trustee (a) to the extent Bond Insurer makes payments, directly or indirectly, on account of principal of or interest on the Bonds to the Holders of such Bonds, Bond Insurer will be fully subrogated to the rights of such Holders to receive such principal and interest from the Trust Estate and (b) Bond Insurer shall be paid such principal and interest in its capacity as a Holder of Bonds from the Trust Estate in the manner provided herein for the payment of such principal and interest.

Except as provided in the Indenture, no liens of any nature or kind shall ever be placed or permitted by

(b) Amounts on deposit in the Revenue Fund shall be disbursed in the following order of priority:

(i) Monthly, to the Interest Fund commencing on the first day of the first month following the delivery of any of the Bonds, an amount in equal monthly installments necessary, together with any moneys in the Interest Fund available therefor, to pay the next maturing installment of interest on the Bonds then outstanding and monthly thereafter commencing on each interest payment date, one-sixth (1/6th) of the amount necessary to pay the next maturing installment of interest on the outstanding Bonds; and

(ii) Monthly, to the Principal Fund commencing on the first day of the first month following the delivery of any of the Bonds, an amount in equal monthly installments necessary, together with any moneys in the Principal Fund available therefor, to pay the next maturing installment of principal on the Bonds and monthly thereafter commencing on each principal payment date, one-twelfth (1/12th) of the amount necessary to pay the next maturing installment of principal on the Bonds.

(iii) Monthly, so long as no Event of Default exists and all scheduled payments on the Bonds have been made, the Trustee shall release all remaining amounts in the Revenue Fund to the Issuer.

Interest Fund. The Trustee establishes and shall maintain so long as any of the Bonds are outstanding a separate trust fund with its trust department designated as the "Interest Fund." The Trustee will deposit into the Interest Fund all amounts required to be transferred to the Interest Fund from the Revenue Fund pursuant to Section 5.03 of the Indenture and any other amounts directed to be transferred to the Interest Fund by the Controlling Party. Moneys on deposit in the Interest Fund shall be applied by the Trustee to pay interest on the Bonds as it becomes due and payable.

Principal Fund. The Trustee establishes and shall maintain so long as any of the Bonds are outstanding a separate trust fund with its trust department designated as the "Principal Fund." The Trustee will deposit into the Principal Fund all amounts required to be transferred to the Principal Fund from the Revenue Fund pursuant to Section 5.03 of the Indenture and any other amounts directed to be transferred to the Principal Fund by the Controlling Party. Moneys on deposit in the Principal Fund shall be applied by the Trustee to pay principal on the Bonds as it becomes due and to pay principal and premium, if any, payable upon redemption of the Bonds in accordance with the provisions of Article IV of the Indenture.

Debt Service Reserve Fund. There is created the Debt Service Reserve Fund, to be held by the Trustee. After the payments required from the Revenue Fund described under "(i)" in the summary of the Revenue Fund above, there shall be withdrawn from the Revenue Fund, and there shall be concurrently credited to the Debt Service Reserve Fund, to the extent such amounts are available in the Revenue Fund, such amounts as may be necessary in order that the balance (the "Reserve Requirement") in the Debt Service Reserve Fund is equal to the lesser of an amount equal to: (1) ten percent (10%) of the original principal amount of Bonds delivered to and purchased by the Purchaser; (2) the maximum annual debt service of the Bonds; or (3) one hundred twenty-five percent (125%) of the average annual debt service of the Bonds. If the balance in the Debt Service Reserve Fund exceeds the amount so determined, the excess shall be withdrawn from the Debt Service Reserve Fund and concurrently credited to the Interest Fund or the Principal Fund in the Trustee's discretion. Moneys in the Debt Service Reserve Fund shall be withdrawn from the Debt Service Reserve Fund and concurrently credited to the Interest Fund or the Principal Fund, to the extent and at the times necessary, and to the extent such amounts are available in the Debt Service Reserve Fund, to prevent deficiencies in the payments required to be made pursuant to Sections 5.04 and 5.05 of the Indenture.

Prior to withdrawing moneys from the Debt Service Reserve Fund for prevention of deficiencies in the Interest Fund or the Principal Fund, the Trustee shall notify the County at least forty-five days prior to any Interest Payment Date of the amount, or estimated amount, of any such deficiency. The County may, no later than two business days prior to the Interest Payment Date, deposit with the Trustee from any legally available funds of the

County, an amount equal to such deficiencies. The Trustee shall immediately apply such deposit to the Interest Fund, the Principal Fund, or both Accounts to make the payments as required by Sections 5.04 and 5.05 of the Indenture. If the County fails to make such deposit or deposits less than the required amount, the Trustee shall withdraw the appropriate amount from the Debt Service Reserve Fund as set forth herein.

Temporary Funds and Accounts; Policy Payments Account. The Issuer authorizes the Trustee to establish and maintain for so long as is necessary one or more temporary funds and accounts under the Indenture, including, without limitation, the Policy Payments Account pursuant to Section 10.01(b) of the Indenture and the Acquisition Fund.

Rebate Fund. (a) The Trustee establishes and shall maintain so long as any of the Bonds are Outstanding and for at least 90 days thereafter a separate trust fund designated as the "Rebate Fund." Annually, the Trustee shall deposit into the Rebate Fund the Rebate Amount (as defined in the Tax Certificate). Moneys on deposit in the Rebate Fund shall be applied by the Trustee only as permitted in this Section.

(b) Moneys and securities held by the Trustee in the Rebate Fund are not pledged or otherwise subject to any security interest in favor of the Trustee to secure the Bonds or any other payments required to be made hereunder or under any other document executed and delivered in connection with the issuance of the Bonds, except the Tax Certificate.

(c) The Trustee shall sell and reduce to cash a sufficient amount of such Eligible Investments whenever the cash balance in the Rebate Fund is insufficient for its purposes.

(d) The Trustee shall withdraw from the Rebate Fund and pay over to the United States Government: (i) not less frequently than once each five years commencing no later than 60 days after the end of the Bond Year ending January 31, 2002, and each fifth Bond Year thereafter, an amount equal to 90% of the aggregate Rebate Amount less the amount, if any, of Rebate Amount theretofore paid to the United States and (ii) no

moneys held under the Indenture fully invested at all times. All Eligible Investments shall be made in the name of the Trustee, in trust for the Holders and Bond Insurer.

Unless directed otherwise by the Controlling Party, no such investment shall mature later than the Business Day immediately preceding the next Interest Payment Date. Unless otherwise directed by the Controlling Party, no Eligible Investment shall be sold at a discount or disposed of prior to its maturity for an amount less than its par amount. Notwithstanding the foregoing, if any amounts are needed for disbursement from a fund or account and sufficient uninvested funds are not available therein to make such disbursement, the Trustee may, with the written consent of the Controlling Party, and shall at the direction of the Controlling Party, cause to be sold or otherwise converted to cash a sufficient amount of the investments in such fund or account.

Any net gain on any Eligible Investment in an Account shall be retained in such Account to the extent that amounts on deposit therein are less than the amount required to be deposited therein. Amounts in excess of the amounts required to be on deposit in any Account will be transferred to the Revenue Fund on the next Interest Payment Date.

(b) The securities purchased with the moneys in each Account shall be deemed a part of such Account and, for the purpose of determining the amount of money in such Account, the securities therein shall be valued at their market value. Monthly statements of the earnings or losses, disbursements and deposits, and any other changes in the fund and account balances for the preceding month, shall be submitted by the Trustee to Bond Insurer and the Issuer on or before the fifteenth day of each month. If at any time it shall become necessary that some or all of the securities purchased with the moneys in any such fund or account be redeemed or sold in order to raise moneys necessary to comply with the provisions of this Indenture, the Trustee shall effect such redemption or sale employing, in the case of sale, any commercially reasonable method of effecting the same, in its sole discretion; provided, however, in no event may the Trustee sell any security prior to its maturity or at a loss without the prior written consent of the Controlling Party or, if the Controlling Party is then the Trustee, the Issuer.

(c) In no event shall the Trustee purchase any investment hereunder at a premium without the prior written approval of the Controlling Party.

(d) If at any time after investment therein an investment ceases to meet the criteria set forth in the definition of Eligible Investments, such investment shall be sold or liquidated with the prior consent of the Controlling Party or at the direction of the Controlling Party.

(e) The Trustee shall terminate any Repurchase Agreement upon a failure of the counter-party thereto to maintain the requisite collateral percentage after the restoration period and, if not paid by the counter-party in federal funds against transfer of the repo securities, liquidate the collateral. The Trustee shall give notice to any provider of a Repurchase Agreement or an Investment Agreement in accordance with the terms thereof so as to receive funds thereunder with no penalty or premium paid.

(f) The Trustee shall, upon actual knowledge of a default under either a Repurchase Agreement or an Investment Agreement or the withdrawal or suspension of either of the long-term unsecured debt ratings of a Repurchase Agreement or an Investment Agreement provider or a drop in the ratings thereon below "AA" or "Aa," as appropriate, or "AA" or "Aa," as appropriate, in the case of a foreign bank, so notify the Controlling Party and, if so directed by the Controlling Party, shall demand further collateralization of the agreement or termination thereof and liquidation of the collateral.

(g) The Trustee may make any and all investments hereunder through its own investment department or through any of its affiliates or subsidiaries.

(h) The Trustee (or the Collateral Agent on its behalf) shall make deposits to and withdrawals from any Investment Agreements in accordance with the terms thereof. The Trustee will not consent to any amendments

to, or give any consents under, any Investment Agreement without the prior written consent of Bond Insurer and the Trustee will give such consents at the direction of Bond Insurer.

EVENTS OF DEFAULT AND REMEDIES UNDER INDENTURE

Events of Default. Each of the following events shall constitute an Event of Default under the Indenture:

(a) failure by the Issuer to make any payment, in accordance with the Indenture, of the principal of, premium, if any, or interest on any Bond after the same shall become due and payable, whether at maturity, by mandatory redemption, acceleration or otherwise;

(b) default in the performance or observance of any of the covenants, agreements or conditions on the part of the Issuer contained in the Indenture or in the Bonds and not described in another paragraph of this Section, which failure shall continue for a period of 30 days (90 days for defaults of Section 7.07 of the Indenture) after knowledge by the Issuer or written notice is given to the Issuer by the Trustee or the Controlling Party, provided that, if such failure shall be of a nature that it cannot be cured within 30 days, such failure shall not constitute an Event of Default under the Indenture if within such 30-day period the Issuer shall have given notice to the Trustee and the Controlling Party of corrective action it proposes to take, which corrective action is agreed in writing by the Controlling Party to be satisfactory and the Issuer shall thereafter pursue such corrective action diligently until such default is cured;

(c) the Issuer shall fail to pay its debts generally as they come due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or shall institute any proceeding seeking to adjudicate the Issuer insolvent or seeking a liquidation, or shall take advantage of any insolvency act, or shall commence a case or other proceeding naming the Issuer as debtor under the United States Bankruptcy Code or similar law, domestic or foreign, or a case or other proceeding shall be commenced against the Issuer under the United States Bankruptcy Code or similar law, domestic or foreign, or any proceeding shall be instituted against the Issuer seeking liquidation of the Issuer's assets and the Issuer shall fail to take appropriate action resulting in the withdrawal or dismissal of such proceeding within 30 days or there shall be appointed, or the Issuer shall consent to, or acquiesce in, the appointment of, a receiver, liquidator, conservator, trustee or similar official in respect of the Issuer or the whole or any substantial part of its properties or assets or the Issuer shall take any corporate action in furtherance of any of the foregoing;

(d) the occurrence of an "Event of Default" under the Mortgage; or

(e) the Trustee receives notice from Bond Insurer that an "Event of Default" exists under the Insurance Agreement.

