

ORDINANCE NO. 2016-1292

An Ordinance authorizing and providing for the issuance by the City of Farmington, New Mexico of its revenue bonds designated "Pollution Control Revenue Refunding Bonds, 2016 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects)" to be issued in an aggregate principal amount of \$100,000,000 to be issued pursuant to the provisions of the Pollution Control Revenue Bond Act, Chapter 397, Laws of 1973 of the State of New Mexico, 31st Legislature, 1st Session, as amended for the purpose of refunding outstanding revenue bonds issued under such Act to refund previously issued revenue bonds under such Act to refund previously issued revenue bonds under such Act to finance the cost to Public Service Company of New Mexico (the "Company") a corporation organized and existing under the laws of the State of New Mexico (the "State") of (i) certain facilities (the "San Juan Facilities") for the abatement, control, reduction or prevention of air and water pollution caused by the operation of Units 1, 2, 3 and 4 ("Units 1, 2, 3 and 4") at the San Juan Generating Station (the "San Juan Plant") located in San Juan County, New Mexico, interests in which are owned by the Company and (ii) certain facilities (the "Four Corners Facilities" and together with the San Juan Facilities, the "Facilities") for the abatement, control, reduction or prevention of air and water pollution caused by the operation of Units 4 and 5 ("Units 4 and 5") at the Four Corners Generating Station, (the "Four Corners Plant", and together with the San Juan Plant, the "Plants"), an electric power generating plant located in San Juan County, New Mexico, interests in which are owned by the Company, said revenue bonds to be payable by the City solely from the revenues payable to the City by the Company pursuant to a certain Installment Sale Agreement between the City, as Vendor, and the Company, as Vendee, and certain other moneys pledged therefor hereunder, said revenue bonds never to constitute an indebtedness of the City within the meaning of any State constitutional provision or statutory limitation, and never to constitute or give rise to any pecuniary liability of the City or a charge against its general credit or taxing powers and declaring that emergency circumstances exist with respect thereto.

WHEREAS, the City of Farmington, an incorporated municipality, a body politic and corporate, existing under the Constitution and laws of the State of New Mexico (the "City"), is authorized and empowered under the Pollution Control Revenue Bond Act, Chapter 397, Laws of 1973 of the State of New Mexico, 31st Legislature, 1st Session, as amended (the "Act"), to issue revenue bonds for and to acquire, whether by construction, purchase, gift or lease, one or more projects consisting of any land, interest in land, building, structure, facility, system, fixture, improvement, appurtenance, machinery, equipment or any combination thereof, or any interest in any one or more of the foregoing, whether or not presently in existence or under construction, used by an individual, partnership, firm, company, corporation (including a public utility), association, trust, estate, political subdivision, state agency or any legal entity, or its legal representative, agent or assigns, substantially for the reduction, abatement or prevention of pollution including, but not limited to, the removal of pollutants, contaminants or foreign substances from land, air or water, or for the removal or treatment of any substance in a processed material which would otherwise cause pollution when such material is used, provided that any such project shall be located within the State of New Mexico and within or without or partially within or without the City, but not more than fifteen miles outside of the corporate limits of the City (or that, if there is no municipality within fifteen miles of the project, the City is in the county in which the project is or may be located) and to sell or lease or otherwise dispose of any or all of such projects upon such terms and conditions as the governing body of the City (hereinafter called the "City Council") may deem advisable and as shall not conflict with the provisions of the Act; and

WHEREAS, the City is therefore authorized and empowered under the Act to issue refunding bonds to refund bonds issued and outstanding under the Act; and

WHEREAS, the City has heretofore issued and sold \$100,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds, 1983 Series A (Public Service Company of New Mexico San Juan and Four Corners Projects) (the "1983 Bonds") the proceeds of which were used to provide a portion of the funds necessary to repay a portion of bonds previously issued to defray a portion of the cost to the Company of acquiring, constructing, reconstructing, improving, maintaining, equipping or furnishing the Facilities at the Plants; and

WHEREAS, the City has heretofore issued and sold \$100,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds, 1993 Series A (Public Service Company of New Mexico San Juan and Four Corners Projects) (the "Prior Bonds") the proceeds of which were used to refund the 1983 Bonds; and

WHEREAS, the City has heretofore issued and sold \$100,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds, 2003 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects) (the "Prior Bonds") the proceeds of which were used to refund the 1983 Bonds; and

WHEREAS, the Company has advised the City and the 2003 Trustee (as hereinafter defined) of its election to prepay the unpaid balance of the purchase price of the Project (as hereinafter defined) by taking the actions required by the 2003 Ordinance (as hereinafter defined) to cause to be redeemed the entire principal amount of the Prior Bonds then outstanding, subject to the Company's right to revoke such election; and

WHEREAS, the Company has requested the City to consider taking steps necessary for the issuance of revenue bonds designated "Pollution Control Revenue Refunding Bonds, 2016 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects)" (the "Bonds") to be issued in an aggregate principal amount of \$100,000,000 under the Act, the proceeds of which (other than any accrued interest on the Bonds) are to be used to refund the outstanding Prior Bonds; and

WHEREAS, the City will adopt a resolution approving and authorizing the execution and delivery by the Mayor and the City Clerk of the City, on behalf of the City, of that certain Third Amended and Restated Installment Sale Agreement, dated as of September 1, 2016, (the "Installment Sale Agreement") between the City, as Vendor, and the Company, as Vendee, (amending and restating the Second Amended and Restated Installment Sale Agreement, dated as of May 1, 2003 between the City, as Vendor and the Company, as Vendee which amended and restated the Amended and Restated installment Sale Agreement, dated as of August 15, 1993, between the City, as Vendor, and the Company, as Vendee which amended and restated the Installment Sale Agreement dated as of October 1, 1983, between the City, as Vendor, and the Company, as Vendee) setting forth the undertaking by the City to issue and sell the Bonds; and

WHEREAS, the Company has requested that the City adopt an ordinance in the following form and containing the following terms and provisions; and

WHEREAS, in the Installment Sale Agreement the Company will release the City and agree that the City shall not be liable for, and will agree to indemnify and hold the City harmless from, certain matters; and

WHEREAS, certain findings and determinations relating to Installment Sale Agreement and the Facilities have heretofore been made and are set forth in this Ordinance; and

WHEREAS, this Ordinance shall serve as an indenture of trust.

NOW, THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF FARMINGTON, NEW MEXICO that the City, in consideration of the covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, in order to secure the payment of all Bonds at any time outstanding under this Ordinance, according to their tenor and effect, and the performance and observance of all the covenants and conditions in the Bonds and herein contained, and to declare the terms and conditions upon and subject to which the Bonds are issued and secured, does grant a security interest in and pledge to the Trustee (as hereinafter defined), and to its successors and assigns forever, upon written acceptance of

this Ordinance by the Trustee, the Trust Estate (as hereinafter defined) for the equal and proportionate benefit, security and protection of all holders and owners of the Bonds issued under and secured by this Ordinance without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any other of the Bonds, all upon the terms stated in this Ordinance.

ARTICLE I.

Definitions; Findings, Declarations, Determinations, Approvals and Authorizations

Section 1.01. Definitions. The terms defined in this Article I shall, for all purposes of this Ordinance, have the meanings herein specified, unless the context clearly requires otherwise:

Act:

"Act" shall mean the Pollution Control Revenue Bond Act, Chapter 397, Laws of 1973 of the State of New Mexico, 31st Legislature, 1st Session, as amended by Chapter 312, Laws of 1977 of the State of New Mexico, 33rd Legislature, 1st Session, and Chapter 181, Laws of 1978 of the State of New Mexico, 33rd Legislature, 2nd Session, and Chapter 114, Laws of 1983 of the State of New Mexico, 36th Legislature, 1st Session, and all acts supplemental thereto or amendatory thereof.

Act of Bankruptcy:

"Act of Bankruptcy" shall mean the filing of a petition in bankruptcy, liquidation, or reorganization by or against the Company or the City under the United States Bankruptcy Code or any successor act thereto, unless such petition shall have been dismissed and such dismissal shall be final and not subject to appeal.

Administration Expenses:

"Administration Expenses" shall mean the reasonable and necessary expenses incurred by the City with respect to the Installment Sale Agreement, this Ordinance and any transaction or event contemplated by the Installment Sale Agreement or this Ordinance, including the compensation and expenses paid to the Trustee (including the fees and expenses of counsel) and any other compensation paid to the City including the City's fees imposed under its Ordinance No. 82-769 and No. 88-891 (now cited as Sections 2-5-66 through 2-5-69 of the Farmington City Code).

Alternate Letter of Credit:

"Alternate Letter of Credit" shall mean an irrevocable direct pay letter of credit provided in accordance with Section 5.14 of the Installment Sale Agreement.

Alternate Security:

"Alternate Security" shall mean any credit facility, insurance policy, guarantee or other credit support agreement or security or liquidity mechanism (other than a Municipal Bond Insurance Policy, if any) provided by the Company in accordance with Section 5.14 of the Installment Sale Agreement.

Arbitrage Rebate Fund:

"Arbitrage Rebate Fund" shall mean the Arbitrage Rebate Fund created by Section 4.10 hereof.

Authorized Company Representative:

"Authorized Company Representative" shall mean any person at the time designated to act on behalf of the Company by written certificate furnished to the City, the Remarketing Agents, if any, and the Trustee containing the specimen signature of such person and signed on behalf of the Company by its President or any Vice President together with its Secretary or any Assistant Secretary. Such certificate may designate one

or more alternates. An Authorized Company Representative may be an employee of the Company.

Available Moneys:

"Available Moneys" shall mean (1) moneys which have been paid to the Trustee by the Company and have been on deposit with the Trustee for at least 123 days during and prior to which no Act of Bankruptcy shall have occurred and have not been commingled with any other moneys held for less than such 123 days during or prior to which no Act of Bankruptcy shall have occurred, (ii) moneys on deposit with the Trustee representing proceeds from the issuance and sale of Bonds or representing proceeds from the resale by the Remarketing Agents of Bonds purchased by the Remarketing Agents or the Trustee (other than any moneys representing proceeds from the sale or resale of Bonds to the Company, the City or any affiliate of either of the foregoing), which in each case were at all times since their deposit with the Trustee held in a separate and segregated account or accounts or sub-account or sub-accounts in which no moneys which were not Available Moneys were at any time held, (iii) moneys drawn under a Letter of Credit which in each case were at all times since their deposit with the Trustee held in a separate and segregated account or accounts or sub-account or sub-accounts in which no money other than those drawn under such Letter of Credit were at any time held, (iv) moneys which are derived from any other source if the Trustee has received an unqualified opinion of nationally recognized bankruptcy counsel acceptable to the Trustee and the Rating Agencies then rating the Bonds that payment of such amounts to the Trustee does not constitute a voidable preference pursuant to the provisions of the United States Bankruptcy Code, (v) proceeds from the investment of the foregoing types of moneys once such moneys have become Available Moneys; provided that such proceeds, moneys or income shall not be deemed to be Available Moneys if, among other things, an injunction, restraining order or stay is in effect preventing such proceeds, moneys or income from being applied to make such payment or purchase, and (vi) for all Bonds which are not Credit Supported Bonds, any moneys which are held by the Trustee and made available for the purposes herein.

Bank; Principal Office of the Bank:

"Bank" shall mean the issuer of a Letter of Credit, its successors in such capacity, and their assigns. If an Alternate Letter of Credit has been issued and delivered and the initial Letter of Credit canceled and surrendered, "Bank" shall mean the issuer of an Alternate Letter of Credit, its successors in such capacity, and their assigns, and if one or more Alternate Letters of Credit are issued or the initial Letter of Credit is still outstanding (in a lower aggregate principal amount than initially issued) and an Alternate Letter of Credit has also been delivered, "Bank" shall mean each issuer of the Letter of Credit or Alternate Letter of Credit relating to the Bonds unless the context clearly provides otherwise. "Principal Office" of the Bank shall mean the office of the Bank specified in a Letter of Credit as the office where drawing requests are to be delivered or such other office as may be designated in writing to the Trustee.

Bank Rate:

"Bank Rate" shall mean, with respect to any Reimbursement Agreement, the rate or rates of interest set forth therein to be borne by any Company Bonds pledged thereunder or under a pledge agreement entered into pursuant thereto; provided, however, that such rate or rates of interest shall in no event exceed the higher of the Maximum Interest Rate or the maximum rate permitted by law.

Bond Counsel:

"Bond Counsel" shall mean any firm of nationally recognized bond counsel which is experienced in the financing of pollution control facilities and acceptable to the City, the Remarketing Agents (if any), the Trustee and the Company.

Bond Fund:

"Bond Fund" shall mean the Bond Fund, created by Section 4.01 hereof in which there shall be established a General Account, an

Alternate Security Account and a Letter of Credit Account, and all subaccounts therein.

Bond Insurer:

"Bond Insurer" shall mean the company, if any, designated the bond insurer in a resolution of the City Council adopted prior to the issuance of the Bonds and its successors in such capacity, and their assigns.

Bondholder; holder; Owner:

"Bondholder" or "holder" or "Owner" shall mean the person in whose name any Bond is registered upon the books of the Registrar.

Bond Purchase Fund:

"Bond Purchase Fund" shall mean the Bond Purchase Fund, created by Section 4.04 hereof in which there shall be established a General Purchase Price Account, an Alternate Security Purchase Price Account and a Letter of Credit Purchase Price Account, and all subaccounts therein.

Bonds:

"Bond" or "Bonds" or "2016 Series B Bonds" shall mean the bonds authorized under this Ordinance.

Business Day:

"Business Day" shall mean, a day of the year on which banks located in all of the cities in which the Principal Offices of the Trustee, the Bank or provider of Alternate Security, if any, for the Bonds, the Paying Agent and the Remarketing Agent for the Bonds are located are not required or authorized to remain closed and on which The New York Stock Exchange is not closed.

City:

"City" shall mean the City of Farmington, in the County of San Juan, an incorporated municipality, a body politic and corporate, existing under the Constitution and the Laws of the State of New Mexico, and its successors and assigns.

City Clerk:

"City Clerk" shall mean the City Clerk of the City or the officer succeeding to the principal functions of such office.

City Council:

"City Council" shall mean the City Council of the City or the board or body in which general legislative powers of the City may subsequently be vested.

Code:

"Code" shall mean the Internal Revenue Code of 1986, as amended.

Company:

"Company" shall mean Public Service Company of New Mexico, a corporation organized and existing under the laws of the State of New Mexico, and its successors and assigns under the Installment Sale Agreement and Guaranty.

Company Bonds:

"Company Bonds" shall mean, any Bonds owned by or held in the name of the Company or its designee (including, without limitation, any such Bonds beneficially owned by the Company or its designee) or held by the Trustee for the account of the Company or its designee.

Company Indenture:

"Company Indenture" shall mean that certain Indenture, dated as of March 11, 1998, for Senior Unsecured Notes, as from time to time amended and supplemented, of the Company to JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee.

Company Securities:

"Company Securities" shall have the meaning ascribed to such term in Section 12.09(b) hereof.

Conversion:

"Conversion" shall mean any conversion from time to time in accordance with the terms of this Ordinance of the Bonds from one Mode to another Mode.

Conversion Date:

"Conversion Date" shall mean the date on which a new Mode becomes effective with respect to a Bond, and with respect to a Bond in the Multiannual Mode, the date on which a new Rate Period becomes effective.

Corresponding Securities:

"Corresponding Securities" shall have the meaning ascribed to such term in Section 12.09(b) hereof

Counsel:

"Counsel" shall mean an attorney at law selected by the Company (who may be counsel to either or both of the City and the Company) and satisfactory to the Trustee or, if not selected by the Company within a reasonable time following any request therefor by the City, shall mean an attorney at law selected by the City and satisfactory to the Trustee.

Credit Supported Bonds:

"Credit Supported Bonds" shall mean any Bonds that are entitled to the benefits of a Letter of Credit or an Alternate Security.

Daily Mode:

"Daily Mode" shall mean the Mode in which the interest rate on the Bonds is set at the Daily Rate, all as set forth in the form of the Daily Bonds in Exhibit B hereto.

Daily Rate:

"Daily Rate" shall mean the rate of interest that is set on the Bonds while they are in the Daily Mode.

Default:

"Default" shall mean an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default under clause (a), (b), (c) or (d) of Section 9.01(1) hereof.

Delivery Date:

"Delivery Date" shall mean, with respect to a Bond tendered for purchase, the Purchase Date or any subsequent Business Day on which such Bond is delivered to the Paying Agent as provided in the forms of Daily, Flexible, Weekly and Multiannual Bonds.

Effective Date:

"Effective Date" shall mean, with respect to a Bond in the Flexible, Daily, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect or the date on which that Bond is converted to a new Mode.

Effective Period of a Letter of Credit:

"Effective Period of a Letter of Credit" shall mean with respect to any Bonds to which such Letter of Credit relates any period during which a Letter of Credit or Alternate Security is in effect, commencing on the effective date of such Letter of Credit or Alternate Security, as the case may be, and ending on the expiration or termination date thereof

Event of Default:

"Event of Default" shall mean any of the events set forth in Section 9.01 hereof.

Exchange Date:

"Exchange Date" shall have the meaning ascribed to such term in Section 12.09(b) hereof

Extraordinary Services; Extraordinary Expenses:

"Extraordinary Services" and "Extraordinary Expenses" shall mean all services rendered and all expenses incurred by the Trustee hereunder other than Ordinary Services and Ordinary Expenses.

Facilities:

"Facilities" shall mean collectively the Four Corners Facilities and San Juan Facilities.

Flexible Mode:

"Flexible Mode" shall mean the Mode in which the interest rate on the Bonds is set at the Flexible Rate, all as set forth in the form of Flexible Bonds in Exhibit A hereto.

Flexible Rate:

"Flexible Rate" shall mean a rate of interest on a Bond in the Flexible Mode set by the Remarketing Agent for periods of from one to 180 days or as set forth in the Reimbursement Agreement.

Four Corners Facilities:

"Four Corners Facilities" shall mean the Company's interest in the facilities for the abatement, control, reduction or prevention of air and water pollution caused by the operation of Units 4 and 5 at the Four Corners Plant which are described in Exhibit A to the Installment Sale Agreement and related improvements and any substitution therefor.

Four Corners Plant:

"Four Corners Plant" shall mean the Four Corners Generating Station, an electric power generating plant located within fifteen miles of the corporate limits of the City in San Juan County, New Mexico, but not within the corporate limits of any municipality.

Governing Instrument:

"Governing Instrument" shall have the meaning ascribed to such term in Section 12.09(b) hereof.

Government Obligations:

"Government Obligations" shall mean the Investment Securities described in paragraph (a) of Section 6.01 hereof.

Guaranty:

"Guaranty" shall mean that certain Guaranty Agreement dated as of September 1, 2016 relating to the 2016 Series B Bonds which is between the Company and the Trustee, as amended or supplemented by any Supplemental Guaranty.

Installment Sale Agreement:

"Installment Sale Agreement" shall mean that certain Third Amended and Restated Installment Sale Agreement relating to the Four Corners Facilities and San Juan Facilities, dated as of September 1, 2016 between the City, as Vendor, and the Company, as Vendee (amending and restating the Second Amended and Restated Installment Sale Agreement, dated as of May 1, 2003 between the City, as Vendor, and the Company, as Vendee which amended and restated the Amended and Restated installment Sale Agreement, dated as of August 15, 1993, between the City, as Vendor, and the Company, as Vendee which amended and restated the Original Installment Sale Agreement as amended and supplemented pursuant to the terms.

Insurance Trustee:

"Insurance Trustee" shall mean the insurance trustee for the Bond Insurer, if any, designated as the insurance trustee in a resolution of the City Council adopted prior to the issuance of the applicable Bonds and its successors in such capacity, and their assigns.

Interest Payment Date:

"Interest Payment Date" shall have the meaning set forth on the form of Bonds in Exhibits A through D hereto.

Investment Securities:

"Investment Securities" shall have the meaning set forth in Sections 6.01 and 14.05 hereof

Letter of Credit:

"Letter of Credit" shall mean an irrevocable direct pay Letter of Credit issued by a Bank to the Trustee relating to the Bonds, if any, as amended from time to time; provided that upon the issuance and delivery of an Alternate Letter of Credit relating to the Bonds and termination of the initial Letter of Credit, "Letter of Credit" shall mean such Alternate Letter of Credit relating to the Bonds, as amended from time to time. In addition, if one or more Letters of Credit relating to the Bonds are issued by one or more Banks, references to the Letter of Credit shall include all such Letters of Credit for the Bonds unless the context clearly provides otherwise.

Maximum Interest Rate:

"Maximum Interest Rate" shall mean, if the Bonds bear interest in the Multiannual Mode to maturity, the actual rate of interest thereon or, otherwise, the maximum interest rate on the Bonds, which rate is 12% per annum.

Mode:

"Mode" shall mean the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Daily Mode, the Weekly Mode and the Multiannual Mode.

Moody's:

"Moody's" shall mean Moody's Investors Services, Inc. and its successors and assigns so long as they are then rating the Bonds.

Multiannual Mode:

"Multiannual Mode" shall mean the Mode in which the interest rate on the Bonds is (a) fixed for periods of one year or integral multiples thereof (except with respect to the first Rate Period occurring after initial issuance of the Bonds as set forth in an authorizing resolution or conversion to such Mode) designated by the Remarketing Agent, after consultation with the Company, or (b) fixed, in a resolution of the City Council adopted prior to the date of issuance of such Bonds for a Rate Period beginning on the date of issuance of the Bonds, and ending on the final maturity date of the Bonds, as set forth in the form of Multiannual Bonds in Exhibit D hereto.

Multiannual Rate:

"Multiannual Rate" shall mean the rate of interest that is set on the Bonds while they are in the Multiannual Mode.

Municipal Bond Insurance Policy:

"Municipal Bond Insurance Policy" shall mean a municipal bond insurance policy issued by a Bond Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

2003 Ordinance:

"2003 Ordinance" shall mean Ordinance No. 2003-1140 adopted by the City on March 25, 2003 creating and securing the Prior Bonds, as modified, altered, amended, supplemented or confirmed by any and all ordinances or resolutions supplemental thereto or amendatory thereof adopted pursuant thereto.

2003 Trustee:

"2003 Trustee" shall mean Bank of Albuquerque, and its successors and assigns.

Ordinance:

"Ordinance" shall mean this Ordinance No. 2016-1292 adopted by the City on August 23, 2016, as modified, altered, amended, supplemented or confirmed by any and all ordinances or resolutions supplemental thereto or amendatory thereof adopted pursuant thereto.

Ordinary Services; Ordinary Expenses:

"Ordinary Services" and "Ordinary Expenses" shall mean those reasonable services rendered and those reasonable expenses incurred by the Trustee in the performance of its duties hereunder of the types ordinarily performed by corporate trustees under like ordinances.

Original Installment Sale Agreement:

"Original Installment Sale Agreement" shall mean the Installment Sale Agreement, dated as of October 1, 1983, between the City as Vendor, and the Company, as Vendee, as amended and supplemented pursuant to the terms thereof prior to the date hereof

Outstanding under this Ordinance:

"Outstanding under this Ordinance," "Outstanding hereunder," or "Outstanding" when used in reference to the Bonds shall mean, as at any particular date, the aggregate of all the Bonds authenticated and delivered under this Ordinance except:

(a) those canceled at or prior to such date or delivered to or acquired by the Trustee at or prior to such date for cancellation, including those Bonds owned by the Company which the Company has at any time delivered to the Trustee for cancellation;

(b) those for the payment of which cash shall have been theretofore deposited with the Trustee in an amount equal to the principal amount thereof and premium, if any, and interest thereon to the redemption date or maturity;

(c) those otherwise deemed to be paid in full in accordance with Section 8.02 hereof subject to Section 14.06 hereof;

(d) Undelivered Bonds;

(e) Bonds not yet presented for payment when due as described in Section 4.07 hereof; and

(f) those in lieu of or in exchange or substitution for which other Bonds shall have been authenticated and delivered pursuant to this Ordinance, unless proof satisfactory to the Trustee and the Company is presented that such Bond is held by a bona fide holder in due course.