The Trustee shall give notice to Bond Insurer of any Event of Default within one Business Day after the Trustee has actual notice of such Event of Default.

Remedies. (a) Upon the occurrence and continuance of an Event of Default, the Trustee may, only with the prior written consent of the Controlling Party, and shall, at the direction of the Controlling Party, declare the principal of and accrued interest on the Bonds to be immediately due and payable. The Trustee shall give notice thereof pursuant to Section 9.15 of the Indenture to the Holders of the Bonds, the Issuer, Bond Insurer, Moody's, and S&P. Upon any such declaration, the principal of and accrued interest on the Bonds shall become due and payable immediately, and the Trustee shall make demand for payment upon the Issuer in an amount sufficient to

pay principal of and interest accrued on the Bonds to the date established for payment thereof pursuant to Section 8.05 hereof.

In the event the Trustee shall declare the Bonds immediately due and payable, Bond Insurer may, in its sole discretion, elect to pay an amount equal to the principal and interest accrued on the Bonds to the date of acceleration and the Trustee agrees to accept such payment. The Policy provides that upon such payment Bond Insurer's obligations under the Policy shall be discharged.

(b) Subject to Sections 8.06 and 8.07 of the Indenture, the Trustee, as pledgee and assignee hereunder of all of the right, title and interest of the Issuer in and to the Trust Estate, shall, upon compliance with applicable requirements of law and except as otherwise set forth in Article VIII of the Indenture, be the sole real party in interest and shall have standing, exclusive of the Holders of Bonds, to enforce each and every right granted to the Issuer with respect to any part or all of the Trust Estate. Prior to exercising any rights of the Trustee, or the Bondholders hereunder or under any Mortgage, the Trustee will give written notice to the Controlling Party. The Trustee shall exercise only such rights and take only such actions as are directed or approved by the Controlling Party and shall refrain from exercising any rights as directed by the Controlling Party.

Subject to Sections 8.06, 8.07 and 9.05 of the Indenture, in addition to any other remedies given to the Trustee under the Indenture or now or hereafter existing at law or in equity, the Trustee may, with the prior written consent of the Controlling Party, and shall, at the direction of the Controlling Party, take any or all of the following actions upon the occurrence of an Event of Default:

- (i) accelerate the Bonds;
- (ii) by mandamus or other suit, action or proceeding at law or in equity, enforce the provisions of the Bonds or the Mortgage;
- (iii) by action or suit in equity, enjoin any acts or things that may be unlawful or in violation of the rights of the Holders of the Bonds;
- (iv) appoint a receiver or receivers of the rights and remedies pledged hereby, and of the revenues, issues, payments and profits thereof, with such powers as the court making such appointment shall confer; or
- (v) take such other steps to protect and enforce its rights and the rights of the Holders of the Bonds, whether by action, suit or proceeding in aid of the execution of any power herein granted or for the enforcement of any other appropriate legal or equitable remedy.

(c) Unless otherwise expressly provided, no remedy herein conferred upon or reserved is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under the Mortgage or existing at law or in equity. No delay or failure to exercise any right or power accruing under any Mortgage upon the occurrence of any Event of Default or otherwise 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 as often as may be deemed expedient. In order to entitle the Controlling Party to exercise any remedy reserved to the Controlling Party as described herein, it shall not be necessary to give any notice, other than such notice as may be required in this Article, and, with respect to remedies under other Mortgages, such notices as are required therein.

(d) If any proceeding has been commenced to enforce any right or remedy under this Indenture, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Controlling Party, then and in every such case the parties hereto shall, to the extent permitted, not prohibited or required by the outcome of such proceeding, be restored to their respective former positions hereunder, and,

thereafter, all rights and remedies of the Controlling Party shall continue as though no such proceeding had been instituted.

Enforceability by Trustee. All rights of action under the Indenture or under any of the Bonds secured hereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as Trustee, or, if necessary, in the name of the Issuer, for the equal and ratable benefit of Bond Insurer and the Holders of the Bonds.

Delays; Omissions; Waivers. No delay or omission by the Trustee, by Bond Insurer or by any Holder of the Bonds 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 of any such default, or an acquiescence therein, and every power and remedy given by this Article to the Trustee, to Bond Insurer and to the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default hereunder, whether by the Trustee or by Bond Insurer, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

The Controlling Party shall have the right, to be exercised in its complete discretion, to waive any covenant, Default or Event of Default by a writing setting forth the terms, conditions and extent of such waiver signed by the Controlling Party and delivered to the other parties hereto. Any such waiver may only be effected in writing duly executed by the Controlling Party, and no other course of conduct shall constitute a waiver of any provision hereof. Unless such writing expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

Application of Moneys. Upon the occurrence of an Event of Default, all moneys received by the Trustee pursuant to any action taken under the provisions of Article VIII of the Indenture or otherwise held in the Accounts created hereunder (except the Policy Payments Account), after payment of the reasonable costs and expenses of the proceedings resulting in the collection of such moneys and the Trustee's Fee, shall be deposited in the Revenue Fund and, together with all moneys so deposited in the Revenue Fund during the continuance of an Event of Default, including, without limitation, any amounts transferred thereto by the Collateral Agent (other than moneys for the payment of Bonds which have matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default) shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the direct order of the maturity of the installments of such interest and, if the amounts available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

Second, to the payment to the persons entitled thereto of the unpaid principal on any of the Bonds which shall have become due (other than Bonds which have matured or otherwise become payable prior to such Event of Default and moneys for the payment of which are held in the Principal Fund or otherwise held by the Trustee), with (if not paid pursuant to clause First above) interest on such principal from the respective dates upon which the same became due and, if the amount available shall not be sufficient to pay in full the amount of principal and the interest due on any particular date, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons entitled thereto, without any discrimination or privilege;

Third, to Bond Insurer, any amounts payable thereto hereunder or pursuant to the Insurance Agreement as evidenced by a certificate from Bond Insurer filed with the Trustee;

Fourth, to the Issuer the surplus, if any, for any lawful purpose.

(b) If the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First, to the payment of the principal of and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege;

Second, to payment of all amounts payable to Bond Insurer hereunder and under the Insurance Agreement;

Third, to the Issuer, the surplus, if any, all as evidenced by a certificate from the respective party to the Trustee.

Whenever moneys are to be applied pursuant to the provisions of Section 8.05 of the Indenture, such moneys shall be applied at such time, and from time to time, as the Trustee, with the consent of the Controlling Party, shall have determined, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall (i) fix the date (which shall be a Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and on such date interest on the amount of principal to be paid on such date shall cease to accrue and (ii) on or before such date set aside from the appropriate funds created by this Indenture the moneys necessary to effect such application. The Trustee shall not be required to make payment to the Holder of any Bond until such Bond shall be presented for appropriate endorsement or for cancellation if fully paid.

Controlling Party; Right To Make Payment. Notwithstanding any other provision of the Indenture, the Controlling Party shall control the exercise of any remedies hereunder if an Event of Default shall occur and be continuing. Bond Insurer, so long as it shall be the Controlling Party, may waive in writing to the Trustee any Event of Default under this Indenture at its sole discretion. Notwithstanding any other provision hereof, Bond Insurer shall have the right to advance any payment required to be made by the Issuer in order to prevent an Event of Default hereunder, and the Trustee shall be required to accept such advance. Any such advance shall be repaid to Bond Insurer by the Obligor pursuant to the Insurance Agreement.

Power of Bondholders To Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, if Bond Insurer is not the Controlling Party, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding hereunder shall have the right, by an instrument in writing executed and delivered to the Trustee and upon offer of security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder. The Trustee hereby is authorized to effectuate such remedial proceedings on behalf of such Holders.

CONDITIONS CONCERNING THE POLICY AND Bond Insurer

Claims Upon the Policy; Payment Default Claim Provisions. (a) If, on the fourth Business Day prior to the related Interest Payment Date, there is not on deposit with the Trustee in the Principal Fund and the Interest Fund moneys sufficient to pay the principal of and interest due on the Bonds on such date, the Trustee shall give notice to Bond Insurer, to the Fiscal Agent, if any, by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the third Business Day prior to the related Interest Payment Date, there continues to be a deficiency in the amount available to pay the principal and interest on the Bonds on such date, the Trustee shall make a claim under the Policy and give notice to Bond Insurer and the Fiscal Agent, if any, of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to Bond Insurer and the Fiscal Agent, if any, by 12:00 noon, New York City time, on such third Business Day.

(b) At the time of the execution and delivery of the Indenture, and for the purposes of the Indenture, the Trustee shall establish a separate special purpose trust account for the benefit of the Holders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Policy in trust on behalf of the Holders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Holders in the same manner as principal and interest payments are to be made with respect to the Bonds under Section 3.03 hereof regarding payment of Bonds contained in this Indenture. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. However, the amount of any payment of principal of or interest on the Bonds to be paid from the Policy Payments Account shall be noted as provided in subsection (f) below. Funds held in the Policy Payments Account shall not be invested by the Trustee unless otherwise specified in writing by Bond Insurer and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or any other entity.

(c) In the event the Bonds are subject to mandatory sinking fund redemption pursuant to Section 4.01(c) of the Indenture, upon receipt of the moneys due, affected Bondholders shall surrender their Bonds to the Trustee who shall authenticate and deliver to such Bondholder a new Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered, and upon maturity or other advancement of maturity and receipt of the moneys due, Bondholders shall surrender their Bonds for cancellation. The Trustee shall designate any portion of payment of principal on Bonds paid by Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to Bond Insurer, registered in the name of Bond Insurer Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to Authorized Denominations), provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable hereunder on any Bond or the subrogation rights of Bond Insurer.

(d) Any funds remaining in the Policy Payments Account following a Interest Payment Date shall promptly be remitted to Bond Insurer except for funds held for the payment of Bonds pursuant to Section 5.07 of the Indenture.

(e) Subject to and conditioned upon payment of any interest or principal with respect to the Bonds by or on behalf of Bond Insurer, each Bondholder, by its purchase of Bonds, hereby assigns to Bond Insurer, but only to the extent of all payments made by Bond Insurer, all rights to the payment of interest or principal on the Bonds, including, without limitation, any amounts due to the Bondholders in respect of securities law violations arising from the offer and sale of the Bonds, which are then due for payment. Bond Insurer may exercise any option, vote,

right, power or the like with respect to Bonds to the extent it has made a principal payment pursuant to the Policy. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to Bond Insurer in respect of such payments. The Trustee shall take such action and deliver such instruments as may be reasonably requested or required by Bond Insurer to effectuate the purpose or provisions of this subsection (e).

(f) The Trustee shall keep a complete and accurate record of all funds deposited by Bond Insurer into the Policy Payments Account and the allocation of such funds to payment of interest on and principal paid in respect of any Bond. Bond Insurer shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Trustee.