Paying Agent; Co-Paying Agent; Principal Office of a Paying Agent:

"Paying Agent" shall mean the Trustee acting in its capacity as Paying Agent of the Bonds and Co-Paying Agent shall mean any Co-Paying Agent appointed in accordance with Section 10.22 hereof. "Principal Office" of a Paying Agent or Co-Paying Agent shall mean the office of such Paying Agent or Co-Paying Agent designated in writing to the Trustee, the City and the Company.

Payment in Full of the Bonds:

"Payment in Full of the Bonds" shall mean payment in full of the principal of, premium, if any, and interest on the Bonds or the deemed payment thereof as provided in Section 8.02 hereof.

Plants:

"Plants" shall mean collectively the Four Corners Plant and San Juan Plant.

Prior Bonds:

"Prior Bonds" shall mean the City's \$100,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds, 2003 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects).

Project:

"Project" shall mean the undivided interest in the Facilities acquired by the City and sold by the City to the Company pursuant to the Original Installment Sale Agreement.

Project Purchase Price:

"Project Purchase Price" shall mean the purchase price determined pursuant to the Installment Sale Agreement.

Purchase Date:

"Purchase Date" shall mean the date on which Bonds shall be required to be purchased pursuant to a mandatory or optional tender in accordance with the provisions in the forms of Flexible, Daily, Weekly and Multiannual Rate Bonds.

Purchase Price:

"Purchase Price" shall have the meaning set forth in the forms of Flexible, Daily, Weekly and Multiannual Rate Bonds.

Rate Period or Period:

"Rate Period" or "Period" shall mean, when used with respect to any particular rate of interest for a Bond in the Flexible, Daily, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

Rating Agencies:

"Rating Agencies" shall mean Moody's and S&P.

Receipts and Revenues of the City from the Installment Sale Agreement:

"Receipts and Revenues of the City from the Installment Sale Agreement" shall mean all moneys paid to the City pursuant to Section 5.02 of the Installment Sale Agreement relating to the Bonds, and all receipts of the Trustee credited under the provisions of this Ordinance against such payments relating to the Bonds, including payments to the Trustee under any Letter of Credit or Alternate Security relating to the Bonds with respect to the Credit Supported Bonds.

Record Date:

"Record Date" shall have the meaning set forth on the form of the Bond for the Flexible Mode, Daily Mode, Weekly Mode and Multiannual Mode.

Redemption Fund:

"Redemption Fund" shall mean the Redemption Fund, created by Section 4.11 hereof

Registrar; Principal Office of the Registrar:

"Registrar" shall mean the Trustee acting in its capacity as Registrar of the Bonds. "Principal Office of the Registrar" shall mean the Principal Office of the Trustee.

Reimbursement Agreement:

"Reimbursement Agreement" shall mean from and after the issuance of a Letter of Credit, Alternate Letter of Credit or Alternate Security relating to the Bonds, any letter of credit reimbursement agreement or other arrangement between the Company and a Bank or other issuer of any Alternate Letter of Credit or Alternate Security, and any amendments, modifications and supplements thereto.

Remarketing Agent; Principal Office of the Remarketing Agent:

"Remarketing Agent" shall mean any remarketing agent or co-remarketing agents appointed and serving in such capacity pursuant to this Ordinance relating to the Bonds. "Principal Office of the Remarketing Agent" shall mean the office or offices thereof designated in writing to the Trustee, the City and the Company.

Remarketing Agent Agreement:

"Remarketing Agent Agreement" shall mean any remarketing agent agreement between the Company and any Remarketing Agent appointed pursuant to Section 13.02 hereof relating to the Bonds.

S&P:

"S&P" shall mean Standard & Poor's Ratings Services and its successors and assigns so long as they are then rating the Bonds.

San Juan Facilities:

"San Juan Facilities" shall mean the Company's interest in the facilities for the abatement, control, reduction or prevention of air and water pollution caused by the operation of Units 1, 2, 3 and 4 at the San Juan Plant which are described in Exhibit A to the Installment Sale Agreement and related improvements and substitutions therefor.

San Juan Plant:

"San Juan Plant" shall mean the San Juan Generating Station, an electric power generating plant located within fifteen miles of the corporate limits of the City in San Juan County, New Mexico, but not within the corporate limits of any municipality.

Senior Unsecured Notes:

"Senior Unsecured Notes" shall, for any Bond, have the meaning set forth in the Guaranty relating to the Bonds.

Series; Series of Bonds; or Bonds of a Series :

"Series;" "Series of Bonds;" or "Bonds of a Series" shall mean the Bonds.

Supplemental Guaranty:

"Supplemental Guaranty" shall mean any agreement between the Trustee and the Company modifying, altering, amending or supplementing the Guaranty, in accordance with the terms of this Ordinance.

Supplemental Indenture:

"Supplemental Indenture" shall mean any agreement between the Trustee under the Company Indenture and the Company modifying, altering, amending or supplementing the Company Indenture in accordance with the terms of this Ordinance.

Supplemental Installment Sale Agreement:

"Supplemental Installment Sale Agreement" shall mean any agreement between the City and the Company modifying, altering, amending or supplementing the Installment Sale Agreement, in accordance with the terms of this Ordinance.

Supplemental Ordinance:

"Supplemental Ordinance" shall mean any ordinance or resolution of the City modifying, altering, amending, supplementing or confirming this Ordinance, in accordance with the terms of this Ordinance, as such Supplemental Ordinance may be amended or supplemented by any and all ordinances and related resolutions of the City Council adopted pursuant thereto.

Tendered Bond:

"Tendered Bond" shall mean any Bond (or beneficial interest therein if the Bonds are issued in a book-entry-only system) tendered or deemed tendered for purchase pursuant to Section 2.03(A)(3), 2.03(B)(3) or (4), 2.03(C)(3) or (4) or 2.03(D)(3) hereof.

Treasurer:

"Treasurer" shall mean the Treasurer of the City or the officer succeeding to the principal functions of such office.

Trust Estate:

"Trust Estate" shall mean, with respect to the Bonds, at any particular time, the Senior Unsecured Notes relating to the Bonds (or the Corresponding Securities relating to the Bonds, in the event of an exchange pursuant to Section 12.09 hereof) and the proceeds thereof, the City's rights and interests under the Installment Sale Agreement relating to the Bonds (except for the City's rights under Sections 5.05, 5.08 and 8.05, and clause (ii) of paragraph (b) of Section 8.03 thereof), all moneys and obligations relating to the Bonds which at such time are deposited or are required to be deposited with, or are held or are required to be held by or on behalf of, the Trustee in trust under any of the provisions of this Ordinance with respect to the Bonds and all rights, titles and interests which at such time are subject to the lien of this Ordinance with respect to the Bonds, except for moneys or obligations deposited with or paid to the Trustee relating to the Bonds for the redemption or payment of such Bonds which are deemed to have been paid in accordance with Section 8.02 hereof and the funds held pursuant to Section 4.07 hereof

Trustee; Principal Office of the Trustee:

"Trustee" shall mean the person appointed as Trustee in a resolution of the City adopted prior to the first issuance of the Bonds, and its successor or successors hereunder, as trustee under this Ordinance. "Principal Office of the Trustee" shall mean the principal corporate trust office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by this Ordinance is located at the address specified in such resolution.

Undelivered Bonds:

"Undelivered Bonds" shall mean Bonds which are deemed to have been tendered as provided in the form of the Bond for the Flexible Mode, Daily Mode, Weekly Mode and Multiannual Mode.

Weekly Mode:

"Weekly Mode" shall mean the Mode in which the interest rate on the Bonds is set at the Weekly Rate, all as set forth in the form of the Weekly Bonds in Exhibit C hereto.

Weekly Rate:

"Weekly Rate" shall mean the rate of interest that is set on the Bonds while they are in the Weekly Mode.

Section 1.02. Number and Gender. The singular form of any word used herein, including the terms defined in Section 1.01, shall include the plural, and vice versa. The use herein of a word of any gender shall include all genders.

Section 1.03. Articles, Sections, Etc. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Ordinance as originally executed; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular Article, Section or subdivision hereof. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Ordinance.

Section 1.04. Content of Certificates and Opinions. Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Ordinance or the Agreement shall include (a) a statement that the person or persons making or giving such certificate or opinion have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate or opinion made or given by an officer of the City or the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by Counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion made or given by counsel may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City or the Company), upon the certificate or opinion of or representations by an officer of the City or the Company, as applicable, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his or her opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

Section 1.05. Findings. It is hereby found and determined that:

(a) The City is authorized and empowered under the Act to issue and sell the Bonds and to enter into the Installment Sale Agreement, and the same will further the intent of the Act. The Plants are each located within 15 miles of the corporate limits of the City and not within the corporate limits of any municipality or, if portions of either of the Plants are not located within 15 miles of the corporate limits of the City, there is no incorporated municipality within 15 miles of such portions of the Plants and the City is located in the county in which such portions of the Plants are located.

(b) The amount necessary in each year to pay the principal of and premium, if any, and interest (excluding accrued interest and purchase premium, if any, to be paid by the initial purchasers) on the Bonds is equal to the portion of the purchase price of the Project in

each such year required to be paid by the Company to the Trustee by Section 5.02(a) of the Installment Sale Agreement. The City Council shall determine and set forth in a resolution adopted prior to the first issuance of the Bonds the amount necessary to pay in each year the principal of and interest on the Bonds.

(c) It is not advisable or necessary to establish any reserve fund in connection with the retirement of the Bonds or the maintenance of the Facilities because the terms of the Installment Sale Agreement provide that the Company shall maintain the Facilities and carry all proper insurance with respect thereto, and no reserve fund has been required by the initial purchasers of the Bonds to be established for the Bonds.

(d) The Bonds shall not be the general obligations of the City within the meaning of Article 9, Sections 12 and 13 of the Constitution of New Mexico, shall be payable by the City solely from the Receipts and Revenues of the City from the Installment Sale Agreement and other amounts pledged therefor hereunder, and the Bonds shall never constitute an indebtedness of the City within the meaning of any State constitutional provision or statutory limitation, and shall never constitute or give rise to any pecuniary liability of the City or a charge against its general credit or taxing powers, and such fact shall be plainly stated on the face of each of the Bonds.

(e) In connection with the authorization, issuance and sale of the Bonds pursuant to this Ordinance, it is advantageous that the sale thereof be private rather than public and that all expenses, attorneys' fees, engineering fees, architecture fees, premiums and commissions shall be paid directly by the Company and not from proceeds of the Bonds.

(f) The Mayor and the City Clerk are, and each of them is, authorized and directed to cause this Ordinance to be published one time by title and a general summary of the subject matter contained herein in the manner provided by Section 3-17-5 N.M.S.A. 1978, as amended.

(g) The actions heretofore taken by the Mayor or City Clerk to cause this Ordinance in proposed form to be published by title and subject matter in the manner provided by Section 3-17-3 N.M.S.A. 1978, as amended, are hereby confirmed and such publication is hereby adopted, ratified and confirmed.

(h) The Trustee, Paying Agent, Co-Paying Agent, if any, Bond Insurer, if any, Insurance Trustee, if any, and Registrar shall be designated by a resolution of the City Council adopted prior to the first issuance of the Bonds.

(i) The Mayor, the City Clerk and the Treasurer are authorized to take all action necessary or appropriate to effectuate the provisions of this Ordinance, including without limiting the generality of the foregoing, printing of the Bonds, the execution, delivery, and, if required or desirable, the filing and recording of such documents, instruments, financing statements and certificates as are required by this Ordinance and as may reasonably be required by the purchasers of the Bonds, including, without limiting the generality of the foregoing, certificates relating to the signing of the Bonds, the tenure and identity of the municipal officials, the delivery of the Bonds and payment therefor, and, if in accordance with the facts, the absence of litigation, pending or threatened, affecting the validity of the Bonds, and the absence and existence of factors affecting the exclusion from gross income of interest on the Bonds for Federal income tax purposes and, upon or after the effective date of this Ordinance, to execute and deliver the Bonds in accordance with this Ordinance and to do and cause to be done any and all acts and things necessary or proper for carrying out the transaction contemplated by this Ordinance, and all actions taken pursuant to such authorization are hereby ratified, approved and confirmed.

ARTICLE II.

The Bonds

Section 2.01. Bonds Equally Secured. All the Bonds to be issued hereunder shall be equally and ratably secured, to the extent provided in this Ordinance, by the pledge of the Receipts and Revenues of

the City from the Installment Sale Agreement relating to the Bonds and the other rights and property pledged hereunder with respect to such Bonds.

Section 2.02. Issuance of Bonds. There is hereby authorized to be issued hereunder the Bonds the proceeds of which (other than any accrued interest on the Bonds) will be used, together with other available moneys, to refund the outstanding principal amount of and to pay the premium, if any, and interest to the date of redemption on the Prior Bonds. No other series of Bonds shall be issued under this Ordinance. The Bonds shall be designated, "Pollution Control Revenue Refunding Bonds, 2016 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects)" to be issued in an aggregate principal amount of \$100,000,000 or such other amount as shall be specified in a resolution of the City Council adopted prior to the issuance of the Bonds. The Bonds shall be dated their date of delivery (or such other date as shall be specified in a resolution of the City Council adopted prior to the issuance of the Bonds), shall mature on such date (subject to provisions for prior redemption upon the terms and conditions hereinafter set forth) not to be later than 30 years from their date (as shall be specified in a resolution of the City Council adopted prior to the issuance of the Bonds) and shall bear interest as herein provided from their date, until maturity or until the date fixed for redemption, and until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions of this Ordinance at such rate or rates per annum and payable on such dates, as shall be determined in a resolution of the City Council adopted prior to the issuance of the Bonds.

The Bonds (including Bonds issued pursuant to Sections 2.09, 2.10 and 2.11 hereof) shall be issued as registered bonds without coupons. The Bonds shall be in the denomination of \$100,000 or any multiple of \$5,000 in excess of \$100,000 in the Flexible Mode, \$5,000 or any multiple thereof in the Multiannual Mode and \$100,000 or any multiple thereof in the Daily or Weekly Modes. The Bonds shall be numbered consecutively from "R-1" upwards bearing numbers not then contemporaneously outstanding (in order of issuance) according to the records of the Registrar and shall bear such other numerical or alphabetical designation as shall be deemed appropriate by the Trustee and the Paying Agent to distinguish Bonds in different Modes, and, if there are different Letters of Credit or Alternate Security for the Credit Supported Bonds or if not all of the Bonds constitute Credit Supported Bonds, a Credit Supported Bond shall have the legends on such Bond filled in correctly, the Trustee shall identify each Bank or provider of Alternate Security by inserting distinguishing marks prior to "R" as shall be appropriate, and the Bonds may have such other distinguishing marks as may be deemed appropriate by the Trustee and the Paying Agent. Any Mode which is in effect for any Bond shall apply to such Bond independently of any other Bond of another Mode, or the same Mode.

The principal of and premium, if any, and the interest on the Bonds shall be payable in lawful money of the United States of America. Subject to the provisions of Sections 2.12 and 14.07 hereof, the principal of and premium, if any, on all Bonds shall be payable at the Principal Office of the Paying Agent upon the presentation and surrender of the Bonds as the same become due and payable and interest on the Bonds shall be paid as provided in the form of the Bonds.

With respect to any Bonds in the Flexible, Daily and Weekly Mode, on the Business Day before the Interest Payment Date and for Bonds in the Multiannual Mode, on the fifteenth Business Day prior to the Interest Payment Date, the Trustee shall calculate the amount of interest to be paid on the next succeeding Interest Payment Date and shall, not later than 12:00 noon, New York City time, on the date that such calculation is made, notify the Company and the Paying Agent of the amount of interest to be paid. Any contest by the Company of the amount calculated by the Trustee to be due on an Interest Payment Date shall not relieve the City or the Company of its obligation to pay such amount to enable the Trustee to pay the interest payable on the Bonds on such Interest Payment Date.

The Bonds shall be issued substantially in the form set forth in Exhibit A for the Bonds in the Flexible Mode, Exhibit B for the Bonds in the Daily Mode, Exhibit C for the Bonds in the Weekly Mode and Exhibit D for the Bonds in the Multiannual Mode, all as attached hereto, and shall contain the Trustee's certificate of authentication and the form of

assignment substantially as set forth in such Exhibit, with such appropriate variations, omissions, substitutions and insertions as are permitted or required hereby and may have such letters and endorsements placed thereon as may be required to comply with any applicable laws or rules or regulations, or as may consistently herewith be determined by the officers executing such Bonds, as evidenced by their execution of the Bonds.

Section 2.03. Interest Rates on Bonds. The interest on the Bonds in a Flexible Mode, Daily Mode or Weekly Mode shall be payable on the applicable Interest Payment Date as herein described, computed on the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed. The interest on the Bonds in a Multiannual Mode shall be payable on the applicable Interest Payment Date as herein defined, computed on the basis of a 360-day year, consisting of twelve 30-day months. The interest rate on the Bonds shall not exceed the Maximum Interest Rate.

Interest rates on (and if the Mode is the Flexible Mode, Flexible Rate Periods for) the Bonds shall be determined as follows:

(A) Flexible Mode.

(1) Determination of Flexible Rates and Rate Periods. The interest rate on any Bonds in the Flexible Mode for a specific Rate Period on the first day of such Rate Period shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, on the basis of prevailing market conditions, is necessary to remarket each such Bond having such Rate Period in a secondary market transaction on that day at a price equal to the principal amount thereof, but not in excess of the Maximum Interest Rate. The Remarketing Agent for such Bonds shall determine the Flexible Rate and Rate Period for the Bonds in the Flexible Mode as provided above, in the form of Flexible Bonds in Exhibit A hereto and in the following paragraph and shall notify the Paying Agent thereof by telephone not later than 1:00 p.m., New York City time, on the Effective Date, promptly confirmed in writing. The Paying Agent shall give written notice of the Flexible Rate and Rate Period to the Trustee, the Bank and the Company. Each determination and redetermination of the Flexible Rate and the Rate Period shall be conclusive and binding on the City, the Trustee, the Paying Agent, the Bank, the Company and the Bondholders. If the Remarketing Agent for the Bonds fails for any reason to determine the Flexible Rate or Rate Period for such Bonds while in the Flexible Mode, or if for any reason such manner of determination shall be determined to be invalid and unenforceable, that Bond shall be deemed to be in a Rate Period of one day and the Flexible Rate shall be equal to 100% of the Prime Commercial Paper A-1/P-1 (30 days) rate shown in the table captioned "Short-Term Tax-Exempt Yields" in the edition of The Bond Buyer (or any successor to such table) published on the day on which such rate is determined or, if such rate is not published on that day, the most recent publication of such rate.

In determining the Flexible Rate and remarketing the Bonds in the Flexible Mode, the Remarketing Agent shall (i) not offer Rate Periods greater than 180 days or, if such Bonds in the Flexible Mode are Credit Supported Bonds, extending beyond the expiration date of any Letter of Credit less 29 days, (ii) not offer Rate Periods extending beyond the day preceding any scheduled conversion of such Bonds to another Mode or the final maturity of the Bonds, (iii) not offer Rate Periods ending on a day preceding a non-Business Day, and (iv) follow any written directions of the Company not inconsistent with the preceding clauses (i), (ii) and (iii) as to the Rate Periods to be made available. The Company, the Trustee, the Paying Agent and the Remarketing Agent shall cooperate to ensure compliance with this requirement.

(2) Conversions from the Flexible Mode. The Bonds in the Flexible Mode or any portion of such Bonds may be

converted at the election of the Company from the Flexible Mode to the Daily, Weekly or Multiannual Mode as provided in the form of the Flexible Bonds, so long as no Default or Event of Default hereunder exists as certified to the Trustee by the Company. For Bonds that are to be converted to the Daily, Weekly or Multiannual Mode and with respect to which the Company has determined that following such conversion such Bonds are to be Credit Supported Bonds, no such conversion shall be effective unless there shall then be in effect or the Company shall have delivered to the Trustee by 10:30 a.m., New York City time, on the Conversion Date a Letter of Credit or Alternate Security as required by Section 5.03 hereof. Bonds that automatically convert to the Flexible Mode with a one day Rate Period as a result of a failed conversion shall not be Credit Supported Bonds following such conversion. With respect to any Bonds remaining in the Flexible Mode that are entitled to the benefits of a Letter of Credit or Alternate Security and any other Bonds which are then Credit Supported Bonds, the Trustee shall verify and confirm not later than 10:30 a.m., New York City time, on the Conversion Date that each such Flexible Bond and other Credit Supported Bond is supported by a Letter of Credit or Alternate Security complying with Sections 2.05 and 5.03 hereof. Written notice of a conversion from the Flexible Mode shall be given by the Company to the City, the Trustee, the Paying Agent, the Bank, the Remarketing Agent and the Rating Agencies not fewer than 25 nor more than 60 days prior to the proposed Conversion Date, which date shall be specified by the Company in such notice and shall not be earlier than the day following the expiration of the Rate Period with the longest remaining term then in effect for such Bonds to be converted and in connection with any conversion of such Bonds from the Flexible Mode to the Multiannual Mode, such notice shall include a direction from the Company to the Trustee to present the appropriate reinstatement request in the amount set forth in Section 2.05 hereof if such Bonds to be converted are entitled to the benefits of a Letter of Credit that provides for such a reinstatement request. Such notice shall also state whether or not the Company has determined that following conversion such Bonds to be converted are to be entitled to the benefits of a Letter of Credit or Alternate Security. Prior to the proposed Conversion Date, the Remarketing Agent shall not offer Rate Periods for such Bonds to be converted extending beyond the proposed Conversion Date.

Notwithstanding the foregoing, if the preconditions to conversion to a new Mode established by the preceding paragraph and Section 2.04 are not met by 10:30 a.m., New York City time, on the proposed Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee, the Company, the Bank, the Rating Agencies and the Remarketing Agent, and such Bonds shall be subject to mandatory tender as provided in Section 2.03(A)(3)(ii) hereof. In addition, the failed conversion shall cause such Bonds to remain in the Flexible Mode with a Rate Period of one day. In such event, (i) with respect to any Bonds entitled to the benefits of a Letter of Credit, the Trustee shall by 12:00 noon, New York City time, on the proposed Conversion Date, draw on such Letter of Credit an amount which is sufficient to pay the Purchase Price on such date of all such Bonds that were to have been converted and (ii) with respect to any Bonds not entitled to the benefits of a Letter of Credit, the Company shall by 12:00 noon, New York City time, on the proposed Conversion Date deliver to the Paying Agent sufficient funds to pay the Purchase Price. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, a Default or Event of Default under this Ordinance, so long as the Purchase Price of all Bonds required to be purchased is made available as provided above.

(3) Events Requiring Mandatory Tender of Flexible Bonds.

(i) Expiration of Letter of Credit Without Substitution or Replacement; Substitution of Letter of Credit or Delivery of Alternate Security; Exchange of Senior Unsecured Notes. The Bonds supported by a Letter of Credit or Alternate Security in the Flexible Mode are subject to mandatory tender for purchase, and shall be deemed to have been so tendered as provided in the form of Flexible Bonds in connection with (x) the expiration or termination of such Letter of Credit or Alternate Security (other than upon conversion to a new Mode) or (y) the substitution of a Letter of Credit or Alternate Security unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Bondholders in accordance with the last sentence of this paragraph, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies that the rating on such Bonds will not be reduced or withdrawn as a result of such substitution. All Bonds in the Flexible Mode are subject to mandatory tender for purchase and shall be deemed to have been so tendered as provided in the form of Flexible Bonds in connection with the exchange of the Senior Unsecured Notes for Corresponding Securities unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Bondholders in accordance with the last sentence of this paragraph, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies that the rating on such Bonds will not be reduced or withdrawn as a result of such exchange. The Paying Agent shall (i) at least 15 days prior to the mandatory tender date, give notice to the Bondholders of the mandatory tender of Bonds and (ii) on such mandatory tender date, pay the Purchase Price for the Bonds as provided in the form of Flexible Bonds notwithstanding any substitution of an Alternate Letter of Credit or Alternate Security after the date such notice was given to the Bondholders.