(g) The Trustee shall mark on each Bond presented for payment at maturity and upon acceleration (i) the date to which interest has been paid on such Bond, (ii) all payments of principal made on such Bond and (iii) if all or any portion of any payment of principal on such Bond was made with funds paid by Bond Insurer under the Policy, the legend "\$[insert applicable amount] paid by Bond Insurer," provided that the Trustee's failure to mark any Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of Bond Insurer.

(h) The Trustee shall promptly notify Bond Insurer of either of the following as to which it has actual knowledge: (i) the commencement of any proceeding by or against the Issuer commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") and (ii) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer (a "Preference Claim") of any payment of principal of, or interest on, the Bonds. Each Holder, by its purchase of Bonds, and the Trustee hereby agree that Bond Insurer, so long as Bond Insurer is the Controlling Party, may, at any time during the continuation of an Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including, without limitation (i) any matters relating to any Preference Claim, (ii) the direction of any appeal of any order relating to any Preference Claim and (iii) the posting of any surety, supersedeas or performance bond pending any such appeal. In addition, and without limitation of the foregoing, Bond Insurer, so long as Bond Insurer is the Controlling Party, shall be subrogated to, and each Holder and the Trustee hereby delegate and assign, to the fullest extent permitted by law, the rights of the Trustee and each Holder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Insolvency Proceeding.

Subrogation; Effect of Payments by Bond Insurer. Bond Insurer shall, to the extent it makes any payment with respect to the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy. The Issuer shall not be discharged from its obligations hereunder upon payment of principal of or interest on the Bonds by Bond Insurer under the Policy.

Preservation of the Rights of Bond Insurer. Without limiting the provisions of Article VIII of the Indenture or the rights or interests of the Holders as otherwise set forth herein, the Trustee shall, upon being furnished with indemnity reasonably satisfactory to it for its reasonable fees and expenses, cooperate in all respects with any reasonable request by Bond Insurer for action to preserve or enforce Bond Insurer's rights or interests under this Indenture, including, without limitation, upon the occurrence and continuance of an Event of Default, a request to take any one or more of the following actions:

(a) institute proceedings for the collection of all amounts then payable on the Bonds, or under this Indenture in respect to the Bonds, enforce any judgment obtained and collect from the Issuer moneys adjudged due;

(b) institute proceedings from time to time for the complete or partial foreclosure of this Indenture; and

(c) exercise any remedies of a secured party under the Uniform Commercial Code and take any other appropriate action to protect and enforce the rights and remedies of Bond Insurer hereunder.

Access to Records; Delivery of Information to Bond Insurer. The registration records and other books and records of the Trustee relating to the Bonds shall be made available to the Issuer, Bond Insurer, or their agents designated in writing to the Trustee during regular business hours upon written request, for purposes of inspection and copying.

The Trustee shall distribute to Bond Insurer on an annual basis (or quarterly, if Bond Insurer shall so request in writing) a listing of the names and addresses of the Holders of the Bonds. The Trustee shall also supply, at the sole expense of the Issuer, such additional reports and information regarding the cash flows in the accounts created hereunder and a breakdown of cash flows received by the Trustee as is reasonably requested by Bond Insurer.

The Trustee shall provide to Bond Insurer upon its written request copies of the Trustee's most recent financial statements.

Surrender of Policy. The Trustee shall surrender the Policy to Bond Insurer within five Business Days after the date on which no Bonds remain Outstanding hereunder.

Payment of Bonds. Bond Insurer shall be entitled to pay principal of or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such capitalized terms are defined in the Policy) by the Issuer and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not Bond Insurer has received a Notice (as defined in the Policy) of Nonpayment or a claim upon the Policy.

DISCHARGE OF INDENTURE

Discharge. If and when the whole amount of the principal, premium, if any, and interest due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, by or on behalf of the Issuer, together with all other sums payable hereunder and under the Insurance Agreement by the Issuer, then and in that case, the right, title and interest of the Trustee in and to the Trust Estate, including all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied, except for right of payment for the Bonds. In such event, the Trustee shall surrender the Trust Estate to the Issuer, and shall deliver to the Issuer, or to such person, body or authority as may be entitled to receive the same, any balance remaining in any Account created under the Indenture. The Trustee shall execute such documents as may be reasonably required to effect such assignments and transfers. There shall be deemed to be such due payment or provision for the same when there has been placed in trust with the Trustee, cash and Government Securities (not callable prior to the time necessary to meet all requirements of the Outstanding Bonds) sufficient (including, the known minimum yield available without reinvestment for such purpose from Government Securities in which such amount wholly or in part may be initially invested) to make all payments due on the Outstanding Bonds, as the same become due at the final maturities of the Bonds or upon any redemption date as of which the Issuer shall have directed the Trustee to exercise or shall have obligated the Trustee to exercise its prior redemption option by a call of Bonds for payment plus all scheduled payments of fees and expenses. The Government Securities shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule independently verified as to the sufficiency of the deposit at the time of the creation of the escrow or trust.

Anything in the Indenture to the contrary notwithstanding, the Bonds shall not be deemed to have been paid pursuant to Section 13.01 of the Indenture until (i) the Trustee has received the written consent of the Controlling

Party; (ii) the Trustee and Bond Insurer have received a certificate of an independent firm of nationally recognized certified public accountants acceptable to the Controlling Party that the cash or Government Securities deposited hereunder will be sufficient to make all remaining payments when due on the Bonds and other amounts payable hereunder and under the Insurance Agreement when due; (iii) the Trustee and Bond Insurer have received all fees, charges and expenses due or to be due under this Indenture or the Insurance Agreement, as applicable; and (iv) the Issuer, Bond Insurer and the Trustee have received an Opinion of Counsel which is in form and substance acceptable to the Controlling Party, to the effect that upon receipt by the Trustee of such deposit, the Bonds will be deemed to be paid within the meaning of this Section 13.01 and that such transaction and deposit: (w) would not constitute an investment company requiring registration under the Investment Company Act of 1940; (x) is permitted

under the terms and provisions of this Indenture; (y) would not constitute an avoidable preference under Section 547 of the United States Bankruptcy Code in the event of the filing of a petition for relief under the United States Bankruptcy Code by or against the Issuer; and (z) the Government Securities and cash, if any, would not be part of the bankruptcy estate under Section 541 of the United States Bankruptcy Code or be subject to the automatic stay under Section 362 of the United States Bankruptcy Code in the event of a filing of a petition for relief under the United States Bankruptcy Code by the Issuer. Further, no sale, transfer or substitution of the cash or Government Securities deposited pursuant to this paragraph shall take place without the requirements set forth in (i), (ii) and (iii) of this paragraph having been satisfied.

The foregoing provisions notwithstanding, Bonds which shall have been paid, or for which provision shall have been made, by a payment from Bond Insurer pursuant to the Policy shall continue to be Outstanding under this Indenture, and Bond Insurer shall become the Holder of such Bonds for all purposes of this Indenture; provided, however, that if the Issuer shall make or cause to be made payment to Bond Insurer in reimbursement of any payments of principal of and interest on the Bonds, the obligation of the Issuer with respect to payment of such Bonds shall cease to the extent of such reimbursement, and, if such reimbursement shall be sufficient to pay the principal of and interest due on such Bonds and all other amounts payable to Bond Insurer hereunder or under the Insurance Agreement, such Bonds shall no longer be deemed Outstanding for purposes of this Indenture.

Trustee's Rights Reserved. Any discharge under Article XIII of the Indenture shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of the trusts hereby created and the performance of its powers and duties under the Indenture.

MODIFICATION OF INDENTURE

Modification. The Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of Article XII of the Indenture.

Supplemental Indentures. The Issuer and the Trustee may, with the written approval of the Controlling

(c) To grant to or confer upon the Trustee for the benefit of the Holders of the Bonds any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(d) To add to the covenants and agreements of the Issuer in this Indenture, other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(e) To add to the limitations and restrictions in this Indenture, other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(f) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by this Indenture of the revenues arising from the pledge of any moneys, securities, funds or other parts of the Trust Estate;

(g) To amend or modify any provisions of this Indenture so long as such amendment or modification does not materially adversely affect the interests of the Holders of the Bonds which may be evidenced by an Opinion of Counsel delivered to the Trustee; or

(h) To preserve and protect, in such manner as set forth in an opinion of Bond Counsel in form and substance acceptable to the Controlling Party, the exclusion from gross income for federal income tax purposes of interest on the Bonds; or

(i) To issue additional bonds pursuant to section 2.11 and 2.12 of the Indenture.

Before the Trustee shall execute any supplemental indenture pursuant to Section 12.02 of the Indenture, there shall have been filed with the Trustee and Bond Insurer an Opinion of Counsel addressed to the Issuer, the Obligor, Bond Insurer and the Trustee stating that such supplemental indenture (i) is authorized or permitted by this Indenture and complies with its terms, (ii) will be valid and binding upon the Issuer in accordance with its terms after its execution by the Issuer and the Trustee and (iii) will comply with the Act and will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Consent of Bondholders. (a) With the consent of the Holders of not less than a majority of the aggregate principal amount of the Bonds then Outstanding, the Issuer and the Trustee may, with the prior written consent of the Controlling Party and, no Event of Default exists, from time to time and at any time, execute and deliver indentures supplemental to this Indenture for the purposes of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that nothing herein contained shall permit, or be construed as permitting without the consent of the Controlling Party and of the Holders of all Bonds then Outstanding and affected by such proposed change (i) a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Outstanding Bond, or a reduction in the principal amount or redemption price, or the dates or terms of redemption of any Outstanding Bond or the rate of interest thereon, (ii) the creation of a claim or lien upon, or a pledge of the Trust Estate other than the liens created by the Mortgage, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) any change adversely affecting the tax-exempt status of any Bond, (v) a reduction in the aggregate principal amount of the Bonds required for consent under this Indenture or (vi) any amendment to this Section.

(b) If at any time the Issuer and the Trustee shall determine to execute and deliver any supplemental indenture for any of the purposes of Section 12.03 of the Indenture, unless waived by the Holders of not less than the percentage of the Bonds then Outstanding, required by Section 12.03(a), the Trustee shall mail by first-class mail a notice of such amendment to each Holder of the Bonds, Bond Insurer and the Controlling Party. Such notice shall

briefly set forth the nature of the proposed supplemental indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondholders.

(c) Within one year after the date of such notice or at such other period as is specified in such notice, the Issuer may execute and deliver, and the Trustee may accept such supplemental indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee and Bond Insurer (i) the written consents of Holders of not less than the percentage required by Section 12.03(a) of the Bonds Outstanding, (ii) the written consent of the Controlling Party and, no Event of Default exists, and (iii) an Opinion of Counsel stating that such supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, and that upon enactment it will be valid and binding upon the Issuer in accordance with its terms. A written consent by any Holder of any Bond executed on or subsequent to the date of such notice shall be binding upon any subsequent Holder of such Bond.

(d) If the Holders of not less than the percentage of Bonds required by Section 12.03 of the Indenture shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the execution, delivery and acceptance of such supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions of the Indenture.

Effect of Supplemental Indenture. Upon the execution, delivery and acceptance of any supplemental indenture pursuant to the provisions of Article XII of the Indenture, the Indenture shall be, and be deemed to be, modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee, Bond Insurer, the Obligor and all Holders of Bonds then Outstanding shall be thereafter determined, exercised and enforced under this Indenture subject in all respects to such modifications and amendments.

Notice and Approval by Bondholders. Except as provided in the Mortgage, the Issuer and the Trustee shall not consent to any amendment, change or modification of the Mortgage without giving the notice and receiving the written approval or consent of the Controlling Party and the Holders of Bonds provided for in Section 12.03 hereof. If at any time the consent of the Trustee is requested for any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 12.03 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Holders of the Bonds.

Effect of Bond Insurer's Rights. The rights granted to Bond Insurer under the Indenture or any related document to request, consent or direct any action are rights granted to Bond Insurer in consideration of its issuance of the Policy. Any exercise by Bond Insurer of such rights is merely an exercise of Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Holders of the Bonds nor does such action evidence any position of Bond Insurer, positive or negative, as to whether Bondholder consent is required in addition to consent of Bond Insurer. In the event that the Controlling Party's consent is required under this Indenture, the determination whether to grant or withhold such consent shall be made by the Controlling Party in its sole discretion, without unreasonable delay, without any implied duty toward any other Person, except as otherwise expressly provided therein.

Notice to Rating Agencies. The Trustee shall send by first-class mail copies of any instrument modifying or amending the Indenture, or the Mortgage to Moody's and S&P at least 15 days prior to the effective date thereof.

MORTGAGE

Grant of Mortgage and Security Interest As security for the "Obligations" (as defined below), the County (the "Mortgagor"), pursuant to the Mortgage, grants to the Trustee and the Insurer (sometimes collectively referred to in their several capacities as "Mortgagee") a mortgage on the real property constituting the Project and a security interest in the personal property constituting the Project (collectively, the "Collateral").

Obligations. The Mortgage is executed, acknowledged and delivered by Mortgagor to secure and enforce the following obligations (collectively, the "Obligations"):

- (a) Payment of and performance of all obligations of Mortgagor under the Series 1997 Bonds;
- (b) Payment of and performance of all obligations of Mortgagor under the Policy Agreement;
- (c) Payment of and performance of every obligation, covenant and agreement of Mortgagor arising under or in connection with (i) this Mortgage; (ii) the Indenture; and (iii) all other Bond Documents (as defined below);
- (d) Payment of all sums advanced pursuant to the terms of the Mortgage to protect and preserve the Collateral and the lien and security interest hereby created therein;
- (e) Payment of all sums advanced and costs and expenses incurred by Mortgagee in connection with the items described in clauses (a) through (d) above, or any part thereof, any renewal, extension or change of or substitution for such items or any part thereof, or the acquisition or perfection of the security therefor, whether made or incurred at the request of Mortgagor or Mortgagee;
- (f) Payment of all other indebtedness and liabilities and performance of all other obligations of Mortgagor to Mortgagee arising pursuant to or in connection with the Mortgage, the Policy, or any other Bond Document; and
- (g) All renewals, extensions, amendments, modifications, consolidations and changes of, or substitutions or replacements for, all or any part of the items described under clauses (a) through (f) above.

Bond Documents. The Mortgage, the Series 1997 Bonds, the Indenture, the Policy, and any other deed to secure debt, deed of trust, mortgage, pledge, security deed, security agreement, assignment or other agreement or instrument given by Mortgagor to Mortgagee at the time of the delivery of the Mortgage or thereafter to evidence or further secure the payment and performance of any of the Obligations are herein referred to, collectively, as the "Bond Documents".

Insurance. (a) The County shall procure and maintain continuously in effect, during the term of the Mortgage, such policies of general liability and property liability insurance described below with one or more insurance companies (the "Insurer"). Without limiting the generality of the foregoing provision, the County shall specifically maintain the following insurance:

- (i) insurance against loss or damage by fire, lightning, windstorm, hail, explosion, riot and civil commotion, upon a repair or replacement basis if available, and otherwise to the full insurable value of the improvements, with deductible provisions not to exceed that set forth in the Mortgage for any one

casualty, and with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State;

(ii) comprehensive general public liability insurance policy or policies against all direct or contingent loss or liability for damages for property, personal injury or death occasioned by reasons of the operation, use, occupancy, control or construction upon the premises, with limits set forth in the Mortgage; and

(iii) if applicable, workers' compensation insurance affording the statutory benefits under State law.

(b) All policies of insurance required by subsections (a)(i) and (a)(ii) shall be written in the names of the County, as the insured, and the Mortgagee, as an additional insured.

(c) All insurance required in this Section 3.06 shall be taken out and maintained in insurance companies selected by the County who are authorized to do business in the State. The County will deposit with the Trustee copies of the policies evidencing such insurance. Each policy of insurance herein required shall contain a provision that the insurer shall not cancel, modify, terminate or fail to renew such insurance without giving written notice to the County, and the Trustee at least thirty (30) days before the occurrence of any such event; provided that the notice need only be 10 days before cancellation in the case of non-payment of premium. Before the expiration of any policy of insurance herein required, the County shall furnish the Trustee evidence satisfactory to the Trustee that the policy has been renewed or replaced by another policy conforming to the provisions of this Article, or that there is no necessity therefor under the terms hereof. If the insurance, or any part thereof, shall expire, or be withdrawn, or become void or unsafe by reason of the County's breach of any condition thereof, or if for any reason whatever the insurance maintained by the County on the Mortgaged Property shall not be in compliance with the terms of this Mortgage, the County shall place new insurance on the Mortgaged Property, providing the coverage and in form and substance complying with this Mortgage. In lieu of separate policies, the County may maintain blanket policies having the coverage required herein.

Defaults and Remedies

Events of Default. The occurrence of any one or more of the following shall constitute an "Event of Default" under the Mortgage:

- (i) an Event of Default, after giving effect to any applicable notice and cure period, (as both terms are defined in the Indenture), or any other event which, under the terms of the Indenture, would permit Mortgagee to accelerate the Obligations shall occur;
- (iii) any representation made herein, or any other Bond Documents or otherwise made by or on behalf of Mortgagor in connection with the transactions contemplated under the Bond Documents, shall be false or misleading in any material respect; provided, however, if such representation or warranty is curable, Mortgagor shall have 30 days after notice to cure such representation or warranty;
- (iii) except as otherwise restricted by the other Bond Documents, the Mortgagor shall fail to observe or perform any provision of this Mortgage, other than as required or described in subsections (i), or (ii) above; provided however, that Mortgagor shall have five days after written notice thereof shall have been given to Mortgagor by Mortgagee to cure any default requiring the payment of money and thirty (30) days after written notice thereof

shall have been given to Mortgagor by Mortgagee to cure the failure to perform of all other Obligations unless Mortgagor shall, in good faith, be diligently attempting to cure such failure to observe or perform, and there shall be a reasonable expectation that such failure can be cured within such time, then Mortgagor shall have an additional 60 days to correct such failure.

Remedies. Upon the occurrence and continuance of any one or more Events of Default, Mortgagee may (but shall not be obligated to), in addition to any rights or remedies available to it hereunder, under the Bond Documents or at law or in equity, take such action personally or by its agents or attorneys, with or without entry, and without notice, demand, presentment or protest (each and all of which are hereby waived) as it deems necessary or advisable to protect and enforce Mortgagee's rights and remedies against Mortgagor in and to the Collateral, including, without limitation, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Mortgagee may determine, without impairing or otherwise affecting its rights or remedies:

- (a) Declare the entire balance of any or all of the Obligations, (including, without limitation, the entire principal balance thereof then outstanding, all accrued, outstanding and unpaid interest and any premium thereon and all such other sums secured hereby) to be immediately due and payable without presentment, demand, protest or notice of any kind (all of which are hereby expressly waived by Mortgagor);
- (b) Advance sums, in an amount to be determined by Mortgagee in its sole discretion, to satisfy any or all of Mortgagor's obligations under the Series 1997 Bonds and the other Bond Documents;
- (c) Foreclose the lien hereof for the Obligations secured hereby, or any part thereof which has become due by acceleration or otherwise, by judicial action. In any foreclosure sale hereunder, Mortgagee shall have the right, at its option, to have the Premises sold as a whole or in separate parcels, in any order Mortgagee sees fit, if the Premises are capable of division without materially impairing its value. In any proceeding to foreclose the lien hereof or enforce any other remedy of Mortgagee under this Mortgage, the Series 1997 Bonds, or the other Bond Documents, there shall be allowed and included as additional indebtedness chargeable against the proceeds of foreclosure sale to the extent allowed by law all expenditure and expenses that may be paid or incurred by or on behalf of Mortgagee as provided in Section 5.04 of the Mortgage. Any foreclosure sale must be approved by the New Mexico Legislature.
- (d) Institute any action, suit or proceeding in equity for the specific performance of any of the provisions contained in the Series 1997 Bonds or any of the other Bond Documents;
- (e) Apply for the appointment of a receiver of the Collateral. Such appointment may be made either before or after sale, without notice, without regard to the solvency or insolvency of Mortgagor at the time of application for such receiver and without regard to the then value of the Collateral or whether the same shall be then occupied as a homestead or not, and Mortgagee (or either of them) hereunder may be appointed as such receiver. Mortgagor hereby expressly and irrevocably consents to the appointment of such receiver and waives notice of any application therefor. Such receiver shall have power: (i) to collect the rents, issues and profits of the Collateral during the pendency of foreclosure, and, in case of a sale and a deficiency, during the full statutory period of redemption, if any, whether there be redemption or not, as well as during any further times when Mortgagor, except for the intervention of such receiver, would be entitled to collect such rents, issues and profits; (ii) to extend or modify any then existing leases and

to make new leases, which extensions, modifications and new leases may provide for terms to expire, or for options to tenants to extend or renew terms to expire, beyond the maturity date of the Obligations and beyond the date of the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such leases, and the options or other such provisions to be contained therein, shall be binding upon Mortgagor and all persons whose interests in the Collateral are subject to the lien and security interest hereof and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the Obligations, satisfaction of any foreclosure decree, or issuance of any certificate of sale or deed to any purchaser; and (iii) all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Collateral during the whole of said period and all other powers expressly granted to a receiver by an applicable statute. The court from time to time may authorize the receiver to apply the net income in his hands in payment in whole or in part of: (i) the Obligations secured hereby, or by any decree foreclosing this Mortgage, or any tax, special assessment or other lien, charge, encumbrance or security interest which may be or become superior to the lien and security interest hereof or of such decree, provided such application is made prior to foreclosure sale; and (ii) the deficiency in case of a sale and deficiency;

- (f) Demand surrender by Mortgagor of actual possession of all the Collateral, or such part or parts thereof as Mortgagee may designate, and Mortgagee, personally or by its agents or attorneys, may enter thereupon and take possession thereof and wholly exclude Mortgagor and its agents and servants therefrom. Mortgagee may thereafter (i) operate and manage such property and exercise all rights, powers and franchises of Mortgagor with respect thereto, with power to use and consume in connection therewith, all materials, and current supplies then belonging to Mortgagor, wherever found, and with power to make, at the expense of Mortgagor, such repairs, replacements, alterations, additions or improvements thereto, and to purchase or otherwise acquire such materials therewith, as Mortgagee may consider advisable and necessary, (ii) collect the earnings and income from such property and (iii) pay all proper charges, operating expenses, and all disbursements and liabilities of Mortgagee hereunder, and any other Bond Documents. All net income and profits arising from the operation of any of the Collateral received by any receiver shall be paid to Mortgagee. The net proceeds arising from any such operation of the Collateral by Mortgagee, or by a receiver, shall be applied from time to time to the payment of the Obligations. In the event that Mortgagee shall exercise any of the rights or remedies set forth in this subsection (g), Mortgagee shall not be deemed to have entered upon or taken possession of the Collateral except upon the exercise of its option to do so, evidenced by its demand and overt act for such purpose, nor shall it be deemed a beneficiary or mortgagee in possession by reason of such entry or taking possession, provided that Mortgagee may elect to be appointed a mortgagee-in-possession in accordance with applicable law. Mortgagee shall not be liable to account for any action taken pursuant to any such exercise other than for rents actually received by it, nor shall Mortgagee be liable for any loss sustained by Mortgagor resulting from any failure to let the Collateral, or from any other act or omission of Mortgagee except to the extent such loss is caused by the gross negligence, wilful misconduct or bad faith of Mortgagee. Mortgagor hereby consents to, ratifies and confirms the exercise by Mortgagee of said rights and remedies, and appoints Mortgagee as its attorney-in-fact, which appointment shall be deemed to be coupled with an interest and irrevocable, for such purposes;
- (g) Take all actions permitted under Article VI of the Mortgage with respect to any rents and cash collateral derived from the Collateral;

- (h) Take all actions permitted under the Uniform Commercial Code of the jurisdiction in which the Collateral is located as more specifically set forth in Article VII of the Mortgage; and
- (i) Take any other action, or pursue any other right or remedy, as Mortgagee may have under applicable law and Mortgagee does hereby agree that Mortgagee may so act.