(ii) Change in Mode or Rate Period. On the Effective Date, Bonds in the Flexible Mode are subject to mandatory tender for purchase and shall be deemed to have been so tendered as provided in the form of Flexible Bonds. With respect to any Bonds in the Flexible Mode held in book-entry form, the Paying Agent shall give the holders of such Bonds not less than 15 days' prior written notice of the conversion of such Bonds from the Flexible Mode to a different Mode.

(B) Daily Mode.

(1) Determination of Daily Rates. The interest rate on any Bonds in the Daily Mode for the Rate Period shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, on the basis of prevailing market conditions, is necessary to remarket such Bonds at a price equal to the principal amount thereof, plus accrued interest, if any thereon, but not in excess of the Maximum Interest Rate. The Remarketing Agent for the Bonds shall determine the Daily Rate as provided above and in the form of Daily Bonds in Exhibit B hereto and shall notify the Paying Agent thereof on the Effective Date. The Paying Agent shall give written notice of the Daily Rate to the Trustee, the Bank and the Company. The determination and redetermination of the Daily Rate shall be conclusive and binding on the City, the Trustee, the Paying Agent, the Bank, the Company and the Bondholders. If for any reason the Remarketing Agent for the Bonds fails to determine the Daily Rate for such Bonds or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Daily Rate to take effect on the Effective Date with respect to such Bonds shall be the Daily Rate in effect for such Bonds on the day preceding such date.

(2) Conversions from the Daily Mode. Bonds in the Daily Mode or any portion of such Bonds may be converted on

any Interest Payment Date at the election of the Company from the Daily Mode to the Flexible, Weekly or Multiannual Mode as provided in the form of the Daily Bonds, as long as no Default or Event of Default hereunder exists, as certified to the Trustee by the Company. For Bonds that are to be converted to the Flexible, Weekly, or Multiannual Mode and with respect to which the Company has determined that following such conversion such Bonds in the Flexible, Weekly or Multiannual Mode, as the case may be, are to be Credit Supported Bonds, no such conversion shall be effective unless there shall be then in effect or the Company shall have delivered to the Trustee by 10:30 a.m., New York City time, on the Conversion Date a Letter of Credit or Alternate Security as required by Section 5.03 hereof. Bonds that automatically convert to the Flexible Mode with a one day Rate Period as a result of a failed conversion shall not be Credit Supported Bonds following such conversion. With respect to any Bonds remaining in the Daily Mode that are entitled to the benefits of a Letter of Credit or Alternate Security and any other Bonds which are then Credit Supported Bonds, the Trustee shall verify and confirm not later than 10:30 a.m., New York City time, on the Conversion Date that such Daily Bond and other Credit Supported Bond is supported by a Letter of Credit or Alternate Security complying with Sections 2.05 and 5.03 hereof. Written notice of a conversion from the Daily Mode shall be given by the Company to the City, the Trustee, the Paying Agent, the Bank, the Remarketing Agent and the Rating Agencies not fewer than 25 nor more than 60 days prior to the proposed Conversion Date, which date shall be specified by the Company in such notice and in connection with any conversion of Bonds from the Daily Mode to the Flexible, Weekly or Multiannual Mode, such notice shall include a direction from the Company to the Trustee to present the appropriate reinstatement request in the amount set forth in Section 2.05 hereof if the Bonds to be converted are entitled to the benefits of a Letter of Credit that provides for such a reinstatement request. Such notice shall also state whether or not the Company has determined that following conversion the Bonds to be converted are to be entitled to the benefits of a Letter of Credit or Alternate Security. Notice of a conversion of Bonds from the Daily Mode and the mandatory tender of Bonds for purchase on such Conversion Date shall be given to the holders of such Bonds as provided in Section 2.03(B)(4)(ii) hereof and the form of Daily Bonds.

Notwithstanding the foregoing, if the preconditions to conversion to another Mode established by the preceding paragraph and Section 2.04 hereof are not met by 10:30 a.m., New York City time, on the proposed Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee, the Company, the Bank, the Rating Agencies and the Remarketing Agent, and such Bonds shall be subject to mandatory tender as provided in Section 2.03(B)(4)(ii) hereof. In addition, the failed conversion shall cause the interest rate on such Bonds to immediately convert to the Flexible Rate with a one day Rate Period on the Conversion Date. In such event, (i) with respect to any Bonds entitled to the benefits of a Letter of Credit, the Trustee shall by 12:00 noon, New York City time, on the proposed Conversion Date, draw on such Letter of Credit an amount which is sufficient to pay the Purchase Price on such date of all such Bonds that were to have been converted and (ii) with respect to any Bonds not entitled to the benefits of a Letter of Credit, the Company shall by 12:00 noon, New York City time, on the proposed Conversion Date deliver to the Paying Agent sufficient funds to pay the Purchase Price. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, a Default or Event of Default under this Ordinance, so long as the Purchase Price of all Bonds required to be purchased is made available as provided above.

(3) Bondholders' Option to Tender Bonds in Daily Mode. Bonds in the Daily Mode are subject to tender, at the election of the holder thereof, in the manner and subject to

the limitations described in the form of Daily Bonds. The holders of Tendered Bonds shall receive on the Delivery Date a Purchase Price equal to 100% of the principal amount of the Tendered Bonds plus accrued interest to the Purchase Date, provided that if the Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as part of the Purchase Price on such date.

The Paying Agent shall accept all Tendered Bonds properly tendered to it for purchase as provided in the form of Daily Bonds and in this Section 2.03(B)(3); provided, however, that the Paying Agent shall not accept any Tendered Bonds and the Purchase Price therefor shall not be paid if at the time of tender or on the Purchase Date (i) the principal of the Bonds shall have been accelerated pursuant to Section 9.01 hereof and such acceleration shall not have been annulled or (ii) the Bonds shall be deemed to be paid in full in accordance with Section 8.02 hereof.

The Bondholders' Election Notice delivered to the Paying Agent as provided in the form of Daily Bonds prior to the Purchase Date of Tendered Bonds shall be in substantially the form provided in the form of Daily Bonds.

As soon as practicable after receiving notice of a tender of Bonds under this Section 2.03(B)(3), the Paying Agent shall notify the Remarketing Agent, the Company, the Bank and the Trustee by telephone promptly confirmed in writing of the amount of Tendered Bonds and the specified Purchase Date.

During the time Bonds are issued in the book-entry-only system, all Bondholders' Election Notices shall be signed by the beneficial owner thereof or his attorney, duly authorized in writing. The Paying Agent shall be entitled to rely on the accuracy of any Bondholders' Election Notice delivered to the Paying Agent.

(4) Events Requiring Mandatory Tender of Daily Bonds.

(i) Expiration of Letter of Credit Without Substitution or Replacement; Substitution of Letter of Credit or Delivery of Alternate Security; Exchange of Senior Unsecured Notes. The Bonds supported by a Letter of Credit or Alternate Security in the Daily Mode are subject to mandatory tender for purchase and shall be deemed to have been so tendered as provided in the form of Daily Bonds in connection with (x) the expiration or termination of such Letter of Credit or Alternate Security (other than upon conversion to a new Mode) or (y) the substitution of a Letter of Credit or Alternate Security unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Bondholders in accordance with the last sentence of this paragraph, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies that the rating on such Bonds will not be reduced or withdrawn as a result of such substitution. All Bonds in the Daily Mode are subject to mandatory tender for purchase and shall be deemed to have been so tendered as provided in the form of Daily Bonds in connection with the exchange of the Senior Unsecured Notes for Corresponding Securities unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Bondholders in accordance with the last sentence of this paragraph, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies that the rating on such Bonds will not be reduced or withdrawn as a result of such exchange. The Paying Agent shall (i) at least 15 days prior to the mandatory tender date, give notice to the Bondholders of the mandatory tender of Bonds and (ii) on such mandatory tender date, pay the Purchase Price for the Bonds as provided in the form of Daily Bonds

notwithstanding any substitution of an Alternate Letter of Credit or Alternate Security after the date such notice was given to the Bondholders.

(ii) Change in Mode. In the event that Bonds in the Daily Mode are converted to another Mode, such Bonds are subject to mandatory tender for purchase upon not less than 15 days' prior written notice from the Paying Agent to the Bondholders as provided in the form of Daily Bonds, which notice shall state that the Bonds are subject to mandatory tender for purchase and the mandatory tender date.

(C) Weekly Mode.

(1) Determination of Weekly Rates. The interest rate on Bonds in the Weekly Mode for the Rate Period shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, on the basis of prevailing market conditions, is necessary to remarket such Bonds at a price equal to the principal amount thereof, plus accrued interest, if any thereon, but not in excess of the Maximum Interest Rate. The Remarketing Agent for such Bonds shall determine the Weekly Rate as provided above and in the form of Weekly Bonds in Exhibit C hereto and shall notify the Paying Agent thereof on the Effective Date. The Paying Agent shall give written notice of the Weekly Rate to the Trustee, the Bank and the Company. Each determination and redetermination of the Weekly Rate shall be conclusive and binding on the City, the Trustee, the Paying Agent, the Bank, the Company and the Bondholders. If for any reason the Remarketing Agent for the Bonds fails to determine the Weekly Rate for such Bonds or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Weekly Rate to take effect on the Effective Date for such Bonds shall be the Weekly Rate in effect for such Bonds on the day preceding such date.

(2) Conversions from the Weekly Mode. Bonds in the Weekly Mode or any portion of such Bonds may be converted on any Interest Payment Date at the election of the Company from the Weekly Mode to the Flexible, Daily, or Multiannual Mode as provided in the form of the Weekly Bonds, as long as no Default or Event of Default hereunder exists, as certified to the Trustee by the Company. For Bonds that are to be converted to the Flexible, Daily or Multiannual Mode and with respect to which the Company has determined that following such conversion such Bonds in the Flexible, Daily or Multiannual Mode, as the case may be, are to be Credit Supported Bonds, no such conversion shall be effective unless there shall be then in effect or the Company shall have delivered to the Trustee by 10:30 a.m., New York City time, on the Conversion Date a Letter of Credit or Alternate Security as required by Section 5.03 hereof. Bonds that automatically convert to the Flexible Mode with a one day Rate Period as a result of a failed conversion shall not be Credit Supported Bonds following such conversion. With respect to any Bonds remaining in the Weekly Mode that are entitled to the benefits of a Letter of Credit or Alternate Security and any other Bonds which are then Credit Supported Bonds, the Trustee shall verify and confirm not later than 10:30 a.m., New York City time, on the Conversion Date that each such Weekly Bond and other Credit Supported Bond is supported by a Letter of Credit or Alternate Security complying with Sections 2.05 and 5.03 hereof. Written notice of a conversion from the Weekly Mode shall be given by the Company to the City, the Trustee, the Paying Agent, the Bank, the Remarketing Agent and the Rating Agencies not fewer than 25 nor more than 60 days prior to the proposed Conversion Date, which date shall be specified by the Company in such notice and in connection with any conversion of Bonds from the Weekly Mode to the Flexible, Daily or Multiannual Mode, such notice shall include a direction from the Company to the Trustee to present the appropriate reinstatement request in the amount set forth in Section 2.05 hereof if the Bonds to be converted are entitled to the benefits of a Letter of

Credit that provides for such a reinstatement request. Such notice shall also state whether or not the Company has determined that following conversion the Bonds to be converted are to be entitled to the benefits of a Letter of Credit or Alternate Security. Notice of a conversion of Bonds from the Weekly Mode and the mandatory tender of Bonds for purchase on such Conversion Date shall be given to the holders of such Bonds as provided in Section 2.03(C)(4)(ii) hereof and the faun of Weekly Bonds.

Notwithstanding the foregoing, if the preconditions to conversion to another Mode established by the preceding paragraph and Section 2.04 hereof are not met by 10:30 a.m., New York City time, on the proposed Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee, the Company, the Bank, the Rating Agencies and the Remarketing Agent, and such Bonds shall be subject to mandatory tender as provided in 2.03(C)(4)(ii) hereof. In addition, the failed conversion shall cause the interest rate on such Bonds to immediately convert to the Flexible Rate with a one day Rate Period on the Conversion Date. In such event, (i) with respect to any Bonds entitled to the benefits of a Letter of Credit, the Trustee shall by 12:00 noon, New York City time, on the proposed Conversion Date, draw on such Letter of Credit an amount which is sufficient to pay the Purchase Price on such date of all such Bonds that were to have been converted and (ii) with respect to any Bonds not entitled to the benefits of a Letter of Credit, the Company shall by 12:00 noon, New York City time, on the proposed Conversion Date deliver to the Paying Agent sufficient funds to pay the Purchase Price. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, a Default or Event of Default under this Ordinance, so long as the Purchase Price of all Bonds required to be purchased is made available as provided above.

(3) Bondholders' Option to Tender Bonds in Weekly Mode. Bonds in the Weekly Mode are subject to tender, at the election of the holder thereof, in the manner and subject to the limitations described in the form of Weekly Bonds. The holders of Tendered Bonds shall receive on the Delivery Date a Purchase Price equal to 100% of the principal amount of the Tendered Bonds plus accrued interest to the Purchase Date, provided that if the Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as part of the Purchase Price on such date.

The Paying Agent shall accept all Tendered Bonds properly tendered to it for purchase as provided in the form of Weekly Bonds and in this Section 2.03(C)(3); provided, however, that the Paying Agent shall not accept any Tendered Bonds and the Purchase Price therefor shall not be paid if at the time of tender or on the Purchase Date (i) the principal of the Bonds shall have been accelerated pursuant to Section 9.01 hereof and such acceleration shall not have been annulled or (ii) the Bonds shall be deemed to be paid in full in accordance with Section 8.02 hereof.

The Bondholders' Election Notice delivered to the Paying Agent as provided in the form of Weekly Bonds prior to the Purchase Date of Tendered Bonds shall be in substantially the form provided in the form of Weekly Bonds.

As soon as practicable after receiving notice of a tender of Bonds under this Section 2.03(C)(3), the Paying Agent shall notify the Remarketing Agent, the Company, the Bank and the Trustee by telephone promptly confirmed in writing of the amount of Tendered Bonds and the specified Purchase Date.

During the time Bonds are issued in the book-entry-only system, all Bondholders' Election Notices shall be signed by the beneficial owner thereof or his attorney, duly authorized in writing. The Paying Agent shall be entitled to rely on

the accuracy of any Bondholders' Election Notice delivered to the Paying Agent.

(4) Events Requiring Mandatory Tender of Weekly Bonds.

(i) Expiration of Letter of Credit Without Substitution or Replacement; Substitution of Letter of Credit or Delivery of Alternate Security; Exchange of Senior Unsecured Notes. The Bonds supported by a Letter of Credit or Alternate Security in the Weekly Mode are subject to mandatory tender for purchase and shall be deemed to have been so tendered as provided in the form of Weekly Bonds in connection with (x) the expiration or termination of such Letter of Credit or Alternate Security (other than upon conversion to a new Mode) or (y) the substitution of a Letter of Credit or Alternate Security unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Bondholders in accordance with the last sentence of this paragraph, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies that the rating on such Bonds will not be reduced or withdrawn as a result of such substitution. All Bonds in the Weekly Mode are subject to mandatory tender for purchase and shall be deemed to have been so tendered as provided in the form of Weekly Bonds in connection with the exchange of the Senior Unsecured Notes for Corresponding Securities unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Bondholders in accordance with the last sentence of this paragraph, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies that the rating on such Bonds will not be reduced or withdrawn as a result of such exchange. The Paying Agent shall (i) at least 15 days prior to the mandatory tender date, give notice to the Bondholders of the mandatory tender of Bonds and (ii) on such mandatory tender date, pay the Purchase Price for the Bonds as provided in the form of Weekly Bonds notwithstanding any substitution of an Alternate Letter of Credit or Alternate Security after the date such notice was given to the Bondholders.

(ii) Change in Mode. In the event that Bonds in the Weekly Mode are converted to another Mode, such Bonds are subject to mandatory tender for purchase upon not less than 15 days' prior written notice from the Paying Agent to the Bondholders as provided in the form of Weekly Bonds, which notice shall state that the Bonds are subject to mandatory tender for purchase and the mandatory tender date.

(D) Multiannual Mode.

(1) Determination of Multiannual Rates and Rate Periods. The interest rate on Bonds in the Multiannual Mode for a particular Rate Period shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, on the basis of prevailing market conditions, is necessary to remarket such Bonds with the same Rate Period at a price equal to the principal amount thereof, plus accrued interest, if any thereon, but not in excess of the Maximum Interest Rate. The Remarketing Agent for the Bonds shall determine the Multiannual Rate and Rate Period as provided above and in the form of Multiannual Bonds in Exhibit D hereto and shall notify the Paying Agent thereof by telephone not later than 2:00 p.m., New York City time, on the Business Day immediately preceding the Effective Date, promptly confirmed in writing. The Paying Agent shall give written notice of the Multiannual Rate to the Trustee, the Bank, if any, and the Company. Each determination and redetermination of the Multiannual Rate and Rate Period shall be conclusive and binding on the City, the Trustee, the Paying Agent, the

Company, the Bank, if any, the Bond Insurer, if any, and the Bondholders. If the Remarketing Agent for the Bonds fails to make such determination or fails to announce the Multiannual Rate for such Bonds as required with respect to any such Bonds in the Multiannual Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the rate to take effect for such Bonds on any Effective Date shall be automatically converted to the Flexible Rate with a Rate Period of one day. Notwithstanding the foregoing, if the Bonds are initially issued in a Multiannual Mode with a Rate Period equal in years to the number of years to the maturity of such Bonds, then the interest rate on such Bonds shall be the rate determined by the Company and as set forth in a resolution of the City Council.

In making the determination and redetermination of the Multiannual Rate and remarketing Bonds in the Multiannual Mode if such Bonds in the Multiannual Mode are Credit Supported Bonds, the Remarketing Agent shall not offer Rate Periods extending beyond the expiration date of any applicable Letter of Credit less 29 days.

(2) Conversions from the Multiannual Mode. The Bonds in the Multiannual Mode or any portion of such Bonds may be converted on any Effective Date at the election of the Company from the Multiannual Mode to the Flexible, Daily or Weekly Mode and may be converted within the Multiannual Mode to a new Rate Period with the same or a different length as provided in the form of the Multiannual Bonds, so long as no Default or Event of Default hereunder exists as certified to the Trustee by the Company. For Bonds that are to be converted to the Flexible, Daily or Weekly Mode and with respect to which the Company has determined that, following such conversion such Bonds are to be Credit Supported Bonds, no such conversion shall be effective unless there shall be then in effect or the Company shall have delivered to the Trustee by 10:30 a.m., New York City time, on the Conversion Date a Letter of Credit or Alternate Security as required by Section 5.03 hereof. Bonds that automatically convert to the Flexible Mode with a one day Rate Period as a result of a failed conversion shall not be Credit Supported Bonds following such conversion. With respect to any Bonds remaining in the Multiannual Mode that are entitled to the benefits of a Letter of Credit or Alternate Security and any other Bonds which are then Credit Supported Bonds, the Trustee shall verify and confirm not later than 10:30 a.m., New York City time, on the Conversion Date that each such Multiannual Bond and other Credit Supported Bond is supported by a Letter of Credit or Alternate Security complying with Sections 2.05 and 5.03 hereof. Written notice of a change in Mode or Rate Period within the Multiannual Mode shall be given by the Company to the City, the Trustee, the Paying Agent, the Bank, if any, the Bond Insurer, if any, the Remarketing Agent and the Rating Agencies not fewer than 25 nor more than 60 days prior to the proposed Conversion Date, which date shall be specified by the Company in such notice. Such notice shall also state whether or not the Company has determined that following conversion such Bonds to be converted are to be entitled to the benefits of a Letter of Credit or Alternate Security.

If any Bonds are issued in the Multiannual Mode with a term to the maturity of such Bonds, then such Bonds may not be converted to any other Mode.

(3) Events Requiring Mandatory Tender of Multiannual Bonds.

(i) Expiration of Letter of Credit Without Substitution or Replacement; Substitution of Letter of Credit or Delivery of Alternate Security. Any Bonds supported by a Letter of Credit or Alternate Security in the Multiannual Mode are subject to mandatory tender for purchase and shall be deemed to have been so

tendered as provided in the form of Multiannual Bonds in connection with (x) the expiration or termination of such Letter of Credit or Alternate Security (other than upon conversion to a new Mode) or (y) the substitution of a Letter of Credit or Alternate Security unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Bondholders in accordance with the last sentence of this paragraph, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies that the rating on such Bonds will not be reduced or withdrawn as a result of such substitution.

(ii) Change in Mode or Rate Period. In the event that Bonds in the Multiannual Mode are converted to another Mode or on the Effective Date of any change in the Multiannual Rate Period, such Bonds are subject to mandatory tender for purchase and shall be deemed to have been so tendered as provided in the form of Multiannual Bonds. With respect to any Bonds in the Multiannual Mode held in book-entry form, the Paying Agent shall give the holders of such Bonds not less than 20 days' prior written notice of the conversion of such Bonds from the Multiannual Mode to a different Mode.

(iii) Mandatory Purchase on Day After the End of Multiannual Rate Period. Whenever the Mode for the Bonds is the Multiannual Mode, each Bond shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof, without premium, plus accrued interest, if any, on the first Business Day after the end of the Multiannual Rate Period.

(E) Partial Conversions.

(1) General. Subject to the terms of the applicable Reimbursement Agreement, if any, the Bonds may be converted on any applicable Effective Date in whole or in part to the Flexible Mode, the Daily Mode, the Weekly Mode or any Rate Period in the Multiannual Mode upon compliance with the conditions set forth in this Ordinance. In the event the Bonds are in (or are to be converted to) more than one Mode, the provisions herein relating to Bonds in a particular Mode (or to be converted to a particular Mode) shall apply only to the Bonds in (or to be converted to) such Mode and, where necessary or appropriate, any reference in this Ordinance to the Bonds shall be construed to mean the Bonds in (or to be converted to) such Mode and any reference to the Letter of Credit or Alternate Security shall be construed to mean any applicable Letter of Credit or Alternate Security supporting the Bonds in (or to be converted to) the Daily Mode, Weekly Mode, Flexible Mode or Multiannual Mode, as applicable, and any reference to the Bank or provider of Alternate Security shall be construed to mean the Bank issuing that Letter of Credit or the applicable provider of that Alternate Security and references thereto shall only apply to Credit Supported Bonds supported by such respective Letters of Credit or Alternate Securities. However, it is understood that, in the case of an initial Letter of Credit, such Letter of Credit will not, unless amended or supplemented, support the payment of Bonds for which there has been a failed conversion pursuant to Section 2.03(A)(2), 2.03(B)(2), 2.03(C)(2) or 2.03(D)(2) hereof and for which such Bonds have been automatically converted to a Flexible Mode with a one day Rate Period. The Trustee is hereby directed to make the appropriate notation on the Flexible Bonds in such instance and it is further understood that as provided in Section 2.14 hereof, there will be no remarketing of such Bonds unless and until such Section 2.14 is complied with.

(2) Selection. In the event of any partial conversion of the Bonds to a new Mode, the Bonds to be converted shall be selected by the Paying Agent from the Bonds in the Mode selected by the Company. The particular

Bonds (or portions thereof) to be converted shall be selected by lot by the Paying Agent from all the Bonds in the Mode (or in the case of Bonds in the Multiannual Mode, the Rate Period) from which Bonds are to be converted. The principal amount of Bonds to be converted shall be determined so that all of the Bonds shall be in the denominations required under Section 2.02 hereof for the particular Modes. Bonds (or portions thereof) in the Flexible, Daily, Weekly or Multiannual Mode shall be selected by lot and the selection of the Bonds to be converted shall occur prior to the date notice of mandatory tender is sent by the Paying Agent pursuant to Section 2.03(A)(3), 2.03(B)(4), 2.03(C)(4) or 2.03(D)(3) hereof.

(3) Amendments. The provisions of this Ordinance may be amended to permit or facilitate partial conversions of the Bonds without Bondholder consent in accordance with Section 12.02 hereof.

(F) Tendered Bonds. The purchase of Tendered Bonds as provided in this Ordinance shall not extinguish the debt represented by such Bonds which shall remain outstanding and unpaid under this Ordinance.

Section 2.04. Conversion. No conversion of Bonds from one Mode to another Mode, including for this purpose the conversion to a new Rate Period in the Multiannual Mode, shall be effective unless on or prior to the Conversion Date the Company shall provide the City, the Bank, the Paying Agent, the Remarketing Agent and the Trustee with an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that the conversion will not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes.

Section 2.05. Reduction and Reinstatement of Letter of Credit on Change in Mode; Release of Letter of Credit Upon Conversion from One Mode to Another Mode. If Bonds are converted from one Mode to another Mode, the Trustee shall, upon request of the Company and to the extent permitted by the applicable Reimbursement Agreement and the applicable Letter of Credit, increase or reduce the amount available to be drawn under the Letter of Credit to which such Bonds are entitled to the benefits or release such Letter of Credit upon such conversion, in each case in accordance with the terms of such Letter of Credit, provided that the amount available under such Letter of Credit complies with Section 5.03 hereof and the last paragraph of this Section 2.05.

In no event shall any reduction in or release of a Letter of Credit pursuant to this Section 2.05 take effect until five Business Days after the conversion. Any increase in the amount of a Letter of Credit shall take effect on the Conversion Date, and the Trustee shall present the appropriate increase certificate to the Bank at the times and as provided in such Letter of Credit to cause such increase to be effective on such date.

If there is a conversion of Bonds from one Mode to another Mode with respect to which a termination of, or a reduction of the amount of, a Letter of Credit is permitted by this Section 2.05 and by such Letter of Credit, the Trustee shall present written notice of the Conversion Date or, in the event of a reduction of the amount of such Letter of Credit, the appropriate reduction certificate to the Bank promptly following the applicable Conversion Date so that the Letter of Credit coverage for the Bonds supported by such Letter of Credit will be terminated or reduced, as the case may be, and if so reduced, will comply with Section 5.03 hereof and the following sentence. If any Bonds are to be entitled to the benefits of a Letter of Credit after the conversion thereof, the applicable Letter of Credit coverage after such conversion shall equal the principal amount of such Bonds which are in the Flexible Mode, the Daily Mode, the Weekly Mode and the Multiannual Mode and which are supported by such applicable Letter of Credit immediately after such conversion plus (i) with respect to such Bonds in the Flexible Mode immediately after such conversion, interest in the amount of the principal amount of such Bonds multiplied by the product of the Maximum Interest Rate and a fraction, the numerator of which is the Rate Period of the Bond plus 209 days and the denominator of which is 365, (ii) with respect to such Bonds in the Daily Mode immediately after such conversion, interest in the amount of the principal amount of such Bonds

multiplied by the product of the Maximum Interest Rate and a fraction, the numerator of which is 60 and the denominator of which is 365, (iii) with respect to such Bonds in the Weekly Mode immediately after such conversion, interest in the amount of the principal amount of such Bonds multiplied by the product of the Maximum Interest Rate and a fraction, the numerator of which is 60 and the denominator of which is 365 and (iv) with respect to such Bonds in the Multiannual Mode (other than a Multiannual Mode fixed to maturity) immediately after such conversion, interest in the amount equal to the sum of (A) the principal amount of such Bonds multiplied by the product of the Maximum Interest Rate and a fraction, the numerator of which is 209 and the denominator of which is 360 and (B) the amount of any premium payable upon the redemption of such Bonds. If any Bonds are to be entitled to the benefits of a Letter of Credit, no later than 12:00 noon, New York City time, on the second Business Day preceding any Conversion Date for any conversion of Bonds from the Weekly Mode to the Flexible Mode or the Multiannual Mode or from the Flexible Mode to the Multiannual Mode, the Trustee shall present the appropriate reinstatement certificate, if any, to the Bank or take such other action at the direction of the Company so that the Letter of Credit coverage after such conversion shall comply with the requirements set forth in this Section 2.05 and in Section 5.03 hereof. The Trustee may request from the Company any supporting documentation necessary to satisfy the requirements of the Reimbursement Agreement concerning any conditions for such reinstatement.

Section 2.06. Execution; Limited Obligation. The Bonds shall be executed on behalf of the City by the Mayor and Treasurer and shall have affixed, impressed or reproduced thereon the corporate seal of the City, attested by the City Clerk. Each of the foregoing officers of the City, after filing with the Secretary of State of New Mexico his or her manual signature certified by him or her under oath, may execute or cause to be executed or attest or cause to be attested the Bonds with a facsimile signature in lieu of his or her manual signature.

In case any officer of the City whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the authentication by the Trustee and delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery; and any Bond may be signed on behalf of the City by such persons as at the time of execution of such Bond shall be the proper officers of the City, even though at the date of such Bond or of the adoption of this Ordinance any such person was not such officer.

The Bonds and the interest thereon shall not be general obligations or an indebtedness of the City within the meaning of Article 9, Sections 12 and 13 of the Constitution of New Mexico, but shall be limited obligations of the City the principal of and premium, if any, and interest on which shall be payable solely from and secured by a pledge of the applicable Receipts and Revenues of the City from the Installment Sale Agreement and other moneys pledged therefor under this Ordinance. As additional security for the payment of the principal of and premium, if any, and interest on the Bonds, the City hereby pledges and assigns to the Trustee all its rights and interest under the Installment Sale Agreement except for the City's rights under Sections 5.05, 5.08 and 8.05, and clause (ii) of paragraph (b) of Section 8.03, thereof. The Bonds shall never constitute an indebtedness of the City within the meaning of any State constitutional provision or statutory limitation, and shall never constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers, and such fact shall be plainly stated on each Bond.

Section 2.07. Authentication. Only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form set forth in Exhibit A through D hereof executed by the Trustee shall be entitled to any right or benefit under this Ordinance. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed with an authorized signature of the Trustee, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder.

Section 2.08. Initial Delivery of Bonds. The City shall execute and deliver to the Trustee and the Trustee shall authenticate the Bonds. The Trustee shall deliver said Bonds to the initial purchasers thereof as may be directed hereinafter in this Section 2.08.

Prior to the delivery by the Trustee of the Bonds there shall be or have been delivered to the Trustee:

- (1) A duly certified copy of this Ordinance.
- (2) An original duly executed counterpart or a duly certified copy of the Installment Sale Agreement.
- (3) An original duly executed counterpart or a duly certified copy of the applicable Letter of Credit, if any, which applies to the Bonds.
- (4) An original duly executed counterpart or a duly certified copy of a Guaranty relating to the Bonds.
- (5) A request and authorization to the Trustee on behalf of the City and signed by the Mayor to authenticate and deliver the Bonds to the purchaser or purchasers therein identified upon payment to the Trustee, but for the account of the City, of a sum specified in such request and authorization plus any accrued interest on such Bonds to the date of delivery, in the aggregate principal amount determined by this Ordinance.
- (6) A written statement on behalf of the Company, executed by an Authorized Company Representative, (i) approving the issuance and delivery of the Bonds and (ii) consenting to each and every provision of this Ordinance, including any Supplemental Ordinance.
- (7) An opinion of Counsel that the Company Indenture, the Senior Unsecured Notes issued thereunder, and each such Guaranty are valid and binding obligations.

Section 2.09. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the City shall execute and the Trustee shall authenticate a new Bond of like date, maturity and denomination and bearing a number not contemporaneously outstanding; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the City, the Trustee and the Company evidence of such loss, theft or destruction satisfactory to the City, the Trustee and the Company, together with indemnity, satisfactory, to them. Upon the issuance of any substitute Bond, the City and the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto. In the event any such Bond shall have matured or is about to mature, or has been called for redemption, instead of issuing a duplicate Bond the City may, with the consent of the Bondholder, pay the same without replacement thereof if in the case of a mutilated Bond, such mutilated Bond shall first have been surrendered to the Trustee and in the case of a lost, stolen or destroyed Bond there shall be first furnished to the City, the Company and the Trustee evidence of such loss, theft or destruction satisfactory to the City, the Trustee and the Company, together with indemnity satisfactory to them. The City and the Trustee may charge the holder of such Bond with the reasonable fees and expenses of the City and the Trustee in connection with any transaction described in this Section 2.09.

Every replacement Bond issued pursuant to the provisions of this Section 2.09 by virtue of the fact that any Bond is lost, stolen or destroyed shall constitute an additional contractual obligation of the City (payable only as provided herein), whether or not the lost, stolen or destroyed Bond shall be at any time enforceable, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Bonds duly issued hereunder. All Bonds shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, lost, stolen or destroyed Bonds, and

shall preclude any and all other rights or remedies, notwithstanding any law or statute now existing or hereafter enacted.

Section 2.10. Transfer of Bonds; Persons Treated as Owners.

The provisions of this Section 2.10 are made subject to the provisions of Section 2.12 hereof which shall control for Bonds which are issued in the book-entry form. All the Bonds issued under this Ordinance shall be negotiable, subject to the provisions for registration and transfer contained in this Ordinance and in the Bonds. The Trustee shall be the Registrar for the Bonds. So long as any of the Bonds shall remain Outstanding, the Registrar shall maintain and keep, at its Principal office, books for the registration and transfer of Bonds, which books shall contain a list of names and addresses of all Bondholders, a record of the principal amount of Bonds owned by such Bondholders, the identity number or numbers of the Bond or Bonds owned by such Bondholders, a record of all payments made by the Trustee to or for the account of such Bondholders and such other matters as the Registrar deems necessary. The information required to be kept by the Registrar hereunder shall be maintained for five years after the expiration of the term of the Bonds.

Upon presentation of any Bond for registration of transfer at the Principal Office of the Registrar, the Registrar shall register or cause to be registered on the books of the Registrar, and permit the registration of transfer thereon, under such reasonable regulations as the Registrar may prescribe, any such Bond entitled to registration of transfer.

The registration of transfer of each Bond shall be made only upon the books of the Registrar, which shall be kept for that purpose at the Principal Office of the Registrar, by the Owner thereof in person or his attorney duly authorized in writing, upon surrender of such Bond thereof at said office, together with a written instrument of transfer satisfactory to the Registrar duly executed by the owner or his duly authorized attorney. Upon the registration of transfer of any such Bond or Bonds, the City shall issue in the name of the transferee, in authorized denominations, a new Bond or Bonds of the same aggregate principal amount, maturity and interest rate as the surrendered Bond or Bonds. Any transfer of a Bond or Bonds during the occurrence and continuance of an Event of Default of which the Trustee is required to take notice or deemed to have notice pursuant to Section 10.05 hereof shall be accompanied by notice of the occurrence and continuance of such Event of Default to the new Owner or Owners.

The City, the Trustee, the Registrar and the Paying Agent may deem and treat the Owner of any Bond as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and premium, if any, and interest on such Bond and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the City, the Trustee nor the Paying Agent shall be affected by any notice to the contrary.

In all cases in which the privilege of transferring Bonds is exercised, the City shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Ordinance. All Bonds surrendered in any such transfers shall forthwith be canceled by the Trustee. For every such transfer of Bonds, whether temporary or definitive, the City, the Registrar or the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer, which sum or sums shall be paid by the person requesting such transfer as a condition precedent to the exercise of the privilege of making such transfer.

Except in connection with any optional or mandatory tender of Bonds pursuant to Section 2.03(A)(3), 2.03(B)(3) or (4), 2.03(C)(3) or (4) or 2.03(D)(3) hereof, the Trustee shall not be obligated to make any registration of transfer of Bonds during the three Business Days next preceding an Interest Payment Date or, in the case of any proposed redemption of Bonds, next preceding the date of the first mailing of notice of such redemption. The Trustee shall not make any registration of transfer of any Bonds called for redemption except to a purchaser who acknowledges in writing to the Trustee at the time of such purchase receipt of notice of the terms of the call for redemption required by Section 3.02 hereof and, if 30 or fewer days remain to the proposed

redemption date, waives the right to have received such notice within the period set forth in Section 3.02 hereof.

Anything in this Ordinance or in the Bonds to the contrary notwithstanding, (i) during the Effective Period of a Letter of Credit, the Registrar shall not register any transfer of or deliver any Company Bonds unless the Company shall have delivered, or caused to be delivered, to the Trustee evidence from the Bank satisfactory to the Trustee that after such transfer, drawings may be made under the applicable Letter of Credit in an aggregate amount at least equal to the principal amount of all Outstanding Bonds entitled to the benefits of such Letter of Credit which immediately after such transfer will not be Company Bonds plus the appropriate number of days of interest on such Bonds and (ii) subsequent to the Effective Period of a Letter of Credit and so long as any moneys are in the subaccounts of the Letter of Credit Account in the Bond Fund or the Letter of Credit Purchase Price Account in the Bond Purchase Fund, the Registrar shall not register any transfer of any Company Bond.

Section 2.11. Temporary Bonds; Replacement Bonds. (a) Pending the preparation of definitive Bonds, the City may execute and the Trustee shall authenticate and deliver temporary Bonds. Temporary Bonds shall be issuable as registered Bonds of any authorized denomination and substantially in the form of the definitive Bonds but with such omissions, insertions and variations as may be appropriate for temporary Bonds, all as may be determined by the City. Temporary Bonds may be issued without specific redemption prices and may contain such reference to any provisions of this Ordinance as may be appropriate. Every temporary Bond shall be executed by the City and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable the City shall execute and furnish definitive fully registered Bonds and thereupon temporary Bonds may be surrendered in exchange therefor without charge at the Principal Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged any temporary Bonds shall be entitled to the same benefits under this Ordinance as definitive Bonds.

(b) The City shall execute and the Trustee shall authenticate and deliver Replacement Bonds to replace Undelivered Bonds (or portions thereof). Any such Replacement Bond shall be executed and authenticated as provided in this Ordinance. Replacement Bonds shall be issued in the appropriate form and shall contain such other provisions as are consistent with the provisions of this Ordinance. The Company shall bear all expenses in connection with the preparation and delivery of the Replacement Bonds. Notwithstanding anything contained herein to the contrary, before delivering any Replacement Bonds to replace any Undelivered Bond or Bonds (or portion thereof), the Trustee may require satisfactory indemnity to be furnished by the Company for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any such action so taken. Replacement Bonds shall not be deemed to create new indebtedness but shall be deemed to evidence the indebtedness previously evidenced by the Undelivered Bond or Bonds (or portion thereof).

Section 2.12. Book-Entry-Only Registration of the Bonds. (a) Except as provided in subparagraph (c) of this Section 2.12 and except for any Bonds with respect to which DTC (as herein defined) or any successor securities depository shall not be providing its services described in this Section 2.12, the registered Owner of all of the Bonds shall be, and the Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee of The Depository Trust Company ("DTC"), New York, New York. Payment of interest on any Bond, as applicable, shall be made in accordance herewith to the account of Cede on the Interest Payment Date for the Bonds at the address indicated for Cede, in the registry books of the City kept by the Registrar.

(b) The Bonds shall be initially issued in the Book-Entry System, as a fully registered certificate representing each maturity of principal. Upon initial issuance the ownership of each such Bond shall be registered in the registry books of the City kept by the Registrar in the name of Cede, as nominee of DTC. So long as such Bonds are in the Book-Entry system, the City, the Company, the Trustee, the Registrar and

the Paying Agent shall treat DTC (or its nominee) as the sole and exclusive Owner of such Bond registered in its name for the purposes of: (i) payment of the principal, redemption price or Purchase Price of, and interest on, each such Bond, (ii) selecting such Bonds or portions thereof to be redeemed, (iii) giving any notice permitted or required to be given to Bondholders, (iv) registering the transfer of such Bonds, and (v) obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and the Trustee shall not be affected by any notice to the contrary. In order to effect permissive purchases of Bonds pursuant to this Ordinance, Beneficial Owners must act only through their DTC participants ("Direct Participants") and the Board, the Trustee, the Bond Registrar, the Paying Agent, the Transfer Agent and the Company will have no responsibility therefor whatsoever. Purchasers of Bonds held under the book-entry system must be made by or through Direct Participants which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the records of the Direct Participants or indirect participants that clear through or maintain a custodial relationship with a Direct Participant either directly or indirectly ("Indirect Participants"). So long as the Bonds are held in the Book-Entry system, the Paying Agent or the Trustee, as the case may be, shall pay the principal, redemption price or Purchase Price of, and interest on, all Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to such principal or redemption price or Purchase Price, and interest, to the extent of the sum or sums so paid. Transfer or crediting of the applicable principal, interest or redemption premium payments made by the Trustee to DTC and by DTC to Direct Participants shall be the sole responsibility of DTC, and transfer of same to Beneficial Owners or their nominees shall be the sole responsibility of DTC and the Direct Participants. So long as any such 2016 Series B Bonds are held in the Book-Entry System, no person other than DTC shall receive an authenticated Bond certificate. Upon delivery by DTC to the Paying Agent and the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of this Ordinance, the word "Cede" herein shall refer to such new nominee of DTC. Transfers of ownership of the Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

(c) (1) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable prior written notice to the City, the Company, the Trustee and the Paying Agent and discharging its responsibilities with respect thereto under applicable law.

(2) The City, at the sole discretion and direction of the Company and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Company determines that the continuation of the system of book-entry-only transfers through DTC (or a successor securities depository) is not in the best interests of the beneficial owners of the Bonds or is burdensome to the City or the Company.

(3) Upon the termination of the services of DTC with respect to the Bonds pursuant to Section 2.12(c)(1) or (2) hereof, after which the City at the written direction of the Company has not within 90 days appointed a substitute securities depository which, in the opinion of the Company, is willing and able to undertake the functions of DTC upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede as nominee of DTC; provided, however, there shall have been delivered an opinion of Bond Counsel to the effect that the release of said restrictions will not adversely affect the exclusion of the interest on the Bonds from gross income for purposes of Federal income taxation. In such event, the City shall issue and the Registrar shall transfer and exchange Bond certificates of like principal amount, and maturity, in authorized denominations to the Direct Participants or the identifiable Beneficial Owners (as identified by DTC or the

Direct Participants) in replacement of such Beneficial Owners' beneficial interests in the Bonds.

(d) Bonds convertible to the Flexible Mode shall be issued in certificated form unless DTC (or a successor securities depository) has established a book-entry system which can accommodate instruments such as the Bonds and the City, at the direction of the Company, determines to use the facilities of DTC (or such successor securities depository) for Bonds in the Flexible Mode.

(e) Notwithstanding any other provision of this Ordinance or of the Bonds to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal, redemption price or Purchase Price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Letter of Representation (as defined below) of the City, the Trustee, the Remarketing Agents and the Paying Agent addressed to DTC with respect to the Bonds.

(f) In connection with any notice or other communication to be provided to Bondholders pursuant to this Ordinance by the City, the Paying Agent, the Registrar or the Trustee with respect to any consent or other action to be taken by the Bondholders, the City, the Paying Agent, the Registrar or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen calendar days in advance of such record date to the extent possible.

(g) For so long as the Bonds are held in book-entry form with one Bond for each maturity in each Mode registered in the name of Cede on the registration books of the Registrar, any Bond called for partial redemption in accordance herewith shall become due and payable on the redemption date designated in the notice of redemption given in accordance with this Ordinance at, and only to the extent of, the redemption price, plus accrued interest to the specified redemption date; and any such Bond shall be paid, to the extent so redeemed, (i) upon presentation and surrender thereof at the office specified in such notice or (ii) at the written request of Cede, by check or draft or by wire transfer to Cede by the Paying Agent, as provided in the form of Bonds. If, on the redemption date, moneys for the redemption of Bonds (or portions thereof) of such maturity to be redeemed, together with interest to the redemption date, shall be held by the Paying Agent so as to be available therefor on such date, and after notice of redemption shall have been given in accordance with this Ordinance, then, from and after the redemption date, the aggregate principal amount of the Bond so called for redemption and registered in the name of Cede shall be immediately reduced by an amount equal to the aggregate principal amount thereof so redeemed, notwithstanding whether such Bond has been surrendered to the Paying Agent for cancellation and notwithstanding anything to the contrary contained in this Ordinance or in the Bonds. Notwithstanding any provision of this Ordinance or in the Bonds to the contrary, the City, the Trustee, the Registrar and the Paying Agent may agree to allow DTC, or its nominee, Cede, to make a notation on any Bond redeemed in part to reflect, for informational purposes only, the principal amount and date of any such redemption.

The Trustee hereby agrees to maintain a payment record reflecting the amount of all payments, any redemption and the date of such payments and redemption. Such payment record shall be conclusive evidence of the amount of Bonds Outstanding at any time.

The Trustee further agrees that it will, together with the City, the Paying Agent and the Remarketing Agent, if not previously on file, execute and deliver to DTC a letter of representation in customary form with respect to the Bonds (the "Letter of Representation"). In the event of any inconsistency between the terms of such Letter of Representation and the terms hereof, the terms of such Letter of Representation shall govern and compliance by the Trustee with the terms thereof shall constitute performance of the inconsistent terms hereof.

Section 2.13. Remarketing of Bonds. (A) Upon the tender of any Bonds in accordance with Section 2.03(A)(3), 2.03(B)(3) or (4), 2.03(C)(3) or (4) or 2.03(D)(3) hereof, the Remarketing Agent shall offer for sale and use its best efforts to sell such Bonds (or portions thereof) on any Purchase Date for such Bonds at the Purchase Price. If

such Bonds are not remarketed, the Remarketing Agent shall continue to use its best efforts to remarket such Bonds unless otherwise directed by the Company.

(B) No Remarketing Agent for the Bonds shall remarket any Bonds pursuant to this Section 2.13 (i) if an Event of Default shall have occurred and be continuing hereunder with respect to such Bonds and such Remarketing Agent shall have received notice of such Event of Default pursuant to Section 9.01(3) or (4) hereof and (ii) following a failed conversion of such Bonds pursuant to Section 2.03(A)(2), 2.03(B)(2), 2.03(C)(2) or 2.03(D)(2) hereof so long as such Bonds remain in the Flexible Mode with a Rate Period of one day. Furthermore, the Remarketing Agent shall have any obligation to remarket or attempt to remarket the Bonds upon such additional events or in such additional circumstances as may be agreed to between the Company and the Remarketing Agent in the Remarketing Agent Agreement.

(C) The Remarketing Agent shall give notice to the Paying Agent, the Trustee, the Company and the Bank by telephone, promptly confirmed in writing, specifying the principal amount of Tendered Bonds as to which the Remarketing Agent has found purchasers, the amounts such Remarketing Agent has received for the purchase of Tendered Bonds, and any deficiency in amounts available to pay the Purchase Price of Tendered Bonds at or before (i) 9:00 a.m., New York City time, on the Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, (ii) 4:00 p.m., New York City time, on the first Business Day immediately preceding the Purchase Date for Tendered Bonds that are to be in the Daily Mode immediately after the Purchase Date, (iii) 4:00 p.m., New York City time, on the first Business Day immediately preceding the Purchase Date for Tendered Bonds that are to be in the Weekly Mode immediately after the Purchase Date, or (iv) 2:00 p.m., New York City time, on the second Business Day immediately preceding the Purchase Date for Tendered Bonds that are to be in the Multiannual immediately after the Purchase Date. If the Trustee shall fail to receive such notice from such Remarketing Agent at the time set forth in the immediately preceding sentence, the Trustee shall nevertheless make drawings under the applicable Letter of Credit to provide the holders of the Bonds entitled to the benefits of a Letter of Credit moneys with respect to the Purchase Price of such Bonds at the times specified in the form of Bonds and as required by Section 5.01(b) hereof. The Remarketing Agent shall give written notice to the Paying Agent of the names, addresses and taxpayer identification numbers of the purchasers and the number and denominations of Bonds to be delivered to the purchaser, and the current rate and the next scheduled Purchase Date of each such Bond successfully remarketed at or before (w) 1:00 p.m., New York City time, on the Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, (x) 4:00 p.m., New York City time, on the first Business Day immediately preceding the Purchase Date for Tendered Bonds to be in the Daily Mode immediately after the Purchase Date, (y) 4:00 p.m., New York City time, on the first Business Day immediately preceding the Purchase Date for Tendered Bonds to be in the Weekly Mode immediately after the Purchase Date, or (z) 2:00 p.m., New York City time, on the second Business Day immediately preceding the Purchase Date for Tendered Bonds to be in the Multiannual Mode immediately after the Purchase Date.