In conjunction or in addition to such rights and remedies, Mortgagee also may (i) require Mortgagor to assemble any personal property included in the Collateral and make it available to Mortgagee at a place to be designated by Mortgagee which is reasonably convenient to Mortgagor and Mortgagee, (ii) with or without process of law and without liability for loss or damage, enter upon any premises where such personal property Collateral or any part thereof may be found and take possession of all or any part thereof, and hold, store, keep idle, use, lease, operate or otherwise use or permit the use of the same or any part thereof for such time and upon such terms as Mortgagee may deem to be commercially reasonable, and demand, collect and retain all fees, earnings and other sums due whomsoever, accounting only for the net earnings, if any, arising from such use after charging against all receipts from the use of the same or from the sale thereof, by court proceedings or pursuant to clause (iii) below or otherwise, all costs, expenses and charges of, and damages or losses by reason of, such use and/or sale, or (iii) with or without process of law, without liability for loss or damage, enter upon any premises where such personal property Collateral or any part thereof may be found and sell or dispose of all or any part of the same, free from any and all claims of Mortgagor or any party claiming by, through, or under Mortgagor at law or in equity, at such time or times, and upon such terms as Mortgagee may fix, with or without advertisement of any such sale or disposal. Mortgagee shall give Mortgagor not less than ten (10) days' prior notice of the time and place of any public sale thereof or of the time which any private sale or other intended disposition thereof is to be made.

Application of Proceeds of Foreclosure Sale. The purchase money, proceeds or avails of any sale referred to in Section 5.02 of the Mortgage, together with, or in the alternative, any sums which may be held by Mortgagee hereunder, whether under the provisions of Article V of the Mortgage or otherwise, shall, except as herein expressly provided to the contrary, be applied as follows:

First, to the payment of the costs and expenses of any sale, any judicial proceeding wherein the same may be made, and of all expenses, liabilities and advances made or incurred by Mortgagee hereunder (including, without limitation, attorneys' fees), together with interest thereon at the Default Rate, and all taxes, assessments and other charges (except any such taxes, assessments and charges subject to which the Collateral shall have been sold) and all costs and expenses incident to the foreclosure or sale proceedings relating to the Collateral, including, without limitation, all such items as are mentioned in Section 5.04 of the Mortgage;

Second, all principal and premium, if any, and interest remaining unpaid on the Series 1997 Bonds;

Third, all other amounts due and owing under the Policy;

Fourth, all items with respect to the Collateral which under the terms hereof constitute secured indebtedness additional to that evidenced by the Series 1997 Bonds;

Fifth, all other Obligations secured hereby; and

Sixth, the balance, if any, to Mortgagor.

Expenses of Enforcement; Indemnification.

(a) In connection with any foreclosure of the lien or security interest hereof or any action to enforce any other remedy of Mortgagee under this Mortgage, the Series 1997 Bonds or any of the other Bond

Documents, Mortgagor agrees to pay all expenditures and expenses which may be paid or incurred by or on behalf of Mortgagee, whether incurred before, during or, if applicable, after the exercise of any right or remedy of Mortgagee, including without limitation, attorneys' fees, receiver's fees, appraiser's fees, environmental assessment costs, outlays for documentary and expert evidence, stenographers' charges, publication costs, and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all such abstracts of title, title searches and examinations, title insurance policies, and similar data and assurances with respect to title and value as Mortgagee may deem reasonably necessary either to prosecute such suit, or to evidence to bidders at any sale the true condition of the title to or the value of the Collateral; and the right to such fees and expenses shall be deemed to have accrued on commencement of foreclosure proceedings and shall be enforceable whether or not foreclosure is conducted by judicial proceedings or by power of sale, and if by judicial proceedings whether or not such action is prosecuted to judgment. All expenditures and expenses of the nature described in this Section, and such expenses and fees as may be incurred in the protection of the Collateral and the maintenance of the lien and security interest of this Mortgage, including, without limitation, the fees of any attorney employed by Mortgagee in any litigation or proceeding, including, without limitation, appellate proceedings, proceedings affecting this Mortgage, the Series 1997 Bonds, the other Bond Documents or the Collateral (including without limitation the occupancy thereof or any construction work performed thereon), including probate and bankruptcy proceedings, or in preparations for the commencement or defense of any proceeding or threatened suit or proceeding whether or not an action is actually commenced, shall be immediately due and payable by Mortgagor as an addition to and a part of the Obligations, together with interest thereon at the Default Rate, and shall be included in the Obligations secured by this Mortgage.

(b) Without limiting the liability of Mortgagor as set forth above, Mortgagor agrees to pay, and to protect, defend, indemnify and save harmless Mortgagee and its officers, directors, employees and agents, from and against all claims, demands, costs, expenses (including, without limitation, attorneys' fees and court costs), damage, loss and liability of any and every kind, other than by reason of the negligence or misconduct of Mortgagee, to any persons or property by reason of (i) any injury to, or the death of, any person or any damage to the Collateral or any portion thereof or elsewhere or in any manner growing out of or connected with the use, non-use, condition, maintenance, operation or occupancy of the Premises or of any adjoining property, streets, sidewalks or passageways; (ii) any violation of any agreement or condition of this Mortgage or of any contract, agreements, restrictions, statutes, laws (other than the violation of securities laws by parties other than Mortgagor in connection with the offer and sale of the Series 1995 Bonds), ordinances or regulations affecting the Collateral or any part thereof or the ownership, occupancy or use thereof; (iii) any act or omission on the part of Mortgagor or any of its agents, employees, contractors, lessees, licensees or invitees; (iv) any construction or other work contemplated by the Loan Agreement; or (v) any other action or inaction by, or matter which is the responsibility of, Mortgagor.

Remedies Not Exclusive. No action for the enforcement of the lien or security interest or any provision hereof shall be subject to any defense which would not be good and available to the party interposing the same in an action at law upon the Series 1997 Bonds, or any of the other Bond Documents. Mortgagee shall be entitled to enforce payment and performance of any of the Obligations secured hereby and to exercise all rights and powers under this Mortgage or other agreement or any laws now or hereafter in force, notwithstanding the fact that some or all of the Obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, security interest, assignment or otherwise. Neither the acceptance of this Mortgage nor its enforcement, whether by court action or other powers herein contained, shall prejudice or in any manner affect Mortgagee's right to realize upon or enforce any other security now or hereafter held by Mortgagee, it being agreed that Mortgagee shall be entitled to enforce this Mortgage and any other remedy provided or permitted by this Mortgage or applicable law. Each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given hereby to Mortgagee or to which it may otherwise be entitled, may be exercised, concurrently or independently, from time to time, and as often as it may be deemed expedient by Mortgagee, and Mortgagee may pursue inconsistent remedies. No waiver of any default of Mortgagor hereunder shall be implied from any omission by Mortgagee to take any action on account of such default if such default persists or be repeated, and no express waiver shall affect

any default other than the default specified in the express waiver and that only for the time and to the extent therein stated.

Interest of Insurer and Trustee. Notwithstanding anything to the contrary contained in the Mortgage, as long as (i) the Series 1997 Bonds or any portion thereof remain outstanding and (ii) the Insurer Release Conditions (as defined below) have not occurred, Trustee and Insurer shall be deemed to be co-mortgagees of the Mortgage and, as such, shall be entitled to share the benefits of the liens and security interests created hereby and the proceeds thereof on the basis set forth herein. To the extent the terms of the Mortgage grant Insurer greater rights as a secured creditor than the rights granted to Insurer under the Indenture, Insurer shall be deemed to be entitled to such rights and benefits of this Mortgage to the extent it is entitled to the right to payments on any Series 1997 Bonds or under the Policy. Notwithstanding Section 9.01 of the Mortgage, and except as hereinafter provided otherwise, either entity comprising Mortgagee shall have in its individual capacity, all rights of enforcement hereunder; provided, however, as long as the Series 1997 Bonds or any portion thereof remain outstanding, if there is a conflict between the Mortgagees with respect to the enforcement or interpretation of any provision of this Mortgage or the exercise of any rights under this Mortgage, the position of Insurer, its successors or assigns, shall prevail and any consent, approval or other related action required from the Mortgagee shall be obtained solely from the Insurer so long as the Policy is in force and effect and, if applicable, the Insurer is making payment in accordance with the terms of the Policy. At such time as the Series 1997 Bonds are no longer outstanding and all amounts due the Bond Trustee have been paid in full, Mortgagor and the Bond Trustee shall have no rights, obligations or benefits as Mortgagee hereunder and the Insurer shall be the sole Mortgagee. Furthermore, at such time as (i) Insurer has no further obligations under the Policy, (ii) Mortgagor has no obligations whatsoever to Insurer and Insurer has no rights against Mortgagor, whether by way of subrogation or otherwise, direct or indirect, contingent or otherwise, under this Mortgage, or the other Bond Documents, and (iii) Insurer consents (which consent shall not be unreasonably withheld or delayed) to the release of its interest under this Mortgage (the requirements set forth in subsections (i), (ii) and (iii) above being collectively referred to herein as the "Insurer Release Conditions"), Insurer shall have no rights, obligations or benefits as Mortgagee under the Mortgage.

APPENDIX E
DEFINITIONS AND SUMMARIES
OF DOCUMENTS RELATING TO
SUBORDINATE GROSS RECEIPTS TAX
REVENUE BONDS

SUMMARY OF BOND ORDINANCE

This summary of the Bond Ordinance authorizing the issuance of the Subordinate Gross Receipts Tax Revenue Bonds is not complete and reference is made to the document for a full statement of its terms and conditions. Copies of the Bond ordinance may be obtained from the County.

ORDINANCE DEFINITIONS

The following capitalized terms as used in the Bond ordinance have the following meanings unless the context requires otherwise.

"Act" means the County Revenue Bond Act, Sections 4-62-1 et seq., N.M.S.A. 1978, and Section 4-37-1, N.M.S.A. 1978.

"Beneficial Owner" shall mean those entities from time to time for whose account the Participants hold Subordinate Series 1997A Bonds.

"Board" means the Board of County Commissioners of Santa Fe County, New Mexico or any future successor governing body of the County.

"Bond Ordinance" or "Ordinance" means this County Ordinance No. 1996-18, as amended or supplemented from time to time.

"Bondholder," "holder," "owner" or "Owner" means the registered owner of any Subordinate Series 1997A Bond as shown on the registration books of the County for the Subordinate Series 1997A Bonds, from time to time, maintained by the Registrar. Any reference to a majority or a particular percentage or proportion of the Bondholders shall mean the Holders at the particular time of a majority or of the specified percentage or proportion in aggregate principal amount of all Subordinate Series 1997A Bonds then Outstanding.

"Business Day" means a day on which commercial banks in the city in which the principal office of the Paying Agent and Registrar is located are open for the conduct of substantially all of their business operations.

"Chairman of the Board" or "Chairman" means the duly elected Chairman of the Board or the Vice Chairman of the Board acting in the absence of the Chairman.

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

"County" means Santa Fe County, New Mexico.

"County Clerk" means the duly elected Clerk of the County or a duly appointed deputy County Clerk acting in the absence of the Clerk.

"County Gross Receipts Tax Revenues" means the revenues derived from the first one-eighth increment county gross receipts tax levied by the County pursuant to Section 7-20E-9, N.M.S.A. 1978, imposed on persons engaging in business in the County, which revenues are remitted monthly by the Revenue Division of

the Taxation and Revenue Department of the State to the County as authorized by Sections 7-1-6 and 7-1-6.4, N.M.S.A. 1978, and which remittances currently equal 1/8th of one percent (.125%) of the taxable gross receipts reported for the County for the month for which such remittance is made.

"Event of Default" means any of the events stated in Section 24 of the Bond Ordinance.

"Expenses" means the reasonable and necessary fees, commissions, costs and expenses incurred by the County with respect to the issuance of the Subordinate Series 1997A Bonds, including but not limited to the fees, commissions, costs and expenses paid to or to be paid by the County directly or to the Paying Agent, Registrar, rating agencies, financial printers, bond counsel and other attorneys' fees.

"Fiscal Year" means the period commencing on August 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 County as its fiscal year.

"Gross Receipts Tax" means the first one-eighth increment of one percent (.125%) gross receipts tax imposed pursuant to the Gross Receipts Tax Ordinance authorized by the County Local Option Gross Receipts Taxes Act.

"Gross Receipts Tax Revenue Act" means the County Local Option Gross Receipts Taxes Act, Sections 7-20E-1 through 7-20E-18, N.M.S.A. 1978.

"Gross Receipts Tax Bonds" means bonds or other obligations of the County, payable in whole or in part, from the Pledged County Gross Receipts Tax Revenues.

"Gross Receipts Tax Revenues" means the monthly distributions of the proceeds from the Gross Receipts Tax received by the County from the New Mexico Taxation and Revenue Department.

"Herein," "hereby," "hereunder," "hereof," "herein-above" and "hereafter" refer to the entire Bond Ordinance and not solely to the particular section or paragraph of the Bond Ordinance in which such word is used.

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

"Insured Bank" means a bank or savings and loan association insured by an agency of the United States.

"Interest Payment Date" means a particular day of each month to be established in the Sale Resolution for payment of interest on the Subordinate Series 1997A Bonds.

"N.M.S.A. 1978" means the New Mexico Statutes Annotated, 1978 Compilation, as amended and supplemented.

"Official Statement" means the final disclosure document relating to the issuance and sale of the Subordinate Series 1997A Bonds.

"Outstanding" when used in reference to bonds means, on any particular date, the aggregate of all Subordinate Series 1997A Bonds delivered under this Bond Ordinance except:

A. those canceled at or prior to such date or delivered or acquired by the County at or prior to such date for cancellation;

B. those otherwise deemed to be paid in accordance with Section 27 or Section 32 of the Bond Ordinance;

C. those in lieu of or in exchange or substitution for which other Subordinate Series 1997A Bonds shall have been delivered, unless proof satisfactory to the County and the Paying Agent is presented that any Subordinate Series 1997A Bond for which a new Subordinate Series 1997A Bond was issued or exchanged is held by a bona fide holder in due course; and

D. those Subordinate Series 1997A Bonds which have been refunded in accordance with this Bond Ordinance or other ordinance of the County authorizing the issuance of the applicable bonds.

"Participants" shall mean those broker-dealers, banks and other financial institutions from time to time for which DTC holds Subordinate Series 1997A Bonds as Securities Depository.

"Paying Agent" means the County Treasurer or an entity to be designated in the Sale Resolution as agent for the County for the payment of the Subordinate Series 1997A Bonds or any successor to the County Treasurer which shall be a trust company, national or state banking association or financial institution at the time appointed Paying Agent by resolution of the Board.

"Pledged County Gross Receipts Tax Revenues" means the County Gross Receipts Tax Revenues not exceeding in the aggregate one-eighth of one percent (.125%) of the taxable gross receipts reported for the County for each month but only to the extent that 25% of the first one-eighth increment of such revenues (the "reserve revenues") are not otherwise deposited in the County reserve fund pursuant to Section 7-20E-11, N.M.S.A. 1978, as amended, and, if still available, such reserve revenues upon their release from the County reserve fund after the end of each Fiscal Year, pledged to the Subordinate Series 1997A Bonds.

"Pledged Revenues" shall mean the Pledged County Gross Receipts Tax Revenues.

"Preliminary Official Statement" means the preliminary disclosure document setting forth information concerning the Subordinate Series 1997A Bonds and the County omitting the offering price(s), interest rate(s), selling compensation, aggregate principal amount per maturity, delivery dates, ratings, and other terms of the Subordinate Series 1997A Bonds depending on such matters.

"Project" means constructing, furnishing and equipping one or more public buildings, including jails, courthouses, buildings for administrative offices, and garages, purchasing or improving lots, or any combination of the foregoing; acquiring or improving County or public parking lots, structures or facilities or any combination of the foregoing; acquiring extending, enlarging, bettering, repairing, otherwise improving or maintaining storm sewers and other drainage improvements and sanitary sewers, or any combination of the foregoing; reconstructing, resurfacing, maintaining, repairing or otherwise improving existing alleys, streets, roads or bridges or any combination of the foregoing or laying off opening, constructing or otherwise acquiring new alleys, streets, roads or bridges, including acquisition of rights of way, or any combination of the foregoing, all within the County including but not limited to the reimbursement of certain cost incurred by the County related to the foregoing prior to the adoption of the Ordinance.

"Purchaser" means Piper Jaffray Inc. to whom the Subordinate Series 1997A Bonds will be originally sold in accordance with a Sale Resolution.

"Record Date" means the fifteenth (15th) day of the calendar month next preceding the Interest Payment Date.

"Registrar" means the County Treasurer or an entity to be designated in the Sale Resolution as agent for the County for transfer and exchange of the Subordinate Series 1997A Bonds or any successor to the County Treasurer which shall be a trust company, national or state banking association or financial institution at the time appointed by resolution of the Board.

"Sale Resolution" means one or more resolutions supplementing the Bond Ordinance by setting out certain terms and provisions of the Subordinate Series 1997A Bonds to be adopted by the Board subsequent to the date of the Bond Ordinance

"Securities Depository" shall mean the Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190 ("DTC"); Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South La Sable Street, Chicago, Illinois 50504, Fax (312) 663-2343; Pacific Securities Depository Trust Company, Pacific and Company, P.O. Box 7041, San Francisco, California 94120, Fax (415) 393-4128; Philadelphia; Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax (215) 496-5058; or, in accordance with the then current guidelines of the Securities and Exchange Commission, to other addresses and/or other such securities depositories, or to any other such depositories as the County may designate in writing.

"Subordinate Series 1997A Acquisition Account" means the "Santa Fe County, New Mexico Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A Acquisition Account" created in Section 14 of the Ordinance.

"Subordinate Series 1997A Bond," "Subordinate Series 1997A Bonds" or the "Bonds" means the "Santa Fe County, New Mexico Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A."

"Subordinate Series 1997A Bond Fund" means the "Santa Fe County, New Mexico Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A Bond Fund" established by Section 18 of the Bond Ordinance.

"Subordinate Series 1997A Rebate Fund" means the "Santa Fe County, New Mexico Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A Rebate Fund" established pursuant to Section 14 of the Bond Ordinance.

"Subordinate Series 1997A Reserve Fund" means the "Santa Fe County, New Mexico Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A Reserve Fund" established by Section 18 of the Bond Ordinance.

"Subordinate Series 1997A Revenue Fund" means the "Santa Fe County, New Mexico Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A Revenue Fund" established by Section 17 of the Bond Ordinance.

"State" means the State of New Mexico.

BOND ORDINANCE

Authorization. For the purpose of protecting the public health, conserving the property, protecting the general welfare and prosperity of the citizens of the County, it is declared necessary by the Bond Ordinance that the County, pursuant to the Act, issue its negotiable, fully registered, Gross Receipts Tax Revenue Bonds to be designated Santa Fe County, New Mexico Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A in an aggregate principal amount not to exceed \$6,000,000 (the "Subordinate Series 1997A Bonds") and the issuance, sale and delivery of the Subordinate Series 1997A Bonds is authorized. The Subordinate Series 1997A Bonds shall be sold from time to time, but not later than two (2) years from the effective date of the Ordinance, at a negotiated sale to the Purchaser.

Disposition of Subordinate Series 1997A Bond Proceeds. Except as herein otherwise specifically provided the proceeds from the sale of the Subordinate Series 1997A Bonds shall be used as follows:

A. Accrued Interest. First, all moneys received as accrued interest from the sale of the Subordinate Series 1997A Bonds shall be deposited into the Subordinate Series 1997A Bond Fund, to be applied to the payment of interest next due on the Subordinate Series 1997A Bonds.

B. Subordinate Series 1997A Reserve Fund. Second, an amount equal to the lesser of: (1) ten percent (10%) of the principal amount of the Subordinate Series 1997A Bonds; (2) the maximum annual debt service of the Subordinate Series 1997A Bonds; or (3) one hundred twenty five percent (125%) of the average annual debt service of the Subordinate Series 1997A Bonds; shall be credited to the Subordinate Series 1997A Reserve Fund.

C. Subordinate Series 1997A Acquisition Account. Third, an amount necessary, together with funds transferred to the Subordinate Series 1997A Acquisition Account pursuant to Section 15A, if any, to finance the Project in whole or in part from the proceeds derived from the sale of the Subordinate Series 1997A Bonds shall be credited to the Subordinate Series 1997A Acquisition Account, which is created by the Bond Ordinance.

D. Subordinate Series 1997A Issuance Fund. Fourth, except as otherwise provided in the Ordinance, the remaining proceeds derived from the sale of the Subordinate Series 1997A Bonds shall be deposited promptly upon the receipt thereof into the Subordinate Series 1997A Issuance Fund which is hereby created. The moneys in the Subordinate Series 1997A Issuance Fund shall be used solely for the payment of costs relating to issuance of the Subordinate Series 1997A Bonds. All money remaining in the Subordinate Series 1997A Issuance Fund, if any, after payment of such costs shall be credited to the Subordinate Series 1997A Bond Fund.