(D) The Remarketing Agent shall deliver to the Paying Agent all amounts received by the Remarketing Agent as proceeds of the remarketing of such Bonds at or before (i) 4:00 p.m., New York City time, on the Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, (ii) 2:00 p.m., New York City time, on the Purchase Date for Tendered Bonds that are to be in the Daily Mode immediately after the Purchase Date, (iii) 2:00 p.m., New York City time, on the Purchase Date for Tendered Bonds that are to be in the Weekly Mode immediately after the Purchase Date, or (iv) 2:00 p.m., New York City time, on the Purchase Date for Tendered Bonds that are to be in the Multiannual Mode immediately after the Purchase Date.

Section 2.14. Remarketing of Bonds Tendered. Any purchase of Tendered Bonds shall be made by payment of the Purchase Price in immediately available funds by the Paying Agent at the time specified in Section 2.13(D) hereof. The Purchase Price shall be equal to the principal amount to be purchased together with the interest accrued on such principal amount to the Purchase Date; provided that, (a) with respect to Bonds in the Daily Mode, Weekly Mode or Multiannual Mode, if the Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as part of the Purchase Price on such date and

(b) with respect to Bonds in the Flexible Mode, accrued interest shall always be paid separately and not as part of the Purchase Price. By (i) 4:00 p.m., New York City time, in the case of Bonds that are to be in the Flexible Mode immediately after the Purchase Date, (ii) 4:00 p.m., New York City time, in the case of Bonds that are to be in the Daily Mode immediately after the Purchase Date, (iii) 4:00 p.m., New York City time, in the case of Bonds that are to be in the Weekly Mode immediately after the Purchase Date, or (iv) 4:00 p.m., New York City time, in the case of Bonds that are to be in the Multiannual Mode immediately after the Purchase Date, on the Purchase Date, Bonds remarketed under this Section 2.14 shall be made available by the Paying Agent to the purchasers thereof (in the case of Bonds in the Flexible Mode, delivered by the Paying Agent to the Remarketing Agent) and shall be registered in the manner directed by the recipient thereof; provided that such Bonds shall not be delivered unless and until the Paying Agent has received the Purchase Price therefor, except that Bonds in the Flexible Mode may be delivered against a window receipt guaranteeing same day payment in immediately available funds; and provided, further, that if the Purchase Price of any Bonds shall have been paid by moneys drawn under a Letter of Credit, such Bonds shall not be delivered until the Trustee shall have received written notice from the Bank that the Bank has been fully reimbursed therefor under the applicable Reimbursement Agreement and as a result the corresponding amount available to be drawn under such Letter of Credit has been reinstated. Bonds not remarketed shall constitute Company Bonds.

Section 2.15. Remarketing of Bonds in the Daily, Weekly, Flexible or Multiannual Mode Between Notice and Redemption or Conversion Date. No Bonds in the Daily, Weekly, Flexible or Multiannual Mode scheduled to be redeemed or converted to a different Mode may be remarketed after receipt by the Remarketing Agent of notice of redemption or conversion of such Bonds to a specified Mode from the Company unless the Remarketing Agent, on or before the Purchase Date, gives notice to the purchaser that the Bonds will be redeemed or converted, and such purchaser will be required to surrender its Bonds for payment on the applicable redemption date or to tender its Bonds for mandatory purchase on the applicable Conversion Date, as the case may be.

Section 2.16. CUSIP Numbers. All payments of principal, premium and interest, whether by check or draft or wire transfer, shall be accompanied by the appropriate CUSIP number identification with appropriate dollar amounts for each CUSIP number.

Section 2.17. Certain Remarketing of Bonds Prohibited. No Bonds may be remarketed by the Remarketing Agent to the Company, the City or any other person known by the Remarketing Agent to be an affiliate of either of the foregoing.

ARTICLE III.

Redemption

Section 3.01. Redemption Dates and Prices.

The following redemption provisions may be modified by the terms of a resolution relating to the Bonds adopted by the City Council of the City prior to the issuance of the affected Bonds.

(a) Optional Redemption.

(i) On any Interest Payment Date during a Rate Period in which Bonds are in the Daily Mode or Weekly Mode, such Bonds shall be subject to optional redemption by the City, upon the exercise by the Company of its option to prepay (except the option referred to in Section 3.01(b) hereof) all or a part of the unpaid balance of the Project Purchase Price and cause such Bonds to be redeemed, in whole or in part, at a redemption price equal to 100% of their principal amount, plus accrued interest, if any, to the redemption date.

(ii) On any Effective Date during a Rate Period in which Bonds are in the Flexible Mode, such Bonds shall be subject to optional redemption by the City,

upon the exercise by the Company of its option to prepay (except the option referred to in Section 3.01(b) hereof) all or a part of the unpaid balance of the Project Purchase Price and cause such Bonds to be redeemed, in whole or in part, at a redemption price equal to 100% of their principal amount, plus accrued interest, if any, to the redemption date.

(iii) During a Rate Period in which Bonds are in the Multiannual Mode, such Bonds shall be subject to optional redemption by the City, upon the exercise by the Company of its option to prepay (except the option referred to in Section 3.01(b) hereof) all or a part of the unpaid balance of the Project Purchase Price and cause such Bonds to be redeemed, in whole, at any time or in part on any Interest Payment Date upon payment of the applicable redemption price, expressed as a percentage of the principal amount of such Bonds to be redeemed, set forth below, plus accrued interest, if any, to the redemption date:

| Rate Periods Remaining Term to Maturity | No Call Period | Redemption Price |
|--|----------------|---|
| Greater than or equal to 11 years | 10 years | 101% declining by 1% on each succeeding anniversary of the end of the no call period until reaching 100%, and thereafter at 100% |

(iv) If the Bonds are initially issued in the Multiannual Mode with a Rate Period ending on the maturity date of the Bonds, the Bonds are subject to redemption at the direction of the Company at such terms and redemption price as set forth in the Resolution of the City supplementing the Ordinance; provided that, if less than all of the Outstanding Bonds shall be called for redemption, the Company shall designate (to the extent not otherwise prohibited) the amount of Bonds and Mode to be redeemed, and if less than all of the Outstanding Bonds in any Mode shall be called for redemption, Bonds to be so redeemed in such Mode shall be selected by the Paying Agent by lot or in any customary manner of selection as determined by the Paying Agent) at the redemption prices plus accrued interest to the redemption date as described in the forms of Bonds hereof. For purposes of this Section 3.01, references to the term Mode shall be deemed to include different Rate Periods within the Multiannual Mode. Notwithstanding the optional redemption provisions in the forms of the Multiannual Bonds, such redemption provisions may be revised by the Remarketing Agent in connection with a conversion, upon delivery by the Company of an opinion of Bond Counsel acceptable to the Paying Agent in form satisfactory to the parties, that the revisions to the optional redemption provisions are valid under New Mexico law and will not adversely affect the exclusion from gross income of interest on the Bonds for Federal income tax purposes. In determining any revisions to the optional redemption provisions, the Remarketing Agent shall take into account redemption provisions and call protection for securities having an investment quality which is, in the judgment of the Remarketing Agent, approximately the same as the Bonds.

(b) Extraordinary Optional Redemption. The Bonds are subject to redemption prior to maturity as a whole or in part (provided that, if less than all of the Outstanding Bonds shall be called for redemption, the Company shall designate (to the extent not otherwise prohibited) the amount of Bonds and the Mode to be redeemed, and if less than all of the Outstanding Bonds in any Mode shall be called for redemption, Bonds to be so redeemed in such Mode shall be selected by the Paying Agent by lot or in any customary manner of selection as determined

by the Paying Agent) at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of its option to prepay all or a part of the unpaid balance of the Project Purchase Price in accordance with Section 9.01(a) of the Installment Sale Agreement if the Company shall have determined that the continued operation of any part of the Facilities relating to any of the electrical generating units in connection with which the Facilities are to be utilized at the Plants or the operation of any such unit or any other part of the Facilities is impractical, uneconomical or undesirable for any reason; provided, however, that there shall not be so redeemed Company Bonds.

(c) Mandatory Redemption. Bonds that are entitled to the benefits of a Letter of Credit are subject to mandatory redemption in whole on any day within fifteen days after receipt by the Trustee from the Bank of a notice pursuant to any applicable Reimbursement Agreement or Letter of Credit stating that an "event of default" thereunder has occurred. Such Credit Supported Bonds so redeemed will be redeemed at a redemption price equal to 100% of the principal amount to be redeemed plus unpaid interest accrued to the redemption date.

(d) Special Mandatory Redemption. Prior to the date that the Bonds are deemed paid in accordance with Section 8.02 hereof, the Bonds are subject to special mandatory redemption in whole or in part and shall be redeemed at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on the 180th day (or such earlier date as may be designated by the Company) after a final determination by a court of competent jurisdiction or an administrative agency to the effect that, as a result of failure by the Company to perform or observe any covenant, agreement or representation in the Installment Sale Agreement, the interest payable on the Bonds is includable in whole for Federal income tax purposes in the gross income of the holders thereof, other than any holder who is a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code; provided, however, that there shall not be so redeemed Company Bonds. No determination by any court or administrative agency shall be considered final unless the Company shall have participated in the proceeding which resulted in such determination, either directly or through a Bondholder, to a degree it deems sufficient and until conclusion of any appellate review or reviews sought by any party to such proceeding or the expiration of the time for seeking such review or reviews. The Bonds shall be redeemed either in whole or in part (provided that, if less than all of the Bonds Outstanding shall be called for redemption, the Company shall designate (to the extent not otherwise prohibited) the amount of Bonds and the Mode to be redeemed, and if less than all of the Bonds Outstanding in any Mode shall be called for redemption, Bonds to be so redeemed in such Mode shall be selected by the Paying Agent by lot or in any customary manner of selection as determined by the Paying Agent) in such principal amount as may be required so that, in the opinion of Bond Counsel, the interest payable on the Bonds remaining Outstanding after such redemption would not be includable in whole in the gross income of any holder thereof for Federal income tax purposes, other than a holder who is a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code.

(e) Sinking Fund. The Bonds shall be subject to such sinking fund and other redemption provisions as may be set forth by a resolution of the City Council of the City adopted prior to the issuance of such Bonds. In lieu of making all or any part of any sinking fund payment in cash, the Company may at its option (i) deliver to the Trustee any Bonds which are entitled to the benefit of such sinking fund theretofore acquired by the Company and receive credit therefor and (ii) receive credit for Bonds which are entitled to the benefit of such sinking fund theretofore delivered to the Trustee by the Company or acquired by the Trustee or redeemed otherwise than through operation of the sinking fund or deemed to have been paid in accordance with Section 8.02 hereof, and, in any case, not theretofore applied as a credit against any sinking fund payment. On or before the fortieth day next preceding such sinking fund payment date, the Company shall deliver to the Trustee (x) a certificate of an Authorized Company Representative specifying the portions of such sinking fund payment to be satisfied by payment of cash, by delivery of Bonds theretofore acquired and by credit for Bonds previously delivered, acquired, redeemed or deemed to have been paid in accordance with Section 8.02 hereof, stating that no such Bonds have theretofore been made the basis of any credit against any sinking

fund payment, and (y) such Bonds theretofore acquired by the Company to the extent not previously delivered to the Trustee. Such Bonds shall be credited against sinking fund requirements at 100% of the principal amount thereof.

Section 3.02. Notice of Redemption. If any of the Bonds are called for redemption, and provided that, if the redemption is at the option of the Company pursuant to Section 3.01(a) or (b) hereof, the Company shall have given written notice of such redemption to the Trustee not less than 45 days prior to the date fixed for redemption, notice of redemption shall be given by the Trustee electronically or by first class mail not less than 30 days or more than 60 days prior to the redemption date (except that notice of redemption pursuant to Section 3.01(c) hereof of Credit Supported Bonds shall be given as promptly as practicable after receipt by the Trustee of notice from the Bank, and notice of any optional redemption of Bonds in the Flexible Mode shall not be given) as follows: (i) to the respective holders of the Bonds designated for redemption by first class mail at their addresses appearing on the bond registration books of the Registrar, (ii) to the securities depositories that are registered owners, (iii) to two national information services such as Kenny Information Systems Notification Service, 65 Broadway, 16th Floor, New York, New York 10004, (iv) to the Bondholders of \$1,000,000 or more in aggregate principal amount of Bonds and (v) to the trustee under the Company Indenture (or the Governing Instrument, in the event of an exchange pursuant to Section 12.09(b) hereof).

Each notice of redemption shall state at a minimum the complete official name of the issue, including designation, CUSIP number, certificate numbers, amounts called of each certificate (for partial calls), publication date, the date of issue, interest rate, maturity date of the Bonds, the redemption date, the redemption price, the place or places of redemption and appropriate address or addresses with name of contact person and telephone number.

Any notice for the redemption of any Bond mailed as provided herein shall be conclusively deemed to have been duly given whether or not such notice is received. Failure to mail any such notice to any Bondholder or information service or any defect therein shall not affect the validity of the proceedings for such redemption as to the Owners of any Bonds to whom notice has been mailed.

With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been paid within the meaning hereof, such notice shall state that such redemption shall be conditioned upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds or portions thereof to be redeemed or satisfaction of such other conditions as may be set forth therein, and that if such moneys shall not have been so received or such other conditions shall not have been satisfied said notice shall be of no force and effect and the City shall not be required to redeem such Bonds or portions thereof. In the event that such notice of redemption contains such a condition and such moneys are not so received or such other conditions are not satisfied, the redemption shall not be made and the Trustee shall within five days thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received or such other conditions were not satisfied.

Section 3.03. Cancellation. All Bonds which have been surrendered for the purpose of payment (including Bonds which have been redeemed prior to maturity) shall be canceled, may be subsequently destroyed by the Trustee and shall not be reissued, and a written notice of such cancellation and destruction, if such occurs, shall be furnished by the Trustee to the City and the Company. The Company may deliver to the Trustee any Bonds owned by the Company for cancellation pursuant to this Section 3.03. The cancellation by the Trustee of Bonds purchased by the Company or of Bonds redeemed or purchased by the City through funds other than funds received with respect to the Project Purchase Price shall constitute payment of an amount of the Project Purchase Price equal to the principal amount of the Bonds so canceled.

Section 3.04. Payment of Bonds Upon Redemption; Partial Redemption. In the event of any redemption of the Bonds, the Paying Agent shall pay the redemption price of the Bonds on the redemption date

for the Bonds in lawful money of the United States of America upon presentation of the Bonds to be redeemed at the Principal Office of the Paying Agent. All payments for the redemption of the Bonds shall be made with Available Moneys.

The Bonds shall be redeemed only in the principal amount of \$100,000 or any integral multiple of \$5,000 in excess thereof for Bonds in the Flexible Mode, \$5,000 or any integral multiple thereof for Bonds in a Multiannual Mode or \$100,000 or any integral multiple thereof for Bonds in a Daily Mode or Weekly Mode. In the event of the partial redemption of a Bond of denomination greater than \$100,000 (or \$5,000 or any integral multiple thereof for Bonds in a Multiannual Mode), then for all purposes in connection with such redemption, each \$100,000 or \$5,000 of face value, as the case may be, shall be treated as though it were a separate Bond in the denomination of \$100,000 or \$5,000, as the case may be. If it is determined that one or more, but not all, of the \$100,000 or \$5,000, as the case may be, units of face value represented by any Bond are to be redeemed, then on the redemption date for such Bond, the Owner of such Bond shall forthwith surrender such Bond to the Paying Agent (i) for payment of the redemption price (including accrued interest or interest due thereon on the date fixed for redemption) of the portion thereof called for redemption and (ii) at the option of the Owner of such Bond (1) for appropriate endorsement thereon to reflect such redemption or (2) for exchange for Bonds, without charge therefor, in any authorized denomination or denominations in exchange for and in the aggregate principal amount of the unredeemed portion of such Bond. If the holder of any such Bond of a denomination greater than \$100,000 or \$5,000, as the case may be, shall fail to present such Bond to the Paying Agent for payment and endorsement or exchange, as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the \$100,000 or \$5,000, as the case may be, unit or units of principal amount called for redemption (and to that extent only).

Section 3.05. Redemptions During Event of Default. Anything in this Ordinance to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default, there shall be no redemption of less than all of the Bonds at the time Outstanding, except Bonds deemed to have been paid in accordance with Section 8.02 hereof prior to the occurrence of such Event of Default and Company Bonds.

Section 3.06. Deposit of Moneys; Interest to Cease to Accrue. For the redemption of any of the Bonds, the City shall cause to be deposited in the Bond Fund, on the redemption date, out of the Receipts and Revenues of the City from the Installment Sale Agreement relating to such Bonds or drawings on any Letter of Credit or Alternate Security, an amount sufficient to pay the principal of and premium, if any, and interest to become due on such redemption date.

Any amount in the Bond Fund pursuant to Section 4.03 hereof and available therefor shall be credited against any amount required to be caused to be so deposited in the Bond Fund.

Moneys for payment of the principal of and premium, if any, and interest to the date of redemption on Bonds called for redemption as hereinabove provided shall be set aside by the Trustee in trust for the Owners of such Bonds. Interest on such Bonds shall cease to accrue on the date fixed for redemption.

ARTICLE IV.

Funds

Section 4.01. Creation of the Bond Fund. There is hereby created by the City and ordered established with the Trustee a trust fund to be designated "City of Farmington, New Mexico, Pollution Control Revenue Refunding Bond Fund, 2016 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects)" (such fund is herein referred to as the "Bond Fund") which shall be used to pay the principal of, and the redemption premium (if any) and the interest on the Bonds when due. There shall be established as separate accounts within the Bond Fund, if applicable, a Letter of Credit Account, an Alternate Security Account, an Earnings Account, a Capital Account and a General Account and moneys therein shall not be commingled. Within the Letter of Credit Account there shall be established by the Trustee separate sub-accounts with respect to each Letter of Credit and moneys therein

shall not be commingled. Within the Alternate Security Account there shall be established by the Trustee separate sub-accounts with respect to each Alternate Security and moneys therein shall not be commingled.

Section 4.02. Payments into the Bond Fund. There shall be paid into the General Account in the Bond Fund, as and when received:

(a) the portion of the proceeds of the issuance and sale of the Bonds to which such Bond Fund relates equal to the interest, if any, accrued on such Bonds to the date of delivery of such Bonds paid by the initial purchasers of such Bonds;

(b) all payments specified in Section 5.02 of the Installment Sale Agreement relating to the Bonds to be deposited in the Bond Fund;

(c) all other moneys received by the Trustee under and pursuant to any of the provisions of this Ordinance or the Installment Sale Agreement which are required or which are accompanied by directions that such moneys are to be paid into the Bond Fund; and

(d) any payments by the Company pursuant to the Guaranty or realized upon the security pledged in connection therewith.

With respect to Credit Supported Bonds which are supported by a Letter of Credit, there shall be deposited into the Letter of Credit Account in the Bond Fund in the subaccount with respect to such Letter of Credit all moneys (other than moneys received by the Trustee from drawings under Section 5.01(b)(i) hereof) received by the Trustee under such Letter of Credit and, with respect to Credit Supported Bonds which are supported by an Alternate Security, there shall be deposited into the Alternate Security Account in the Bond Fund in the subaccount with respect to such Alternate Security all moneys (other than moneys received by the Trustee in connection with a purchase of the Bonds to which such Bond Fund relates) received by the Trustee under such Alternate Security, which moneys shall not be commingled with any other moneys held by the Trustee.

Section 4.03. Use of Moneys in the Bond Fund. Except as provided in Section 4.09 hereof and as otherwise expressly provided elsewhere herein, moneys in the Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds when due on an Interest Payment Date, at maturity, upon acceleration or otherwise and for the redemption of the Bonds at or prior to maturity pursuant to Section 3.01 hereof, but only from the following sources in the order of priority indicated:

(a) For the Bonds entitled to the benefits of a Letter of Credit only, moneys in the subaccount with respect to such Letter of Credit of the Letter of Credit Account, and for Bonds entitled to the benefits of an Alternate Security only, moneys in the subaccount with respect to such Alternate Security of the Alternate Security Account;

(b) Available Moneys from sources other than the Letter of Credit Account or Alternate Security Account; or

(c) Other moneys on deposit in the Bond Fund.

Whenever so directed by a written notice signed by an Authorized Company Representative, and to the extent that moneys are then Available Moneys, the Trustee shall use moneys in the General Account of the Bond Fund as the Company may direct to purchase the Bonds to which such Bond Fund relates then Outstanding on the most advantageous terms obtainable with reasonable diligence, or in such other manner as the Company shall so direct, with the price payable to effect such purchase not to exceed 100% of the principal amount thereof. Accrued interest on the Bonds so purchased, and all expenses in connection with such purchase, shall be paid from Available Moneys in the General Account of the Bond Fund.

The City hereby authorizes and directs the Trustee to withdraw, from time to time, sufficient moneys from the Bond Fund, to draw moneys under the Letter of Credit in accordance with the terms thereof and the provisions of Section 5.01(a) hereof and to request payment under the Alternate Security, in each case to the extent necessary to pay the principal of, premium, if any, or interest on the Bonds as the same

become due and payable, which authorization and direction the Trustee hereby accepts; provided, however, that, anything in this Ordinance to the contrary notwithstanding, the Trustee shall not make a drawing under any Letter of Credit for the payment of principal of, premium, if any, or interest on any Company Bonds or with respect to Bonds which are not entitled to the benefits of such Letter of Credit and shall not request payment under any Alternate Security for the payment of the principal of, premium, if any, or interest on any Company Bonds or with respect to Bonds which are not entitled to the benefits of such Alternate Security.

Section 4.04. Creation of the Bond Purchase Fund. There is hereby created by the City and ordered established with the Trustee a Fund to be designated "City of Farmington, New Mexico Pollution Control Revenue Refunding Bond Purchase Fund, 2016 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects)" (which fund is herein referred to as the "Bond Purchase Fund") which shall be used to pay the Purchase Price of the Bonds required to be purchased under this Ordinance. There shall be established as separate accounts within the Bond Purchase Fund a Letter of Credit Purchase Price Account, an Alternate Security Purchase Price Account and a General Purchase Price Account, and within the Letter of Credit Purchase Price Account there shall be established by the Trustee separate subaccounts with respect to each Letter of Credit, moneys therein shall not be commingled. Within the Alternate Security Purchase Price Account, there shall be established by the Trustee separate subaccounts with respect to each Alternate Security, and moneys therein shall not be commingled.

Section 4.05. Payments into the Bond Purchase Fund. There shall be paid into the General Purchase Price Account in the Bond Purchase Fund as and when received:

- (a) the proceeds of any remarketing of the Bonds by the Remarketing Agent pursuant to Section 2.13 hereof;
- (b) all payments specified in Section 5.02 of the Installment Sale Agreement to be deposited in the Bond Purchase Fund; and
- (c) all other moneys received by the Trustee under and pursuant to any of the provisions of this Ordinance or the Installment Sale Agreement which are required or which are accompanied by directions that such moneys are to be paid into the Bond Purchase Fund.

With respect to Credit Supported Bonds which are supported by a Letter of Credit, there shall be deposited into the Letter of Credit Purchase Price Account in the Bond Purchase Fund in the subaccount with respect to such Letter of Credit all moneys received by the Trustee from drawings under such Letter of Credit pursuant to Section 5.01(b)(i) hereof and, with respect to Credit Supported Bonds which are supported by an Alternate Security, there shall be deposited into the Alternate Security Purchase Price Account in the subaccount with respect to such Alternate Security all moneys received by the Trustee under such Alternate Security, which moneys shall not be commingled with any other moneys held by the Trustee.