E. Subordinate Series 1997A Rebate Fund. There is created by the Bond Ordinance the Subordinate Series 1997A Rebate Fund within the treasury of the County for the purpose of payment to the United States Department of the Treasury of any rebatable arbitrage due.

The County shall deposit into the Subordinate Series 1997A Rebate Fund any amounts available, from the proceeds of the Subordinate Series 1997A Bonds, as specified in the Tax Matters Certificate of the County in the Subordinate Series 1997A Rebate Fund, as will be sufficient to pay any rebate due to the United States Department of the Treasury for the applicable rebate period. Moneys in the Subordinate Series 1997A Rebate Fund shall be invested in accordance with the Tax Matters Certificate. Excess moneys shall be released from the Subordinate Series 1997A Rebate Fund at the end of the applicable rebate period.

F. Use of Proceeds. Except as otherwise specifically provided in the Ordinance, the proceeds derived from the sale of the Subordinate Series 1997A Bonds shall be used and paid solely for one or more of the purposes of the Project.

Subordinate Series 1997A Acquisition Account.

A. Additional Subordinate Series 1997A Acquisition Account Deposit. Upon the issuance of the Subordinate Series 1997A Bonds, the County Treasurer shall cause to be withdrawn from funds legally available therefor and transferred and credited to the Subordinate Series 1997A Acquisition Account such amount as he or she determines shall be necessary to assure that the amount in the Subordinate Series 1997A Acquisition Account will be sufficient for the purposes set forth in paragraph B of Section 15 of the Bond Ordinance.

B. Maintenance of the Subordinate Series 1997A Acquisition Account. The Subordinate Series 1997A Acquisition Account shall be maintained by the County in an amount at the time of the deposit and at all times subsequently at least sufficient to pay the costs of the Project, both accrued and not accrued, as the same become due.

C. Use of the Subordinate Series 1997A Acquisition Account. Moneys shall be withdrawn by the County from the Subordinate Series 1997A Acquisition Account in sufficient amounts and at times to permit the payment without default of the costs of the Project. Any moneys remaining in the Subordinate Series 1997A Acquisition Account after provision shall have been made for the payment in full of the costs of the Project shall, subject to the provision of Section 18D of the Bond Ordinance, be paid to the County Treasurer to be applied to any lawful purposes as the County may hereafter determine.

D. Insufficiency of the Subordinate Series 1997A Acquisition Account. If, for any reason, the amount in the Subordinate Series 1997A Acquisition Account shall at any time be insufficient for the purpose of paragraphs B and C of Section 15 of the Bond Ordinance, the County shall forthwith, from the first legally available revenues, deposit in the Subordinate Series 1997A Acquisition Account such additional moneys as shall be necessary to permit the payment in full of the costs of the Project.

Creation of the Subordinate Series 1997A Revenue Fund. The County creates pursuant to the Bond Ordinance the Subordinate Series 1997A Revenue Fund to be maintained by the County, into which the County shall deposit the Pledged Revenues as received by the County.

Administration of Subordinate Series 1997A Revenue Fund. So long as any of the Subordinate Series 1997A Bonds shall be outstanding, whether as to principal or interest or both, the following payments shall be made from the Pledged Revenues:

A. Subordinate Series 1997A Bond Fund Created. Firstly, as a first charge on the Pledged Revenues, the following amounts shall be withdrawn from the Subordinate Series 1997A Revenue Fund, and shall be concurrently credited to the Subordinate Series 1997A Bond Fund, which is created by the Bond Ordinance:

(1) Interest Payments. Monthly, commencing on the first day of the first month following the delivery of any of the Subordinate Series 1997A Bonds, an amount in equal monthly installments necessary, together with any moneys in the Subordinate Series 1997A Bond Fund available therefor, to pay the next maturing installment of interest on the Subordinate Series 1997A Bonds then outstanding and monthly thereafter commencing on each interest payment date, one-sixth (1/6th) of the amount necessary to pay the next maturing installment of interest on the outstanding Subordinate Series 1997A Bonds; and

(2) Principal Payments. Monthly, commencing on the first day of the first month following the delivery of any of the Subordinate Series 1997A Bonds, an amount in equal monthly installments necessary, together with any moneys in the Subordinate Series 1997A Bond Fund available therefor, to pay the next maturing installment of principal on the Subordinate Series 1997A Bonds and monthly thereafter commencing on each principal payment date, one-twelfth (1/12th) of the amount necessary to pay the next maturing installment of principal on the Subordinate Series 1997A Bonds.

If prior to any interest payment date or principal payment date, there has been accumulated in the Subordinate Series 1997A Bond Fund the entire amount necessary to pay the next maturing installment of the interest or principal, or both, the payment required under subparagraph (1) or (2) (whichever is applicable) of this paragraph A, may be appropriately reduced and the required monthly amounts again shall be so credited to such account commencing on such interest payment date or principal payment date (whichever is applicable).

B. Termination Upon Deposits to Maturity. No payment need be made into the Subordinate Series 1997A Bond Fund if the amount in the Subordinate Series 1997A Bond Fund is a sum at least equal to the entire amount of the Subordinate Series 1997A Bonds then outstanding, both as to principal and interest to their respective maturities, and both accrued and not accrued, in which case, moneys in the Subordinate Series 1997A Bond Fund in an amount at least equal to such principal and interest requirements shall be used solely to pay such as the same accrue and any moneys in excess thereof in the Subordinate Series 1997A Bond Fund and any other

moneys derived from the Pledged Revenues may be used in any lawful manner determined by the County. The sufficiency of such sum shall be verified by an opinion addressed to the County from an independent accountant.

C. Use of Moneys in the Subordinate Series 1997A Bond Fund. The moneys in the Subordinate Series 1997A Bond Fund shall be used solely and only for the purpose of paying the principal of and the interest on the Subordinate Series 1997A Bonds; provided, however, that any moneys in the Subordinate Series 1997A Bond Fund in excess of accrued and unaccrued principal and interest requirements to the respective maturities of the outstanding Subordinate Series 1997A Bonds may be used as provided in paragraph B of Section 18 of the Bond Ordinance.

D. Subordinate Series 1997A Reserve Fund Created. There is created by the Bond Ordinance the Subordinate Series 1997A Reserve Fund, to be held by the County. After the payments required by paragraph A of Section 18 of the Bond Ordinance, there shall be withdrawn from the Subordinate Series 1997A Revenue Fund, and there shall be concurrently credited to the Subordinate Series 1997A Reserve Fund, to the extent such amounts are available in the Subordinate Series 1997A Revenue Fund, such amounts as may be necessary in order that the balance in the Subordinate Series 1997A Reserve Fund is equal to the lesser of an amount equal to: (1) ten percent (10%) of the original principal amount of Subordinate Series 1997A Bonds delivered to and purchased by the Purchaser; (2) the maximum annual debt service of the Subordinate Series 1997A Bonds; or (3) one hundred twenty five percent (125%) of the average annual debt service of the Subordinate Series 1997A Bonds. If the balance in the Subordinate Series 1997A Reserve Fund exceeds the amount so determined, the excess shall be withdrawn from the Subordinate Series 1997A Reserve Fund and concurrently credited to the Subordinate Series 1997A Bond Fund. Moneys in the Subordinate Series 1997A Reserve Fund shall be withdrawn from the Subordinate Series 1997A Reserve Fund and concurrently credited to the Subordinate Series 1997A Bond Fund, to the extent and at the times necessary, and to the extent such amounts are available in the Subordinate Series 1997A Reserve Fund, to prevent deficiencies in the payments required to be made pursuant to paragraph A of Section 18 of the Bond Ordinance.

E. Use of Surplus Pledged Revenues. After making the payments required to be made by paragraphs A and D of Section 18 of the Bond Ordinance, the remaining Pledged Revenues, if any, may be paid to the County Treasurer and applied to any other lawful purposes.

General Administration Of Funds. The funds and accounts designated in Sections 14, 15, 17 and

Lien on Pledged Revenues. The Pledged Revenues, the amounts and securities on deposit in the Subordinate Series 1997A Bond Fund and the Subordinate Series 1997A Reserve Fund, and the proceeds thereof, are authorized by the Bond Ordinance to be pledged to, and are hereby pledged, and the County grants a security interest therein for the payment of the principal of, premium, if any, and interest on the Subordinate Series 1997A Bonds, subject to the uses thereof permitted by, and the priorities set forth in, this Bond Ordinance. The Subordinate Series 1997A Bonds constitute an irrevocable junior and Subordinate lien on the Pledged Revenues as set forth in the Bond Ordinance.

Bonds or Other Obligations Payable From Pledged Revenues.

A. Limitations Upon Issuance of Superior Obligations and Parity County Gross Receipts Tax Revenue Bonds. No provision of the Bond Ordinance shall be construed in such a manner as to prevent the issuance by the County of additional bonds or other obligations payable from Pledged County Gross Receipts Tax Revenues constituting a lien upon such Pledged County Gross Receipts Tax Revenues Superior and Senior or equal to or on a parity with the Subordinate Series 1997A Bonds, nor to prevent the issuance of bonds or other obligations refunding all or a part of the Subordinate Series 1997A Bonds; provided, however, that before any such additional bonds are actually issued, including parity refunding bonds and obligations which refund Subordinate obligations as provided in Section 20 of the Bond Ordinance, it must be determined that:

(1) The County is then current in all of the accumulations required to be made into the Subordinate Series 1997A Bond Fund and the Subordinate Series 1997A Reserve Fund as provided in Section 18 of the Bond Ordinance; and

(2) No default shall exist in connection with any of the covenants or requirements of the Bond Ordinance; and

(3) The Pledged County Gross Receipts Tax Revenues received by the County for the twelve months immediately preceding the date of the issuance of such additional Bonds shall have been sufficient to pay an amount representing one hundred forty percent (140%) of the combined maximum annual principal and interest coming due in any subsequent Fiscal Year on the then outstanding Subordinate Series 1997A Bonds and the additional bonds proposed to be issued.

shall then mature, or shall then be callable for prior redemption at the County'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 D of Section 21 of the Bond Ordinance and in subparagraphs B and C of this Section.

B. Limitations Upon Issuance of Parity Refunding Obligations. No refunding bonds or other refunding obligations payable from the Pledged Revenues shall be issued on a parity with the Subordinate Series 1997A Bonds herein authorized, unless:

(1) The outstanding obligations so refunded are parity bonds and the refunding bonds or other refunding obligations do not increase any aggregate annual principal and interest obligations evidenced by such refunded obligations; or

(2) The refunding bonds or other refunding obligations are issued in compliance with paragraph A of Section 22 of the Bond Ordinance.

C. Refunding Part of an Issue. The refunding bonds or other obligations so issued shall enjoy complete equality of lien on the Pledged Revenues with the portion of 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 the bonds or other obligations of the same issue refunded thereby. If only a part of 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:

(1) The refunding bonds or other refunding obligations are issued in compliance with paragraph A of Section 22 hereof; or

(2) 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. Limitations Upon Issuance of Refunding Obligations. Any refunding bonds or other refunding obligations payable from the Pledged Revenues shall be issued with such details as the County may provide by ordinance, but without any impairment of any contractual obligations imposed upon the County 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, the Subordinate Series 1997A Bonds).

Default of any Provision. Default by the County in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Subordinate Series 1997A Bonds, in the Bond Ordinance, or in the Sale Resolution on its part to be performed, and the continuance of such default (other than a default set forth in subparagraph A of Section 24 of the Bond Ordinance) for sixty (60) days after written notice specifying such default and requiring the same to be remedied has been given to the County by the holder of any Subordinate Series 1997A Bonds then Outstanding.