Section 4.06. Use of Moneys in the Bond Purchase Fund. (a) Except as provided in Section 4.09 hereof, moneys in the Bond Purchase Fund shall be used solely for the payment of the Purchase Price of the Bonds required to be purchased by the Paying Agent on the Purchase Date.

(b) The City hereby authorizes and directs the Trustee to withdraw, from time to time, sufficient moneys from the Bond Purchase Fund and transfer such moneys to the Paying Agent for use by the Paying Agent to pay the Purchase Price of the appropriate Bonds required to be purchased by the Paying Agent, which authorization and direction the Trustee hereby accepts. The Paying Agent shall return all monies unclaimed on the Purchase Date to the Trustee. The Trustee shall deposit in the Bond Purchase Fund any moneys not claimed on any Purchase Date by any holder of a Bond tendered (or deemed to have been tendered) for purchase on such date when such moneys are delivered to the Trustee by the Paying Agent. Monies for the payment of the Purchase Price of such Bonds shall be drawn by the Trustee from the Bond Purchase Fund in the order of priority indicated below:

- (i) the proceeds of the remarketing of the Bonds by the Remarketing Agent pursuant to Section 2.13

hereof if such proceeds are Available Moneys;

(ii) with respect to Bonds entitled to the benefits of a Letter of Credit only, moneys in the subaccount with respect to such Letter of Credit of the Letter of Credit Purchase Price Account and with respect to Bonds entitled to the benefits of an Alternate Security only, moneys in the subaccount with respect to such Alternate Security of the Alternate Security Purchase Price Account; and

(iii) any other moneys in the Bond Purchase Fund which are then Available Moneys.

Promptly after receiving the notice required to be given to the Trustee by the Remarketing Agent pursuant to Section 2.13 hereof with respect to Bonds entitled to the benefits of a Letter of Credit or Alternate Security, the Trustee is authorized and directed to draw on the Letter of Credit or request payment under the applicable Alternate Security in an amount which together with the proceeds of the remarketing of the Bonds, will provide Available Moneys sufficient to pay the Purchase Price of such Credit Supported Bonds (other than Company Bonds) required to be purchased on the Purchase Date.

Section 4.07. Non-Presentation of Bonds. In the event that any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, at the date fixed for redemption thereof or otherwise, if Available Moneys sufficient to pay such Bonds shall have been deposited in the Bond Fund by the Trustee for the benefit of the holders thereof, all liability of the City to the holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys in trust, without liability for interest thereon, for the benefit of the holder of such Bond who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature under this Ordinance or on, or with respect to, said Bond. Such funds shall not be deemed to be part of the Bond Fund and shall not be subject to investment.

In addition, in the event Bonds are deemed to have been tendered for purchase by the Paying Agent and moneys sufficient to pay such Bonds shall have been delivered to the Paying Agent pursuant to Section 4.06(b) hereof and such moneys have been returned to the Trustee as unclaimed, the Company or its designee shall be the holder of such Bonds for all purposes of this Ordinance. All liability of the City to the former holders thereof for the payment of such Bonds shall forthwith cease, innate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys in trust, without liability for interest thereon, for the benefit of the former holders of such Bonds who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature under this Ordinance or on, or with respect to, said Bonds. The Trustee shall pay moneys to such former holders only upon surrender to the Trustee of such Undelivered Bonds. Such funds shall not be deemed to be part of the Bond Purchase Fund and shall not be subject to investment.

Any moneys so deposited with and held by the Trustee pursuant to this Section 4.07 and not so applied to the payment of Bonds within two years after the date on which the same shall have become due shall be paid to the Bank or provider of Alternate Security supplying such moneys to the extent of any amounts payable to such Bank or provider of Alternate Security under the applicable Reimbursement Agreement, and the balance, if any, shall be repaid by the Trustee to the Company upon direction of an Authorized Company Representative, and thereafter Bondholders shall be entitled to look only to the Company for payment, and then only to the extent of the amount so repaid, and all liability of the Trustee with respect to such money shall thereupon cease, and the Company shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Section 4.08. Moneys to be Held in Trust. All moneys paid over to the Trustee for the account of the Bond Fund, the Bond Purchase Fund or the Redemption Fund under any provision of this Ordinance shall be held by the Trustee in trust and applied for the purposes herein specified.

Section 4.09. Payments to the Company From Funds. Any moneys remaining in the Bond Fund, the Bond Purchase Fund, the Redemption Fund or any other fund or account established under this Ordinance with respect to the Bonds (other than moneys held by the Trustee pursuant to Section 4.07 hereof) after (i) Payment in Full of the Bonds or (ii) payment of principal of, premium, if any, and interest on Credit Supported Bonds (other than Company Bonds) pursuant to a draw upon the Letter of Credit by the Trustee as provided in Section 5.01 hereof or pursuant to a payment under an Alternate Security and payment in full of all other Bonds Outstanding, shall be remitted by the Trustee upon written instructions from any Bank or provider of Alternate Security in accordance with such instructions to such Bank or provider of Alternate Security to the extent of any amounts payable to such Bank or provider of Alternate Security under the Reimbursement Agreement (it being understood that if there are Letters of Credit and Alternate Securities outstanding, such providers and Banks shall be paid proportionately according to the amounts then owed), and the balance, if any, shall be paid to the Company.

Section 4.10. Arbitrage Rebate Fund. (a) There is hereby created by the City and ordered to be established with the Trustee the Arbitrage Rebate Fund. The Trustee shall hold in said Fund any moneys delivered by the Company to the Trustee for deposit therein.

(b) Moneys on deposit in the Arbitrage Rebate Fund shall be invested and reinvested in Investment Securities at the direction of the Company and shall be applied by the Trustee in accordance with the direction of the City or the Company to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Company shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys held in the Arbitrage Rebate Fund which the Company determines to be in excess of the amount required to be so rebated shall be deposited to the Bond Fund in accordance with the directions of the Company.

Section 4.11. Redemption Fund.

There is hereby created by the City and ordered to be established with the Trustee a trust fund to be designated the "City of Farmington, New Mexico Pollution Control Revenue Refunding Redemption Fund, 2016 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects)" (which fund is herein referred to as the "Redemption Fund") into which there shall be deposited the proceeds received by the City upon the initial sale of the Bonds other than that portion of such proceeds to be paid into the General Account in the Bond Fund in accordance with Section 4.02(a) hereof. The City hereby authorizes and directs the Trustee to pay the moneys in the Redemption Fund on the date of the initial issuance of the Bonds and following receipt of payment therefor in an amount equal to \$100,000,000 to the 2003 Trustee to be used, together with other amounts paid by the Company, to pay the redemption price plus accrued interest when due on all of the Prior Bonds on the redemption date specified in a resolution to be adopted by the City Council prior to the issuance of the Bonds on all of the Prior Bonds in accordance with the provisions of the 2003 Ordinance and pursuant to such other agreements as may be authorized prior to the issuance of the Bonds.

ARTICLE V.

The Letter of Credit; Receipts and Revenues of the City from the Installment Sale Agreement

Section 5.01. Trustee's Duty to Draw on Letter of Credit. (a) Draws to Pay Principal, Premium and Interest from Bond Fund During the Effective Period of a Letter of Credit. The Trustee shall draw moneys under the Letter of Credit in accordance with the terms thereof to the extent necessary to make full and timely payments of principal of, premium, if any, and interest on the Bonds when due on an Interest Payment Date, at maturity, upon acceleration or otherwise and for the redemption of the Bonds at or prior to maturity pursuant to Section 3.01 hereof which are entitled to the benefits of such Letter of Credit required to be made from the Bond Fund in accordance with the provisions of Section 4.04 hereof and shall deposit the moneys from such draws in the subaccount with respect to such Letter of Credit of the Letter of

Credit Account in the Bond Fund. All draws under the Letter of Credit shall be made so as to enable the Trustee to provide to the holders of Bonds entitled to the benefits of such Letter of Credit immediately available Fund in New York, New York, by 4:00 p.m., New York City time, on the due date of the principal of, premium, if any, or interest on such Bonds.

(b) Draws to Pay Purchase Price or Provide for Payment in Full of the Bonds. In addition, during the Effective Period of a Letter of Credit, the Trustee shall (i) draw moneys under such Letter of Credit in accordance with the terms thereof to the extent necessary to make full and timely payments required to be made pursuant to, and in accordance with, Sections 2.03(A)(3), 2.03(B)(3) and (4), 2.03(C)(3) and (4) and 2.03(D)(3) hereof with respect to the Bonds which are entitled to the benefits of such Letter of Credit after receipt of notice from the Remarketing Agent pursuant to Section 2.13(C) hereof of any deficiency in the amounts available to pay the Purchase Price of the Bonds, (ii) draw moneys under such Letter of Credit in accordance with the terms thereof to the extent necessary to make full and timely payments of Purchase Price required to be made pursuant to, and in accordance with, Sections 2.03(A)(2), 2.03(B)(2), 2.03(C)(2) and 2.03(D)(2) hereof with respect to the Bonds which are entitled to the benefits of such Letter of Credit as a result of a failed conversion of such Bonds and (iii) upon the receipt of any notice or direction by the Company pursuant to Section 9.02 of the Installment Sale Agreement, draw moneys under the Letter of Credit in accordance with the terms thereof in the amounts specified in such notice or direction and apply such moneys to the provision for Payment in Full of all or a portion of the Bonds which are entitled to the benefits of such Letter of Credit pursuant to Section 8.02 hereof as specified in such notice or direction. All draws under a Letter of Credit to pay such Bonds entitled to the benefits of such Letter of Credit pursuant to Section 2.03(A)(3), 2.03(B)(3) or (4), 2.03(C)(3) or (4) or 2.03(D)(3) hereof or pursuant to Section 2.03(A)(2), 2.03(B)(2), 2.03(C)(2) or 2.03(D)(2) hereof or to provide for Payment in Full of all or a portion of the Bonds which are entitled to the benefits of such Letter of Credit shall be made so as to enable the Trustee or Paying Agent, as the case may be, to provide to the holder of such Credit Supported Bonds moneys at the times specified in the form of Bonds with respect to Purchase Price and with respect to the Payment in Full of Bonds which are supported by such Letter of Credit, by 4:00 p.m., New York City time, on the date such payment or provision for payment is to be made. However, it is understood that, in the case of an initial Letter of Credit, such Letter of Credit will not, unless amended or supplemented, support the payment of Bonds for which there has been a failed conversion pursuant to Section 2.03(A)(2), 2.03(B)(2), 2.03(C)(2) or 2.03(D)(2) hereof and with respect to which the Purchase Price thereof has been paid in accordance with the terms hereof and for which such Bonds have been automatically converted to a Flexible Mode with a one day Rate Period.

(c) Company Bonds. Whenever the principal of any Bonds shall have been paid, whether upon the redemption or prepayment or upon the maturity or acceleration thereof, with moneys drawn under a Letter of Credit as provided in this Section 5.01, such Bonds shall not be canceled or remarketed as provided hereunder, but shall constitute Company Bonds until the Bank shall have been fully reimbursed therefor under the Reimbursement Agreement.

Section 5.02. Alternate Letter of Credit or Alternate Security.

(a) If at any time there shall have been delivered to the Trustee an Alternate Letter of Credit or Alternate Security pursuant to Section 5.14 of the Installment Sale Agreement and the other requirements of the Installment Sale Agreement and this Ordinance shall have been complied with in respect to the replacement of a Letter of Credit, then the Trustee shall accept such Alternate Letter of Credit or Alternate Security and promptly notify in writing the Bank issuing such Letter of Credit, and surrender such Letter of Credit in accordance with its terms, for cancellation. If at any time no Bonds to which a Letter of Credit relates are Outstanding hereunder, the Trustee shall promptly surrender for cancellation such Letter of Credit to the Bank, in accordance with the terms of such Letter of Credit.

(b) The Trustee shall promptly surrender a Letter of Credit to the Bank in accordance with the terms of such Letter of Credit for cancellation in the event the Company shall have requested the Trustee to surrender such Letter of Credit and the Company shall have delivered to

the Trustee the notice, opinions, certificate and written evidence required by Section 5.14 of the Installment Sale Agreement.

(c) The Trustee shall in all cases comply with the procedures set forth in the Letter of Credit relating to the surrender thereof.

(d) The failure of the Trustee to surrender a Letter of Credit to the Bank in accordance with the terms of this Section 5.02 and the terms of such Letter of Credit shall not affect the expiration of such Letter of Credit in accordance with its terms.

Section 5.03. Additional Requirements. Alternate Letter of Credit or Alternate Security must:

(a) be an irrevocable, unconditional obligation of a financial institution;

(b) be on terms no less favorable to the Trustee than the initial Letter of Credit to which such Alternate Letter of Credit or Alternate Security relates and (i) with respect to any Alternate Letter of Credit, entitle the Trustee to draw upon or demand payment and receive in immediately available funds an amount equal to the sum of the principal amount of Bonds supported by such Letter of Credit and any redemption premium applicable thereto and (x) with respect to any Bonds to which such Alternate Letter of Credit or Alternate Security relates in the Daily Mode or Weekly Mode entitled to the benefits of such Letter of Credit, 60 days' accrued interest at the Maximum Interest Rate on the principal amount of such Bonds then Outstanding and (y) with respect to any Bonds in the Flexible Mode or Multiannual Mode entitled to the benefits of such Letter of Credit, 209 days' accrued interest at the Maximum Interest Rate on the principal amount of such Bonds then Outstanding or (ii) with respect to any Alternate Security, provide the Trustee with rights or entitlements appropriate to such Alternate Security; and

(c) provide for a term which may not expire in less than one year and which may not expire or be terminated prior to the fifth Business Day after the mandatory tender for purchase as provided in Section 2.03(A)(3), 2.03(B)(4), 2.03(C)(4) or 2.03(D)(3) hereof. The Company shall not enter into any Reimbursement Agreement or agree to an amendment of a Reimbursement Agreement which (i) in any way limits the obligation of the Bank to provide funds under the Letter of Credit to which such Reimbursement Agreement relates without the prior written consent of 100% of the principal amount of the Bonds Outstanding and entitled to the benefit of the Letter of Credit to which such Reimbursement Agreement relates or (ii) provides or contemplates additional security or collateral to secure the Company's obligations thereunder that was not provided in the Reimbursement Agreement with respect to an initial Letter of Credit if payment of the Bonds to which such Letter of Credit relates is to be made from moneys representing proceeds from the resale by the Remarketing Agent of Bonds described in clause (ii) of the definition of "Available Moneys."

Section 5.04. Alternate Security. If an Alternate Security is delivered to the Trustee, the Trustee agrees to request payments thereunder to the extent necessary (i) to make timely payments of principal of, premium (if covered by such Alternate Security), if any, and interest on the Credit Supported Bonds entitled to the benefits of such Alternate Security and (ii) to make timely payments required to be made pursuant to and in accordance with Sections 2.03(A)(3), 2.03(B)(3) and (4), 2.03(C)(3) and (4) and 2.03(D)(3) hereof and to provide for Payment in Full of the Bonds.

Section 5.05. Receipts and Revenues of the City from the Installment Sale Agreement to be Paid Over to Trustee. The City will cause the applicable Receipts and Revenues of the City from the Installment Sale Agreement relating to the Bonds to be paid to the Trustee for deposit in the Bond Fund or the Bond Purchase Fund, as the case may be.

Section 5.06. Receipts and Revenues of the City from the Installment Sale Agreement to be Held for All Bondholders; Certain Exceptions. The Receipts and Revenues of the City from the Installment Sale Agreement and investments thereof shall, until applied as provided

in this Ordinance, be held by the Trustee for the benefit of the holders of all Outstanding Bonds, except as provided in Sections 4.03, 4.06, 4.07 and 8.02 hereof. Notwithstanding the foregoing, it is understood that Company Bonds and Bonds which are not supported by a Letter of Credit shall not be entitled to Receipts and Revenues of the City from the Installment Sale Agreement arising from drawings on such Letter of Credit.

ARTICLE VI.

Investments

Section 6.01. Investment Securities. The term "Investment Securities" means the following obligations or securities (provided that, so long as Article XIV hereof shall be effective by its terms with respect to the Bonds, "Investment Securities", with respect to such Bonds, shall mean the obligations and securities described in Section 14.05 hereof) (in each case only to the extent investment therein would not violate the laws of the State of New Mexico) on which the Company is not the obligor, maturing at such time or times as to enable disbursements to be made from the Bond Fund or the Bond Purchase Fund, as the case may be, in accordance with the terms hereof, or which shall be marketable prior to the maturities thereof and shall be:

(a) direct obligations of, or obligations the principal and interest of which are guaranteed as to the full and timely payment by, the United States of America, which obligations, in either case, are not subject to redemption or prepayment at less than par by anyone other than the holder;

(b) obligations issued or guaranteed by an instrumentality of the United States of America pursuant to authority granted by the Congress of the United States of America, including obligations of the Federal National Mortgage Association, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Land Banks or Federal Home Loan Banks;

(c) commercial paper rated at the time of investment in the highest short-term grade by the Rating Agencies;

(d) bankers' acceptances drawn on and accepted by commercial banks (including the Trustee, the Paying Agent, any Co-Paying Agent and the Bank) having at least \$10,000,000 in capital stock, surplus and undivided profits and rated not less than "Baa3" long term rating by Moody's and "A 1 +" short term rating by S&P;

(e) deposit accounts fully insured by the Federal Deposit Insurance Corporation (which may be represented by certificates of deposit if rated not less than "A1+" short term rating by S&P) in national or state banks or foreign banks having an office in the United States of America (including the Trustee, the Paying Agent, any Co-Paying Agent and the Bank) having at least \$10,000,000 in capital stock, surplus and undivided profits, and savings and loan associations having total assets in excess of \$50,000,000, in each case rated not less than "Baa3" long term rating by Moody's;

(f) repurchase agreements with solvent banking or other financial institutions (including the Trustee, the Paying Agent, any Co-Paying Agent and the Bank) rated not less than "Baa3" long term rating by Moody's and "AA" long term rating by S&P or "A1+" short term rating by S&P with respect to any of the foregoing obligations or securities;

(g) obligations of a State, a Territory, Puerto Rico, or a possession of the United States of America, or any political subdivision of the foregoing, or of the District of Columbia and which are rated at the time of investment not less than the then current rating of the Bonds by the Rating Agencies;

(h) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAAm" or "Aam," and by Moody's of "Aaa" or "Aa"; and

(i) any other obligations and securities not prohibited by law and which are rated at least "Aaa" or "Aa" by Moody's.

Section 6.02. Bond Fund Investments. Subject to Section 6.04 hereof, moneys held in the General Account of the Bond Fund shall be invested and reinvested by the Trustee in Investment Securities (other than those described in clause (i) of Section 6.01 hereof) as directed and designated by the Company in a certificate signed by an Authorized Company Representative. Such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of said General Account of the Bond Fund and the interest accruing thereon and any profit realized therefrom shall be credited to the General Account of the Bond Fund any loss resulting therefrom shall be charged to the General Account of the Bond Fund, as the case may be, and paid by the Company. The Trustee is directed to sell and convert to cash a sufficient amount of such investments, which shall be selected by the Company to the extent practicable, in the General Account whenever the Available Moneys held in the Bond Fund are insufficient to provide for the payment of the principal of (whether at the maturity date or the redemption date prior to maturity), premium, if any, and the interest on the bonds to which such Bond Fund relates as the same become due and payable. Moneys held as part of a Letter of Credit Account subaccount or Alternate Security Account subaccount of the Bond Fund shall be held uninvested or shall be invested as directed in writing by the Company only in Government Obligations having a maturity of not to exceed 30 days but in any event not maturing on a date later than needed to pay debt service on the bonds of a Series. Moneys in a Letter of Credit Account subaccount or Alternate Security Account subaccount of the Bond Fund shall not be commingled with any other moneys held by the Trustee for purposes of investment or reinvestment, and any interest or gain received from such investments shall be credited to and held in such Letter of Credit Account subaccount or Alternate Security Account subaccount of the Bond Fund, and any loss from such investments shall be charged against such Letter of Credit Account subaccount or Alternate Security Account subaccount of the Bond Fund and paid by the Company.

Section 6.03. Bond Purchase Fund Investments. Subject to Section 6.04, moneys held in the Bond Purchase Fund shall be held uninvested or invested and reinvested by the Trustee in Government Obligations with maturities of no more than 30 days from the acquisition thereof but in any event not maturing on a date later than needed to pay the Purchase Price of the Bonds to which such Bond Purchase Fund relate as directed and designated by the Company in a certificate signed by an Authorized Company Representative. Such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Letter of Credit Purchase Price Account subaccount, Alternate Security Purchase Price Account subaccount or General Purchase Price Account, as the case may be, in which such investments are held and the interest accruing thereon and any profit realized therefrom shall be credited to such Letter of Credit Purchase Price Account subaccount, Alternate Security Purchase Price Account subaccount or General Purchase Price Account, as the case may be, and any loss resulting therefrom shall be charged to such Letter of Credit Purchase Price Account subaccount, Alternate Security Purchase Price Account subaccount or General Purchase Price Account, as the case may be, and paid by the Company. The Trustee is directed to sell and convert to cash a sufficient amount of such investments, which shall be selected by the Company to the extent practicable, in the appropriate Letter of Credit Purchase Price Account subaccount, Alternate Security Purchase Price Account subaccount or General Purchase Price Account, as the case may be, whenever Available Moneys held in the Letter of Credit Purchase Price Account subaccount, Alternate Security Purchase Price Account subaccount or General Purchase Price Account, as the case may be, are insufficient to provide for the payment of the Purchase Price of any bonds of a Series required to be purchased hereunder. Any interest or gain received from such investments shall be credited to and held in such Letter of Credit Purchase Price Account subaccount or General Purchase Price Account, as the case may be, and any loss from such investments shall be charged against such Letter of Credit Purchase Price Account subaccount, Alternate Security Purchase Price Account subaccount or General Purchase Price Account, as the case may be, and paid by the Company.

Section 6.04. Direction of Investments; Trustee Not Responsible for Losses. As long as no Event of Default shall have occurred and be continuing and the Bonds have not become immediately due and payable pursuant to Section 9.01 hereof, the Company shall have the right to designate the investments to be sold and to otherwise direct the Trustee in the sale or conversion to cash of the investments made with the moneys in the Bond Fund and the Bond Purchase Fund; provided that the Trustee

shall be entitled to conclusively assume the absence of any such Event of Default unless it has notice thereof within the meaning of Section 10.05 hereof. The Trustee shall have no responsibility for losses incurred in connection with investments or the disposition thereof made in accordance with the terms hereof, and the Trustee shall have no responsibility for determining whether investments made at the direction of the Company in accordance with the terms hereof constitute "Investment Securities" within the meaning of Section 6.01 hereof, or whether such investments or the disposition thereof made at the direction of the Company pursuant to the terms hereof violate the instructions to the Trustee contained in Section 7.10 hereof.

Section 6.05. Recordkeeping. The Trustee shall collect and retain records of all investments held in the Bond Fund. Said records shall consist, with respect to each such investment, of the gross purchase price, accrued interest, if any, any commissions or administrative charges imposed with respect to the purchase, the purchase date, face amount, coupon rate, the disposition price, accrued interest upon disposition and the disposition date. The Trustee shall retain said records for the period ending 6 years after the final maturity date of the Bonds, and shall make such records available, as requested by the City or the Company, for such purpose as they may deem suitable, including the calculation of arbitrage rebate for purposes of Section 148 of the Code.

ARTICLE VII.

General Covenants

Section 7.01. Limited Obligation; Payment of Principal and Interest. (a) Each and every covenant herein made, including all covenants made in the various Sections of this Article VII, is predicated upon the condition that any obligation for the payment of money incurred by the City shall not be the general obligation of the City within the meaning of Article 9, Sections 12 and 13 of the Constitution of New Mexico, and shall never constitute an indebtedness of the City within the meaning of any State constitutional provision or statutory limitation, and shall never constitute or give rise to any pecuniary liability of the City or a charge against its general credit or taxing powers, but shall be payable by the City solely from the Receipts and Revenues of the City from the Installment Sale Agreement, which are required to be set apart and transferred to the Bond Fund or Bond Purchase Fund, and which, along with the balance of the Trust Estate, are hereby specifically pledged to the payment thereof in the manner and to the extent specified in this Ordinance, and nothing in the Bonds or in this Ordinance shall be considered as pledging or obligating any other Fund or assets of the City.

(b) The City will, in the manner provided herein and in the Bonds, according to the true intent and meaning thereof, promptly cause to be paid, solely from the sources stated herein, at the place and on the dates provided herein, the principal of and premium, if any, and interest on every Bond issued under this Ordinance.

Section 7.02. Performance of Agreements; Authority. The City will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Ordinance, in any and every Bond executed, authenticated and delivered hereunder, and in all proceedings pertaining thereto. The City represents that it has the authority under the Constitution and laws of the State of New Mexico to issue the Bonds authorized hereby, to enter into the Installment Sale Agreement, and to pledge to the Trustee the applicable Receipts and Revenues of the City from the Installment Sale Agreement and to pledge and assign to the Trustee all or any part of the City's right, title and interest under the Installment Sale Agreement pledged and assigned hereunder, and that the Bonds in the hands of the owners thereof are and will be valid and enforceable obligations of the City according to the import thereof.

Section 7.03. Maintenance of Corporate Existence. The City will at all times maintain its corporate existence or assure the assumption of its obligations under this Ordinance by any public body succeeding to its powers under the Act, and it will use its best efforts to maintain, preserve and renew all the rights and powers provided to it by the Act; and it will comply with all valid acts, rules, regulations,

orders and directions of any legislative, executive, administrative or judicial body applicable to the Installment Sale Agreement.

Section 7.04. Enforcement of Company's Obligations under the Installment Sale Agreement. So long as any of the Bonds are Outstanding, upon receipt of written notification from the Trustee, the City will, in the manner provided herein and giving due recognition to the role of the Trustee hereunder, enforce the obligation of the Company to pay, or cause to be paid, all the payments and other costs and charges payable by the Company under the Installment Sale Agreement, provided, however, that the City shall not be required to spend its own funds on any such enforcement. The City will not enter into any agreement with the Company amending the Installment Sale Agreement without the prior written consent of the Trustee and compliance with Sections 12.07 and 12.08 hereof.

Section 7.05. Further Assurance. The City will, upon the reasonable request of the Trustee, from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of this Ordinance; provided, however, that no such instruments or actions shall give rise to any pecuniary liability of the City or pledge the credit or taxing power of the State of New Mexico, the City or any other political subdivision of said State.

Section 7.06. No Disposition or Encumbrance of City's Interests. Except as permitted by this Ordinance, the City will not sell, lease, pledge, assign or otherwise dispose of or encumber its interest in the Receipts and Revenues of the City from the Installment Sale Agreement or its rights and interest under the Installment Sale Agreement pledged and assigned hereunder and will promptly pay or cause to be discharged or make adequate provision to satisfy and discharge any lien or charge on any part thereof not permitted by this Ordinance.

Section 7.07. Trustee's Access to Books Relating to Facilities. All books and documents in the possession of the City relating to the Facilities and the moneys, revenues and receipts derived from the Facilities shall at all reasonable times be open to inspection by such accountants or other agencies as the Trustee may from time to time designate.

Section 7.08. Record of Bondholders. To the extent that such information shall be made known to the Registrar under the terms of this Section 7.08, the Registrar will keep on file at its Principal Office a list of account numbers, filed by owners of Bonds for wire transfer of interest on such Bonds as provided in the form of the Bonds. Any Owner of the Bonds in the aggregate principal amount of not less than \$1,000,000 may request at any time that such information be placed on said list by filing a written request with the Registrar, which request shall include a statement of the principal amount of Bonds held by such Owner and the numbers of such Bonds. Neither the Trustee, the Registrar, the City, the Paying Agent nor any Co-Paying Agent shall be under any responsibility with regard to the accuracy of said list. At reasonable times and under reasonable regulations established by the Registrar, the books for the registration and transfer of Bonds kept and maintained by the Registrar pursuant to Section 2.10 hereof may be inspected and copied by the Company or by Bondholders (or a designated representative thereof) of 25% or more in principal amount of Bonds then Outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

Section 7.09. Filing of Financing Statements. Appropriate financing statements, naming the Trustee as secured party with respect to the Receipts and Revenues of the City from the Installment Sale Agreement and the other moneys pledged by the City under this Ordinance for the payment of the principal of and premium, if any, and interest on the Bonds, and as pledgee and assignee of certain of the City's rights and interest under the Installment Sale Agreement, shall be duly filed and recorded in the appropriate state offices as required by the provisions of the Uniform Commercial Code or other similar law as adopted in the State of New Mexico, the state in which lies the Principal Office of the Trustee and any other applicable jurisdiction, as from time to time amended. The Trustee will file and record, with such assistance as necessary from the City and the Company, such necessary continuation statements from time to time as may be required pursuant to the

provisions of said Uniform Commercial Code or other similar law to protect the interest of the Trustee.

Section 7.10. Tax Covenant. The City covenants for the benefit of the purchasers of the Bonds that it will not take any action or fail to take any action reasonably within its control which would cause the interest payable on the Bonds to be includable in the gross income of the holders thereof for Federal income tax purposes (other than a "substantial user" of the Facilities or a "related person" as those terms are used in Section 147(a) of the Code). Pursuant to such covenant, the City obligates itself to comply throughout the term of the issue of the Bonds with the requirements of Section 148 of the Code and any regulations promulgated thereunder and to file such reports and cause to be timely paid any arbitrage rebate due with respect to the Bonds by reason of such Section 148.

The Company by its execution of the Installment Sale Agreement has covenanted to restrict the investment of money in the funds created under this Ordinance in such manner and to such extent, if any, as may be necessary, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code.

Section 7.11. Notices by Trustee. The Trustee shall give the same notices to the City that it is required to give to the Company, and to the Company that it is required to give to the City, pursuant to the terms of this Ordinance and, additionally, shall give written notice to the City, the Company, the Bank and the Remarketing Agent of any prior redemption pursuant to Section 3.01 hereof.

Section 7.12. Ratification of Prior Action. All action (not inconsistent with the provisions of this Ordinance) heretofore taken by the City Council and the officers of the City directed toward the Bonds and sale and issuance of the Bonds is ratified, approved and confirmed.

ARTICLE VIII.

Discharge of Lien; Defeasance

Section 8.01. Discharge of Lien and Security Interests. Upon Payment in Full of the Bonds and payment of all sums of money due or to become due to a Bank, if any, relating to such Bonds under the applicable Reimbursement Agreement relating to such Bonds or the provider of an Alternate Security or the Bond Insurer under a Municipal Bond Insurance Policy, then, with respect to such Bonds, these presents and the rights and interest of the Trustee in and to the Trust Estate and the security interests shall cease, terminate and be void, and thereupon the Trustee, shall, with respect to such Bonds, cancel and discharge this Ordinance and the security interest, and, with respect to such Bonds, shall execute and deliver to the City and the Company such instruments in writing as shall be required to cancel and discharge this Ordinance and the security interests, and, upon Payment in Full of the Bonds reconvey to the Company the Trust Estate, and assign and deliver to the Company so much of the Trust Estate as may be in its possession or subject to its control, except for moneys required to be paid to the Bank or the provider of an Alternate Security pursuant to Section 4.09 or 9.10 hereof or the Bond Insurer under a Municipal Bond Insurance Policy or moneys held by the Trustee pursuant to Section 4.07 or 8.02 hereof; provided, however, such cancellation and discharge of this Ordinance related to such Bonds shall not terminate the powers and rights granted to the Trustee with respect to the payment, transfer and exchange of the Bonds; and provided, further, that the rights of the Trustee, the Paying Agent, any Co-Paying Agent and the Registrar to indemnity and payment of all reasonable fees and expenses shall survive the termination of the Trust Estate pursuant to this Section 8.01; and provided further, discharge of this Ordinance shall not terminate the duties of the City pursuant to Section 7.10 hereof

If and when any Bonds shall have (a) become due and payable in accordance with their terms or through redemption proceedings as provided in this Ordinance or otherwise, and the whole amount of the principal, premium, if any, and interest so due and payable upon such Bonds shall be paid, or provisions shall have been made for the payment of the same, or (b) been deemed in accordance with Section 8.02 hereof, to be paid, such Bonds (other than Bonds constituting Company Bonds pursuant to Section 5.01(c)) shall cease to be entitled to any lien, benefit or

security under this Ordinance (except as contemplated in Section 8.02 hereof) and all covenants, agreements and other obligations of the City to the holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 8.02. Provision for Payment of Bonds. The Bonds shall be deemed to have been paid within the meaning of Section 8.01 hereof if:

(a) there shall have been irrevocably deposited with the Trustee in trust

(i) during a Daily Mode, Weekly Mode, Flexible Mode or Multiannual Mode sufficient moneys (provided that during the Effective Period of a Letter of Credit and while such Bonds of a Series are entitled to the benefits of such Letter of Credit, such moneys shall constitute Available Moneys), except that such Bonds will not be deemed paid unless there is also delivered to the Trustee written evidence from the Rating Agencies that the rating on such Bonds will not be decreased or withdrawn because of such deposit, or

(ii) during a Multiannual Mode fixed to maturity, moneys in an amount which will be sufficient or Government Obligations having such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (said earnings to be held in trust also), be sufficient together with the moneys, if any, deposited with the Trustee, for the payment at their respective maturities or redemption dates prior to maturity, of the principal thereof and the redemption premium (if any) and interest to accrue thereon to such maturity or redemption dates, as the case may be, and for the payment of the Purchase Price thereof as verified in a certificate by a nationally recognized certified public accounting firm delivered to the Trustee at the time of such deposit;

(b) there shall have been paid to the payee all fees and expenses of the Trustee, the Paying Agent, any Co-Paying Agent, the Registrar and the Remarketing Agent due or to become due in connection with the payment or redemption of the Bonds or there shall be sufficient moneys in a trust account hereunder to make said payments;

(c) if any Bonds are to be redeemed on any date prior to their maturity, the Trustee shall have received in form satisfactory to it irrevocable instructions to redeem such Bonds on such date and either evidence satisfactory to the Trustee that all redemption notices required by this Ordinance have been given or irrevocable instructions authorizing the Trustee to give such redemption notices;

(d) with respect to any Bonds in the Daily Mode, the Trustee or Paying Agent shall have given notice to the holders of such Bonds that such Bonds shall no longer be subject to optional tender at the election of such holders pursuant to Section 2.03(B)(3) hereof;

(e) with respect to any Bonds in the Weekly Mode, the Trustee or Paying

Agent shall have given notice to the holders of such Bonds that such Bonds shall no longer be subject to optional tender at the election of such holders pursuant to Section 2.03(C)(3) hereof; and

(f) an opinion of Bond Counsel to the effect that the deposit contemplated in paragraph (a) hereof does not adversely affect the exclusion of interest on the Bonds from gross income, for purposes of federal income taxation.

All moneys so deposited with the Trustee as provided in this Section 8.02 may also be invested and reinvested, at the written direction of the Company, in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Trustee pursuant to this Section 8.02 which is not required for the payment of the Bonds and

interest and redemption premium, if any, thereon or Purchase Price thereof with respect to which such moneys shall have been so deposited shall be deposited in the appropriate account of the Bond Fund as and when realized and collected for use and application as are other moneys deposited in the Bond Fund.

Section 8.03. Discharge of the Ordinance. Notwithstanding the fact that the lien of this Ordinance upon the Trust Estate may have been discharged and canceled in accordance with Section 8.01 hereof, this Ordinance and the rights granted and duties imposed hereby, to the extent not inconsistent with the fact that the lien upon the Trust Estate may have been discharged and canceled, shall nevertheless continue and subsist after Payment in Full of the Bonds until all funds held by the Trustee pursuant to Section 4.07 of this Ordinance shall have been paid to the Bank, to the extent of amounts due under the applicable Reimbursement Agreement or the provider of an Alternate Security, and, if any funds remain, to the Company pursuant to Section 4.07 hereof

ARTICLE IX.

Defaults and Remedies

Section 9.01. Event of Default; Acceleration. (1) Each of the following events shall constitute and is referred to in this Ordinance as an "Event of Default" relating to the Bonds:

(a) a failure to pay the principal of any of the Bonds when the same shall become due and payable at maturity, upon redemption or otherwise; or

(b) a failure to pay an installment of interest on any of the Bonds when the same shall become due and payable; or,

(c) a failure to pay the Purchase Price of any Bond required to be purchased hereunder when the same shall become due and payable; or

(d) an "Event of Default" relating to the Senior Unsecured Notes as such term is defined in Section 5.01 of the Company Indenture (or as defined in the Governing Instrument in the event of an exchange pursuant to Section 12.09 hereof); or

(e) the Trustee shall have received notice from a Bank or Alternate Security provider relating to Bonds (other than the notice referred to in Section 3.01(c) hereof) that an "event of default" under the applicable Reimbursement Agreement has occurred and is continuing; or

(f) at any time a Letter of Credit is in effect with respect to the Bonds, the Trustee shall have received a written notice from the Bank not later than ten days following the date of a drawing by the Trustee to make a payment on such Bonds (other than Company Bonds) that the Company has failed to reimburse the Bank or to cause the Bank to be reimbursed for the amount so drawn in accordance with the terms of the Reimbursement Agreement.

(1) Upon the occurrence and continuance of an Event of Default relating to the Bonds described in clause (a), (b) or (c) of paragraph (1) preceding, and upon the condition that (x) in accordance with the terms of the Company Indenture (or the Governing Instrument in the event of an exchange pursuant to Section 12.09 hereof), the Senior Unsecured Notes relating to such Bonds (or the Company Securities relating to such Bonds, as the case may be) issued and outstanding thereunder shall have become immediately due and payable pursuant to any provision of the Company Indenture (or the Governing Instrument, as the case may be) and (y) written notice specifying such Event of Default relating to such Bonds shall have been given to the City and the Company by the Trustee, which may give such notice in its discretion and shall give such notice (i) at the written request of the Bondholders of not less than 25% in principal amount of the Bonds then Outstanding or (ii) if the Event of Default relating to Bonds is described in clause (d) of paragraph (1) preceding, the Bonds shall, without further action, become and be immediately due and payable, anything

in this Ordinance or in the Bonds to the contrary notwithstanding; provided, however, that so long as a Letter of Credit or Alternate Security shall be in effect with respect to the Bonds to which the Event of Default relates, and no drawing on such Letter of Credit or Alternate Security shall have been, and shall remain, wrongfully dishonored, the Trustee shall not declare the Bonds to be immediately due and payable without the consent of the Bank. Upon the occurrence and continuance of an Event of Default relating to the Bonds described in clause (e) or (f) of paragraph (1) preceding, the Bonds shall, without further action, become and be immediately due and payable, anything in this Ordinance or in the Bonds to the contrary notwithstanding; provided, however, that so long as a Letter of Credit or Alternate Security shall be in effect with respect to the Bonds to which the Event of Default relates, and no drawing on such Letter of Credit or Alternate Security shall have been, and shall remain, wrongfully dishonored, the Trustee shall not declare the Bonds to be immediately due and payable without the consent of the Bank.

(2) Upon the occurrence and continuance of an Event of Default relating to the Bonds described in clause (a), (b) or (c) of paragraph (1) preceding, the Trustee shall give notice thereof in writing to the City, the Company, the Bank, if any, and the Remarketing Agent, if any, and notice to Bondholders in the same manner as a notice of redemption under Section 3.02 hereof. The amount so immediately due and payable upon the Bonds shall be (i) the principal amount thereof plus (ii) interest accrued thereon to such date.

(3) Upon the occurrence and continuance of an Event of Default relating to the Bonds described in clause (e) or (f) of paragraph (1) preceding, the Trustee shall, subject to paragraph (2) preceding, (I) as soon as is practicable give notice of such occurrence to the City, the Company, the Remarketing Agent, if any, the Bond Insurer, if applicable, and Bondholders, which such notice shall state (a) that the Bonds have so become immediately due and payable, (b) that the interest on the Bonds ceased to accrue on the date on which the Bonds so became immediately due and payable, (c) that the amount so immediately due and payable upon the Bonds shall be the principal amount thereof plus accrued interest thereon to the date specified in clause (b) preceding and (d) the place or places where such amounts due are payable, which shall be the Principal Office of the Paying Agent or any Co-Paying Agent and (II) immediately draw on the Letter of Credit relating to such Bonds then in effect to the extent necessary to make the payment required under (I) preceding with respect to the Credit Supported Bonds entitled to the benefit of such Letter of Credit.

(4) The above provisions, however, are subject to the condition that if, for any reason other than an Event of Default pursuant to clause (e) or (f) of paragraph (1) preceding, after the principal of said Bonds shall have so become due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the City shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of any and all Bonds which shall have become due otherwise than by reason of such acceleration (with interest upon such principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the same rate or rates per annum as specified in said Bonds of such Series; provided that such interest is payable on the applicable Senior Unsecured Notes or applicable Corresponding Securities, as the case may be, subject to the maximum interest rate on such Senior Unsecured Notes) and such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred and all advances made by the Trustee except as a result of its negligence or willful misconduct, if any, and all Events of Default under the Ordinance, other than nonpayment of the

principal of such Bonds which shall have become due by such acceleration, shall have been remedied then and in every such case such Event of Default may, and upon written request of the Owners of not less than the percentage in principal amount of the Bonds then outstanding which requested the Bonds to be declared immediately due and payable, together with, so long as any Letter of Credit or Alternate Security shall be in effect with respect to such Bonds, and no drawing on such Letter of Credit or Alternate Security shall have been, and shall remain, wrongfully dishonored, the consent of the Bank, shall be waived and its consequences rescinded and annulled by the Trustee by written notice to the City, the Company and to such Bondholders in the same manner as a notice of redemption under Section 3.02 hereof, which waiver, rescission and annulment shall be binding upon all such Bondholders; provided, however, that in connection with (i) any Event of Default, if there shall have been a draw upon the Letter of Credit relating to such Bonds in connection with such Event of Default, such Event of Default shall not be waived unless the Trustee has received written notice from the Bank that the amount so drawn under such Letter of Credit has been reinstated, (ii) an Event of Default described in clause (e) of paragraph (1) preceding, such Event of Default shall not be waived without the consent of the Bank or provider of Alternate Security and (iii) an Event of Default described in clause (f) of paragraph (1) preceding as a result of the failure by the Company to reimburse the Bank for a drawing made on the Letter of Credit, such Event of Default shall not be waived unless the Trustee has received written notice from such Bank that the amount so drawn under the Letter of Credit has been reinstated. No such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. The Trustee shall promptly give notice of such annulment to the City and the Company.

Section 9.02. Enforcement of Remedies by Trustee. Subject to Section 9.01 hereof, upon the occurrence and during the continuance of an Event of Default relating to the Bonds, the Trustee in its discretion may, and upon the written request of the Bondholders of not less than 25% in principal amount of such Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders of such Bonds, and require the City or the Company to carry out any agreements (including the applicable Guaranty and, subject to the provisions of the Company Indenture (or the Governing Instrument in the event of an exchange pursuant to Section 12.09 hereof), payment under the applicable Senior Unsecured Notes (or the applicable Corresponding Securities, as the case may be)) with or for the benefit of such Bondholders and to perform its or their duties under the Act, the Installment Sale Agreement and this Ordinance;

(b) bring suit upon such Bonds;

(c) by action or suit in equity require the City to account as if it were the trustee of an express trust for such Bondholders; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of such Bondholders.

The Trustee shall give to the Bank, if any, prompt notice of its election of any one or more of the foregoing remedies, anything herein to the contrary notwithstanding. So long as a Letter of Credit or Alternate Security shall be in effect with respect to such Bonds, and no drawing on such Letter of Credit or Alternate Security shall have been, and shall remain, wrongfully dishonored, the Trustee shall not pursue any of such remedies without the consent of the Bank.

Section 9.03. Termination of Proceedings. In case any proceeding taken by the Trustee to enforce any right under this Ordinance relating to the Bonds shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and

in every case the City, the Trustee and such Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 9.04. Rights of Bondholders to Direct Proceedings. Anything in this Ordinance to the contrary notwithstanding but subject to Section 14.03 hereof, the Bondholders of a majority in principal amount of the Bonds then Outstanding hereunder shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct, with the consent of the Bank, the time, method and place of conducting all remedial proceedings available to the Trustee under this Ordinance or exercising any trust or power conferred on the Trustee by this Ordinance relating to such Bonds.

Section 9.05. Rights and Remedies of Bondholders. No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power hereunder, or any other remedy hereunder or on said Bonds, unless such Bondholder previously shall have given to the Trustee written notice of an Event of Default relating to such Bonds as hereinabove provided and unless also the Bondholders of not less than 25% in principal amount of the Bonds then Outstanding, together with, so long as any applicable Letter of Credit or Alternate Security shall be in effect and no drawing on such Letter of Credit or Alternate Security shall have been, and shall remain, wrongfully dishonored, the Bank, shall have made written request of the Trustee to do so, after the right to institute said suit, action or proceeding shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of said suit, action or proceeding; it being understood and intended that no one or more of the Bondholders shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Ordinance relating to such Bonds, or to enforce any right hereunder or under the Bonds, except in the manner herein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Bondholders.

Section 9.06. Certain Rights of Bondholders. Notwithstanding any other provision in this Ordinance, the right of any Bondholder to receive payment of the principal of and premium, if any, and interest on or Purchase Price of any Bond on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of such Bondholder.

Section 9.07. Rights and Remedies Vested in Trustee. All rights of action under this Ordinance 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 thereunto appertaining 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 for the equal and ratable benefit of such Bondholders, subject to the provisions of this Ordinance.

Section 9.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to Bondholders is intended to be exclusive of any other remedy or remedies, and each and every 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.

Section 9.09. No Delay or Omission Deemed Waiver of Default. No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any Event of Default relating to such Bonds shall impair any such right or power or shall be construed to be a waiver of any such Event of Default, or an acquiescence therein; and every power and remedy given by this Article IX to the Trustee and to the

Bondholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 9.10. Application of Moneys. Any moneys received by the Trustee, by any receiver or by any Bondholder in respect of the Bonds pursuant to any right given or action taken under the provisions by this Article IX (other than any moneys so received pursuant to Section 4.07 or 8.02 hereof), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, shall be deposited in the appropriate subaccount within the Bond Fund and all moneys so deposited in the Bond Fund during the continuance of an Event of Default relating to the Bonds (other than moneys for the payment of Bonds which had matured or otherwise became 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; provided, however, that (i) amounts collected pursuant to the Letter of Credit or the Alternate Security shall only be utilized to pay the principal of and interest on the Credit Supported Bonds entitled to the benefit of such Letter of Credit or Alternate Security, respectively, (ii) remarketing proceeds shall only be utilized to pay the holders of the tendered Bonds and (iii) no Available Moneys which the Trustee has taken into account in determining the amount of moneys to be drawn under the Letter of Credit relating to such Bonds to pay principal and interest on such Bonds shall be applied to pay Trustee expenses, liabilities and advances:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds (other than installments of interest for the payment of which moneys and/or Government Obligations are held pursuant to this Ordinance), in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (ii) second, to the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the bonds of such Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys and/or Government Obligations are held pursuant to the provisions of this Ordinance), in the order of their due dates, with interest on such Bonds at their respective rates from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and premium, if any, and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege; provided, however, that no moneys shall be applied to the payment of such principal or interest with respect to Company Bonds until all such principal and interest owing on all other Bonds has been paid in full.