Remedies Upon Default. Upon the happening and continuance of any of the events of default as provided in Section 24 of the Bond Ordinance, then in every case, the holder, including, but not limited to, a trustee or trustees therefor, may proceed against the County, the Board and its agents, officers and employees to protect and enforce the rights of any holder of the Subordinate Series 1997A Bonds under the Bond Ordinance by mandamus or other suit, action or special proceedings in equity or at law, in the District Court for the State of New Mexico, First Judicial District either for the appointment of a receiver or for the specific performance of any covenant or agreement contained herein, or in an award relating to the execution of any power herein granted for the enforcement of any legal or equitable remedy as such holder or holders may deem most effectual to protect and enforce the rights provided above, or to enjoin any act or thing which may be unlawful or in violation of any right

of any Bondholder, or to require the Board to act as if it were the trustee of an express trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of the holders of the Subordinate Series 1997A Bonds then Outstanding. The failure of any Bondholder so to proceed shall not relieve the County or any of its officers, agents or employees of any liability for failure to perform any duty. Each right or privilege of such holder (or trustee thereof) is in addition and cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any holder shall not be deemed a waiver of any other right or privilege.

Duties Upon Default. Upon the happening of any of the events of default provided in Section 24 of the Bond Ordinance, the County, in addition, will do and perform all proper acts on behalf of and for the owners of the Subordinate Series 1997A Bonds to protect and preserve the security created for the payment of the Subordinate Series 1997A Bonds and to insure the payment of the principal of and interest on the Subordinate Series 1997A Bonds promptly as the same become due. All proceeds derived therefrom, so long as the Subordinate Series 1997A Bonds, either as to principal or interest, are Outstanding and unpaid, shall be applied as set forth in Section 18 of the Bond Ordinance. In the event the County fails or refuses to proceed as provided in Section 26 of the Bond Ordinance, the owners of the Subordinate Series 1997A Bonds then outstanding, after demand in writing, may proceed, protect and enforce the rights of the owners of the Subordinate Series 1997A Bonds as hereinabove provided.

Section 26A. Provisions Relating to Bond Insurance. So long as there is a valid, binding, and enforceable municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest in the Series 1997A Bonds, and there is no Bond Insurer Event of Default, the provisions of this Section 26A shall govern the Series 1997A Bonds, notwithstanding anything to the contrary set forth in the Ordinance.

A. "Bond Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Subordinate Series 1997A Bonds.

B. "Bond Insurer" means Bond Insurer Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof.

C. The prior written consent of the Bond Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Funds.

D. The Bond Insurer shall be deemed to be the sole holder of the Subordinate Series 1997A Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Subordinate Series 1997A Bonds insured by it are entitled to take pursuant to Article 25.

E. In the event the maturity of the Subordinate Series 1997A Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued or accreted, as applicable, on such principal to the date of acceleration (to the extent unpaid by the Issuer). Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Policy shall be fully discharged.

F. No grace period for a covenant default shall exceed 30 days, nor be extended for more than 60 days, without prior written consent of the Bond Insurer.

G. No amendment or supplement to the Bond Ordinance may become effective except upon obtaining the prior written consent of the Bond Insurer.

H. Copies of any modification or amendment to the Bond Ordinance shall be sent to Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and Moody's Investors Service, Inc. at least 10 days prior to the effective date thereof.

I. Rights of the Bond Insurer to direct or consent to Issuer or Bondholder actions under the Bond Ordinance shall be suspended during any period in which the Bond Insurer is in default in its payment obligations under the Bond Insurance Policy (except to the extent of amounts previously paid by the Bond Insurer and due and owing to the Bond Insurer) and shall be of no force or effect in the event the Bond Insurance Policy is no longer in effect or the Bond Insurer asserts that the Bond Insurance Policy is not in effect or the Bond Insurer shall have provided written notice that it waives such rights.

J. The rights granted to the Bond Insurer under the Bond Ordinance to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of whether Bondholder consent is required in addition to consent to of the Bond Insurer.

K. Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodia, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated or (4) pre-refunded municipal obligation rated "AAA" and "Aaa" by S&P and Moody's, respectively (or any combination thereof) shall be authorized to be used to effect defeasance of the Subordinate Series 1997A Bonds unless the Bond Insurer otherwise approves.

To accomplish defeasance the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Subordinate Series 1997A Bonds in full on the maturity date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Subordinate Series 1997A Bonds are no longer "Outstanding" under the Indenture; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer and the Bond Insurer. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of the Bond Insurer and shall be accompanied by such opinions of counsel as may be required by the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria is met.

L. Amounts paid by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid for purposes of the Bond Ordinance and shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with the Bond Ordinance.

The Bond Ordinance shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full.

M. Claims Upon the Bond Insurance Policy and Payments by and to the Bond Insurer.

If, on the third business day prior to the related scheduled interest payment date or principal payment date or the date to which the Bond maturity has been accelerated ("Payment Date") there is not on deposit in the Subordinate Series 1997A Bond Fund, after making all transfers and deposits required under the Bond Ordinance, moneys sufficient to pay the principal of and interest on the Subordinate Series 1997A Bonds due on such Payment Date, the County shall give notice to the Bond Insurer and to its designated agent (if any) (the

"Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Subordinate Series 1997A Bonds due on such Payment Date, the County shall make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Subordinate Series 1997A Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Bond Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filing in the form of Notice of Claim and Certificate delivered with the Bond Insurance Policy.

In the event the claim to be made is for a mandatory sinking fund redemption installment, upon receipt of the moneys due, the County shall authenticate and deliver to affected Bondholders who surrender their Bonds a new Subordinate Series 1997A Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Subordinate Series 1997A Bond surrendered. The County shall designate any portion of payment of principal on the Subordinate Series 1997A Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of the Subordinate Series 1997A Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Subordinate Series 1997A Bond to the Bond Insurer, registered in the name of Bond Insurer Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the County's failure to so designate any payment or issue any replacement Subordinate Series 1997A Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Subordinate Series 1997A Bond or subrogation rights of the Bond Insurer.

The County shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account and the allocation of such funds to payment of interest on and principal paid in respect of any Subordinate Series 1997A Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the County.

Upon payment of a claim under the Bond Insurance Policy the County shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the County shall have exclusive control and sole right of withdrawal. The County shall receive any amount paid under the Bond Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the County to Bondholders in the same manner as principal and interest payments are to be made with respect to the Subordinate Series 1997A Bonds under the sections hereof regarding payment of Subordinate Series 1997A Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

Funds held in the Policy Payments Account shall not be invested by the County and may not be applied to satisfy any costs, expenses or liabilities of the County.

Any funds remaining in the Policy Payment Account following a Subordinate Series 1997A Bond payment date shall promptly be remitted to the Bond Insurer.

N. The Bond Insurer shall, to the extent it makes any payment of principal of (or, in the case of Capital Appreciation Bonds, accreted value) or interest on the Subordinate Series 1997A Bonds, become subrogated to the rights or the recipients of such payments in accordance with the terms of the Bond Insurance Policy.

O. The Issuer shall agree to pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (i) the administration,

enforcement, defense or preservation of any rights or security in respect of the Bond Ordinance (ii) the pursuit of any remedies under the Bond Ordinance or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Bond Ordinance whether or not executed or completed, (iv) the violation by the Issuer of any law, rule or regulation, or any judgment, order or decree applicable to it or (v) any litigation or other dispute in connection with the Bond Ordinance or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Bond Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Bond Ordinance.

P. Payments required to be made to the Bond Insurer shall be payable solely from the Pledged Revenues and shall be paid to the extent not paid from the Subordinate Series 1997A Bond Fund, after required deposits to the Subordinate Series 1997A Debt Service Reserve Fund. The obligations to the Bond Insurer shall survive discharge or termination of the Bond Ordinance.

Q. The Bond Insurer shall be entitled to pay principal (or, in the case of Capital Appreciation Bonds, accreted value) or interest on the Subordinate Series 1997A Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Bond Insurance Policy) and any amounts due on the Subordinate Series 1997A Bonds as a result of acceleration of the maturity thereof in accordance with this Bond Ordinance, whether or not the Bond Insurer has received a Notice (as defined in the Bond Insurance Policy) of Nonpayment or a claim upon the Bond Insurance Policy.

R. The notice address of the Bond Insurer is: Bond Insurer Assurance Inc., 350 Park Avenue, New York, New York 10022-6022, Attention: Managing Director--Surveillance- Telephone: (212) 826-0100; Telecopier: (212) 339-3529. In each case in which notice or other communication refers to an Event of Default or with respect to which failure on the part of the Bond Insurer to respond shall be deemed to constitute consent or acceptance, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

S. The Bond Insurer shall be provided with the following information:

- (i) Annual audited financial statements within 120 days after the end of the Issuer's fiscal year and the Issuer's annual budget within 30 days after the approval thereof;
- (ii) Notice of any draw upon the Subordinate Series 1997A Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amount in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;
- (iii) Notice of any default known to the County within five Business Days after knowledge thereof;
- (iv) Prior notice of the advance refunding or redemption of any of the Subordinate Series 1997A Bonds, including the principal amount, maturities and CUSIP numbers thereof;
- (v) Notice of the resignation or removal of the Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;
- (vi) The commencement of any proceeding by or against the Issuer commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

- (vii) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of or interest on, the Subordinate Series 1997A Bonds;
- (viii) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Bond Ordinance; and
- (ix) All reports, notices and correspondence to be delivered under the terms of the Bond Ordinance.

T. Funds and accounts shall be invested in only in legally permitted investments under the laws of the State. Investments purchases with funds on deposit in the Debt Service Reserve Fund shall have an average aggregate weighted term to maturity not greater than five years.

U. Notwithstanding satisfaction of other conditions to the Issuance of additional bonds contained in the Bond Ordinance no such Issuance may occur (1) should any Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) have occurred and be continuing unless such default shall be cured upon such issuance and (2) unless the Debt Service Reserve Fund is fully funded at its requirement (including the new issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Bond Insurer.

Amendment Of Bond Ordinance. The Bond Ordinance may be amended without the consent of the holder of any Subordinate Series 1997A Bonds to cure any ambiguity or to cure correct or supplement any defect or

Subordinate Series 1997A Bonds when the Board has placed in escrow with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from federal securities) to meet all requirements of principal, interest and prior redemption premiums, if any, as the same become due to their final maturities or upon designated redemption dates. The sufficiency of such amount shall be verified by an opinion, which opinion shall be conclusively presumed accurate as to the sufficiency of said deposit, addressed to the County from an Independent Accountant. Any federal securities shall become due when needed in accordance with a schedule agreed upon between the Board and such bank at the time of the creation of the escrow. Federal securities within the meaning of this Section 32 shall include only direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

Ordinance Irrepealable. After the Subordinate Series 1997A Bonds are issued, the Bond Ordinance shall be and remain irrepealable until the Subordinate Series 1997A Bonds and the interest thereon shall be fully paid, canceled and discharged, as herein provided, or there has been defeasance as herein provided.

APPENDIX F
FORM OF INSURANCE POLICY



**FINANCIAL
SECURITY
ASSURANCESM**

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

BONDS:

Policy No.:

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable

Policy No. _____

order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

[By _____]

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500MY (5/90)