(b) If the principal of all the Bonds shall have become due and payable, all such moneys relating to such Bonds shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds (other than installments of interest and amounts of principal of such Bonds matured or called for redemption, for the payment of which moneys and/or Government Obligations are held pursuant to this Ordinance), 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; provided, however, that no moneys shall be applied to the payment of such principal or interest with respect to Company Bonds until all such principal and interest owing on all other such Bonds has been paid in full.

(c) If the principal of all the Bonds shall have become due and payable by reason of acceleration upon an Event of Default relating to such Bonds, and if acceleration of the maturity of the Bonds of such Bonds by reason of such Event of Default relating to such Bonds shall thereafter have been rescinded and annulled under the provisions of this Article IX, then, subject to the provisions of paragraph (b) of this Section 9.10 which shall be applicable in the event that the principal of all such Bonds shall later become due and payable, such moneys shall be

applied in accordance with the provisions of paragraph (a) of this Section 9.10.

Whenever moneys are to be applied pursuant to the provisions of this Section 9.10 relating to the Bonds, except as otherwise provided in Section 9.01(4) hereof, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, 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, except as otherwise provided in Section 9.01(4) hereof, fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal, premium and interest to be paid on such dates shall cease to accrue. The Trustee shall, except as otherwise provided in Section 9.01(4) hereof, give by mail such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to apply funds to make payment to any such Bondholder until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Any moneys remaining after all other payments required by this Section 9.10 shall have been made shall be remitted upon written instructions from any Bank or provider of an Alternate Security in accordance with such instructions to such Bank or provider of an Alternate Security, in each case to the extent of any amounts, then due to such Bank or provider of an Alternate Security under the applicable Reimbursement Agreement, and the balance, if any, shall be paid to the Company.

Section 9.11. Rights and Remedies Lawful Under the Act. It is the purpose and intention of this Article IX to provide rights and remedies to the Trustee and Bondholders which may be lawfully granted under the provisions of the Act, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Bondholders shall be entitled, as above set forth, to every other right and remedy provided in this Ordinance and by law.

Section 9.12. No Obligation of City to Act. Subject to Sections 7.04 and 7.05, the City shall have no obligation to take any action or pursue any right or remedy of the Trustee or any Bondholder under this Ordinance or otherwise, including, but not limited to, taking any action in a bankruptcy proceeding.

ARTICLE X.

Trustee and Co-Paying Agents

Section 10.01. Acceptance of the Trusts. By executing the certificate of authentication endorsed upon the Bonds, the Trustee shall signify its acceptance and agree to execute the trusts hereby created but only upon the additional terms set forth in this Article X, to all of which the City agrees and the respective Bondholders agree by their acceptance of delivery of any of the Bonds.

Section 10.02. Trustee Not Responsible for Recitals, Maintenance, Insurance, etc. The recitals, findings and representations in this Ordinance or in the Bonds contained, save only the Trustee's authentication upon the Bonds, shall be taken and construed as made by and on the part of the City, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof. In addition, the Trustee shall not have any responsibility for monitoring the Company's obligations under Sections 5.06 and 5.07 of the Installment Sale Agreement to maintain the Facilities or to maintain or cause to be maintained the insurance required thereunder.

Section 10.03. Limited Liability. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent or employee selected by it with ordinary care. The Trustee shall not be answerable for the exercise of any discretion or power under this Ordinance or for anything

whatever in connection with the trust, except only for its own negligence or willful misconduct.

Section 10.04. Compensation and Reimbursement. The Trustee, the Registrar, the Remarketing Agent, the Paying Agent and any Co-Paying Agent under the Ordinance shall be entitled to reasonable compensation for their services rendered hereunder (including, with respect to the Trustee, any Ordinary Services) and to reimbursement for their actual out-of-pocket expenses (including counsel fees) reasonably incurred in connection therewith (including, with respect to the Trustee, any Ordinary Expenses) except as a result of their negligence or willful misconduct. In the event it shall become necessary that the Trustee perform Extraordinary Services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable and necessary Extraordinary Expenses in connection therewith; provided, that if such Extraordinary Services or Extraordinary Expenses are occasioned by the negligence or willful misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor. The Trustee hereby agrees that it will not delay (i) in making any drawing on any Letter of Credit or Alternate Security, (ii) in making any payment with respect to the Bonds from moneys currently on hand and available therefor in accordance with Article IV hereof, (iii) in causing the acceleration of the Bonds, in each case at the times required by this Ordinance, if any such compensation so due the Trustee has not been paid to the Trustee as of the date of such required drawing, or (iv) in causing any required notice of redemption or mandatory purchase be given as required herein. In Section 5.05 of the Installment Sale Agreement, the Company has agreed that it will pay to the Trustee, the Registrar, any Remarketing Agent, the Paying Agent and any Co-Paying Agent under this Ordinance such compensation and reimbursement but the Company may, without creating a default hereunder, contest in good faith the necessity for and reasonableness of any such services and expenses; provided, however, the Trustee, the Registrar, any Remarketing Agent, the Paying Agent and any Co-Paying Agent hereunder shall not receive any compensation hereunder from Available Moneys or moneys from a draw on a Letter of Credit.

Section 10.05. Limitations on Required Notice by Trustee. The Trustee shall not be required to take notice, or be deemed to have notice, of any Default, Act of Bankruptcy or Event of Default under this ordinance other than an Event of Default under clause (a), (b) or (c) of the first paragraph of Section 9.01 hereof, unless specifically notified in writing of such Event of Default by the Bondholders of at least 25% in principal amount of any Bonds then Outstanding or by any Bank or Alternate Security provider. The Trustee may, however, at any time, in its discretion, require of the City full information and advice as to the performance of any of the City's covenants, conditions and agreements contained herein. The Trustee may at any time request a certificate of an Authorized Company Representative and rely thereon as to whether any Default, Act of Bankruptcy with respect to the Company or Event of Default has occurred.

In the event the Trustee does not timely receive any payment of the Project Purchase Price in accordance with Section 5.02 of the Installment Sale Agreement, the Trustee shall immediately give telephonic or telegraphic notice thereof to the City and the Company, but the Trustee shall incur no liability for failure to give such notice and such failure shall have no effect on the rights of the Trustee or the Bondholders set forth in this Ordinance or any Bond.

Section 10.06. Limitations on Obligations of Trustee to Take Action. The Trustee shall be under no obligation to take any action in respect of any Default, Event of Default or otherwise, or toward the execution or enforcement of any of the trusts hereby created, or to institute, appear in or defend any suit or other proceeding in connection therewith, unless requested in writing to do so by Bondholders of at least 25% in principal amount of the Bonds then Outstanding, together with, so long as any Letter of Credit or Alternate Security shall be in effect with respect to the Bonds and no drawing on such Letter of Credit or Alternate Security shall have been, and shall remain, wrongfully dishonored, the consent of the Bank, and, if in its opinion such action may tend to involve it in expense or liability, unless furnished, from time to time as often as it may reasonably require, with security and indemnity satisfactory to it (provided that, notwithstanding the foregoing, the Trustee shall (i) make each drawing on any Letter of Credit or Alternate Security, (ii) make all payments with respect to the Bonds from moneys currently on hand and available therefor in accordance

with Article IV hereof, (iii) cause the acceleration of the Bonds, in each case at the times and in the manner required by this Ordinance and (iv) cause any required notice of redemption or mandatory purchase be given as required herein); but the foregoing provisions are intended only for the protection of the Trustee, and shall not affect any discretion or power given by any provisions of this Ordinance to the Trustee to take action in respect of any Event of Default without such notice or request from the Bondholders, or without such security or indemnity; provided that the Trustee shall not breach any fiduciary duty hereunder if it declines to exercise any such discretion or power until it has received security and indemnity satisfactory to it as provided herein.

Section 10.07. Advances by Trustee; Interest Thereon. If the City shall fail to perform any of the covenants or agreements contained in this Ordinance other than the covenants or agreements in respect of the payment of the principal of and premium, if any, and interest on the Bonds, the Trustee may, in its uncontrolled discretion and without notice to the Bondholders, at any time and from time to time, make advances to effect performance of the same on behalf of the City, but the Trustee shall be under no obligation to do so and shall not be in breach of any fiduciary duty hereunder if it fails to do so; and any and all moneys paid or advanced by the Trustee for any such purpose, together with interest thereon at a rate per annum equal to the rate announced from time to time by the Trustee as its prime lending rate for domestic commercial loans, shall create an additional obligation secured by this Ordinance having a claim in favor of the Trustee upon the moneys and investments in the Bond Fund (other than moneys received pursuant to Section 4.07 or 8.02 hereof) prior to the claim of the Bonds; but no such advance shall operate to relieve the City from any Event of Default hereunder.

Section 10.08. Trustee Protected. The Trustee shall be protected and shall incur no liability in acting, relying or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, opinion, statement, affidavit, voucher, bond, requisition or other paper or document, including any documents delivered by independent consultants or other professionals, which it shall in good faith believe to be genuine and to have been passed or signed by the proper board, body or person or to have been prepared and furnished pursuant to any of the provisions of this Ordinance or the Installment Sale Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to or conclusions reached in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

Section 10.09. Trustee May Deal in Bonds, etc. The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder and secured by this Ordinance, and may join in any action which any Bondholder may be entitled to take with like effect as if the Trustee were not a party to this Ordinance. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the City or the Company, and may act as depository, trustee or agent for any committee or body of Bondholders secured hereby or other obligations of the City as freely as if it were not Trustee hereunder.

Section 10.10. Allowance and Credit of Interest by Trustee. The Trustee has no obligation to (unless otherwise agreed to with the Company), but may, allow and credit interest upon any moneys which it may at any time receive under any of the provisions of this Ordinance, at such rate, if any, as it customarily allows upon similar funds of similar size and under similar conditions; provided that such allowance and credit shall not result in any violation of Section 7.10 hereof. All interest allowed on any such moneys shall be credited as provided in Article VI hereof with respect to interest on investments.

Section 10.11. Construction of Ordinance by Trustee. The Trustee may construe any of the provisions of this Ordinance insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Bondholders.

Section 10.12. Resignation by Trustee. The Trustee may resign and be discharged of the trusts created by this Ordinance by executing

any instrument in writing resigning such trust and specifying the date when such resignation shall take effect, and filing the same with the City Clerk and the Company not less than 60 days before the date specified in such instrument when such resignation shall take effect, and by simultaneously giving notice of such resignation by first-class mail to all Bondholders at the addresses shown on the registration books of the Registrar. Such resignation and discharge shall take effect on the day specified in such instrument and notice; provided that a successor Trustee has been appointed hereunder and has accepted such appointment, unless previously a successor Trustee shall be appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of, and the acceptance of such appointment by, such successor Trustee.

Section 10.13. Removal of Trustee. The Trustee may be removed at any time by filing with the Trustee so removed, with the City and with the Company an instrument in writing, appointing a successor, executed by the Bondholders of not less than a majority in principal amount of the Bonds then Outstanding. The Trustee shall be, as provided in Section 10.04 hereof, (i) compensated for its services rendered hereunder and (ii) reimbursed for its out-of-pocket expenses incurred, in each case through the date of its removal as Trustee hereunder (including any removal pursuant to Section 14.08(a) hereof), within 30 days after such date.

Section 10.14. Appointment of Successor Trustee. In case at any time the Trustee shall be dissolved, or if its property or affairs shall be taken under the control of any state or Federal court or administrative body because of insolvency or bankruptcy, or for any other reason, then a vacancy shall forthwith and ipso facto exist in the office of Trustee and a successor may be appointed, and in case at any time the Trustee shall resign or be removed, then a successor may be appointed, by filing with the City Clerk and the Company an instrument in writing, executed by the Bondholders of the Bonds of not less than a majority in principal amount of Bonds then Outstanding, together with, so long as any Letter of Credit or Alternate Security shall be in effect and no drawing on such Letter of Credit or Alternate Security shall have been, and shall remain, wrongfully dishonored, a consent of the Bank to such appointment. Copies of such instrument shall be promptly delivered by the City to the predecessor Trustee and to the Trustee so appointed.

Until a successor Trustee shall be appointed by the Bondholders (and, if applicable, approved by the Banks) as herein authorized, the City, by an instrument authorized by resolution of the City Council, may, but shall have no obligation to, appoint a successor Trustee. After any appointment by the City, it shall promptly cause notice of such appointment to be sent by first-class mail to all Bondholders at the addresses shown on the registration books of the Registrar. Any new Trustee so appointed by the City shall immediately and without further act be superseded by a Trustee appointed by the Bondholders in the manner above provided.

Notwithstanding anything herein to the contrary, no resignation or removal of the Trustee shall be effective until (i) a successor Trustee shall be appointed in accordance with the terms hereof and has accepted such appointment and (ii) each then existing Letter of Credit shall have been transferred to such successor in accordance with the terms thereof.

Section 10.15. Qualifications of Successor Trustee. Every successor Trustee shall be a bank with trust powers or trust company duly organized under the laws of the United States of America or any state thereof having a combined capital stock, undivided profits and surplus of at least \$50,000,000 and rated not less than "Baa3" long term rating by Moody's and "Prime 3" short term rating by Moody's or be otherwise acceptable to Moody's if there be such a trust company, bank and trust company or state or national bank willing and able to accept the trust on reasonable and customary terms.

Section 10.16. Judicial Appointment of Successor Trustee. In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Article X prior to the date specified in the notice of resignation as the date when such resignation is to take effect, the retiring Trustee may forthwith apply to a court of competent jurisdiction for the appointment of a successor Trustee. If no appointment of a successor

Trustee shall be made pursuant to the foregoing provisions of this Article X within six months after a vacancy shall have occurred in the office of Trustee, any Bondholder may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

Section 10.17. Acceptance of Trusts by Successor Trustee. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the City an instrument accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become duly vested with all the estates, property, rights, powers, trusts, duties and obligations of its predecessor in the trusts hereunder, with like effect as if originally named Trustee herein. Upon request of such Trustee, such predecessor Trustee and the City shall execute and deliver an instrument transferring to such successor Trustee all the estates, property, rights, powers and trusts hereunder of such predecessor Trustee and such predecessor Trustee shall pay over to the successor Trustee all moneys and other assets at the time held by it hereunder.

Section 10.18. Successor Trustee upon Merger or Consolidation of Trustee. Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, shall be the successor Trustee under this Ordinance, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 10.19. No Implied Covenants; Standard of Care. (a) Except during the continuance of an Event of Default, (i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Ordinance, and no implied covenants or obligations shall be read into this Ordinance against the Trustee; and (ii) in the absence of willful misconduct on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Ordinance; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Ordinance.

(b) If an Event of Default occurs of which the Trustee by Section 10.05 hereof is required to take notice and deemed to have notice, notwithstanding any other provisions of this Article X, the Trustee shall exercise such of the rights and powers vested in it by this Ordinance, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Section 10.20. Notice to Owners. If an Event of Default occurs of which the Trustee by Section 10.05 hereof is required to take notice and deemed to have notice, or any other Event of Default occurs of which the Trustee has been specifically notified in accordance with Section 10.05 hereof, and any such Event of Default shall continue for at least seven days after the Trustee acquires such notice thereof, the Trustee shall give written notice thereof by first-class mail to the last known Owners of all Bonds then Outstanding addressed to such owners at their addresses shown on the register kept by the Registrar as required by Section 2.10 hereof

Section 10.21. Intervention by Trustee. In any judicial proceeding to which the City is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Bondholders, the Trustee may intervene on behalf of the Bondholders and shall, upon receipt of indemnity satisfactory to it, do so if requested in writing by the Bondholders of at least 25% in principal amount of Bonds then Outstanding if permitted by the court having jurisdiction in the premises.

Section 10.22. Co-Paying Agents. The Trustee shall be the Paying Agent for the Bonds. The City may at any time or from time to time by resolution, with the approval of the Company, appoint one or more

Co-Paying Agents for the Bonds, in the manner and subject to the conditions set forth in Section 10.23 hereof for the appointment of a Co-Paying Agent. Each Co-Paying Agent shall designate to the Trustee its Principal Office and signify its acceptance of the duties and obligations imposed upon it by a written instrument of acceptance deposited with the City and the Trustee under which such Co-Paying Agent will agree with the Trustee that such Co-Paying Agent will:

(a) hold all sums held by it for the payment of the principal of and premium, if any, and interest on Bonds in trust for the benefit of the Bondholders until such sums shall be paid to such Bondholders or otherwise disposed of as herein provided;

(b) hold all Bonds tendered to it hereunder in trust for the benefit of the respective Bondholders until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders; and

(c) upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by any such Co-Paying Agent.

The City hereby covenants and agrees to cooperate with the Trustee to cause the necessary arrangements to be made through the Trustee and to be thereafter continued whereby funds derived from the sources specified in Article IV hereof will be made available for the payment of such of the Bonds as are presented when due at the appropriate offices of the Paying Agent and any Co-Paying Agent.

Section 10.23. Qualifications of any Co-Paying Agent, etc. Any Co-Paying Agent appointed by the City, with the approval of the Company, shall be a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least \$10,000,000, rated not less than "Baa3" long term rating by Moody's and "Prime 3" short term rating by Moody's or be otherwise acceptable to Moody's and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Ordinance. The Paying Agent and any Co-Paying Agent may at any time resign and be discharged of the duties and obligations created by this Ordinance by giving at least 60 days written notice to the City, the Company and the Trustee. The Paying Agent and any Co-Paying Agent may be removed at any time with the consent of the Company by an instrument filed with the Paying Agent or such Co-Paying Agent, as the case may be, and the Trustee and signed by the City. Notwithstanding anything herein to the contrary, no removal or resignation of the Paying Agent shall be effective until a successor Paying Agent shall be appointed in accordance with the terms hereof.

In the event of the resignation or removal of the Paying Agent or any Co-Paying Agent, the Paying Agent or such Co-Paying Agent, as the case may be, shall pay over, assign and deliver any moneys held by it as Paying Agent or Co-Paying Agent to its successor, or if there be no successor, to the Trustee.

Upon the appointment, removal or notice of resignation of the Paying Agent or any Co-Paying Agent, the Trustee shall notify the Bondholders thereof by first-class mail within 30 days following such appointment, removal or notice of resignation.

Section 10.24. Trustee to Notify Bank. At any time when any Credit Supported Bond or Bonds ceases or cease to be Outstanding under this Ordinance, the Trustee shall provide written notice of the principal amount thereof to the Bank and provider of Alternate Security in respect of such Credit Supported Bond or Bonds.

Section 10.25. Notice of Change in Principal Office of Trustee. The Trustee shall notify the Bondholders of any change in location of the Principal Office of the Trustee.

Section 10.26. Forwarding of Payments to Bank. The Trustee shall deliver to the Bank in accordance with the Company's instructions such moneys as may be delivered to the Trustee by the Company for payment of the Company's obligations under the applicable Reimbursement Agreement. Any such moneys received by the Trustee at or prior to 2:00

p.m. New York City time on any Business Day shall be delivered by the Trustee to the Bank on such Business Day.

Section 10.27. Notice to Rating Agencies.

The Trustee shall provide Moody's, if the Bonds are then rated by Moody's, or S&P, if the Bonds are then rated by S&P, as appropriate, with prompt written notice of (i) the appointment of any successor Trustee, Paying Agent, Remarketing Agent or Tender Agent, (ii) any amendments to this Ordinance or the Installment Sale Agreements, (iii) the payment (or provision for payment) in whole of the Bonds, (iv) the adjustment of any Bonds to a Short-Term or Long-Term Interest Rate Period, (v) the extension, expiration or termination of a Credit Facility or (vi) any amendment to the Reimbursement Agreement or a Credit Facility of which the Trustee has actual knowledge.

ARTICLE XI.

Execution of Instruments by Bondholders and Proof of Ownership of Bonds

Section 11.01. Execution of Instruments by Bondholders and Proof of Ownership of Bonds. Any request, direction, consent or other instrument in writing, whether or not required or permitted by this Ordinance to be signed or executed by Bondholders, may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Ordinance and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Bonds shall be proved by the registration books kept under the provisions of Section 2.10 of this Ordinance.

Nothing contained in this Article XI shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of matters herein stated which to it may seem sufficient. Any request or consent of any Bondholder shall bind every future holder of the same Bond or any Bond or Bonds issued in lieu thereof in respect of anything done by the Trustee or the City in pursuance of such request or consent.

ARTICLE XII.

Modifications of this Ordinance, the Company Indenture, the Installment Sale Agreement and the Guaranty; Senior Unsecured Notes

Section 12.01. No Modification Except Pursuant To This Article XII. Neither this Ordinance nor the Installment Sale Agreement nor the Guaranty shall be modified or amended in any respect subsequent to the issuance of the Bonds hereunder except as provided in and in accordance with and subject to the provisions of this Article XII and Section 7.04 hereof.

Section 12.02. Supplemental Ordinances Not Requiring Consent of Bondholders. (1) The City may, from time to time and at any time, without the consent of or notice to any of the Bondholders, adopt, and the Trustee may accept (provided that so long as any Letter of Credit or Alternate Security shall be in effect and no drawing on such Letter of Credit or Alternate Security shall have been, and shall remain, wrongfully dishonored, the prior written consent of the Bank shall have been obtained), Supplemental ordinances as follows:

(a) To cure any ambiguity, formal defect or omission in this Ordinance; or

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

(c) To add to the covenants and agreements of, and limitations and restrictions upon, the City in this Ordinance, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to this Ordinance as theretofore in effect; or

(d) To subject to the lien and pledge hereof additional payments, revenues, properties or collateral, including but not limited to, an Alternate Letter of Credit or Alternate Security and to make such other changes consistent herewith which are necessary in connection with the delivery of such Alternate Letter of Credit or Alternate Security and which do not adversely affect Bondholders; or

(e) To change the percentage of ownership interest in or the composition of the Facilities which constitutes the Project; provided that in doing so, the Project Purchase Price shall not be reduced; or

(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 Ordinance, of the Receipts and Revenues of the City from the Installment Sale Agreement or of any other moneys, securities or funds; or

(g) To cause this Ordinance to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America, and if they so determine, to add hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar Federal statute; or

(h) To provide for uncertificated or certificated securities or a modified book-entry system for registration and transfer of fully registered Bonds to the extent and in the manner permitted under the laws of the State of New Mexico; or

(i) Effective upon any Conversion Date to a new Mode, make any amendment affecting only the Bonds being converted, subject to subsection (1) of Section 12.03 hereof; or

(j) To add provisions relating to the partial conversion of Bonds to a new Mode; or

(k) To make such changes as may be required by the Rating Agencies or any credit rating agency then rating the Bonds in connection with the delivery of an Alternate Letter of Credit or Alternate Security; or

(l) To provide for the exchange of the Senior Unsecured Notes for Corresponding Securities; provided that, if a Letter of Credit or Municipal Bond Insurance Policy shall then be in effect, the Bank or Bond Insurer shall have consented thereto and provided further that if no Letter of Credit or Municipal Bond Insurance Policy shall then be in effect, the Rating Agency shall have indicated in writing that the exchange would not result in a withdrawal or a reduction of the ratings on the Bonds; or

(m) To effect any other change which is not materially adverse to the Bondholders and which does not involve a change described in clause (i), (ii), (iii) or (iv) of subsection (1) of Section 12.03 hereof requiring the consent of all Bondholders of Bonds outstanding for amendments listed in clauses (i), (ii), (iii) or (iv) thereof; or

(n) To add to provisions as may be necessary to comply with the requirements of section 148 of the Code.

(2) Before the City shall adopt any Supplemental Ordinance pursuant to this Section 12.02, there shall have been filed with the City and the Trustee an opinion of Bond

Counsel stating that such Supplemental Ordinance is authorized or permitted by this Ordinance and the Act, complies with their respective terms, will be valid and binding upon the City in accordance with its terms and does not adversely affect the exclusion from gross income of interest on the Bonds for Federal income tax purposes.

Section 12.03. Supplemental Ordinances Requiring Consent of Bondholders. (1) Except for any Supplemental Ordinance adopted pursuant to Section 12.02 hereof, subject to the terms and provisions contained in this Section 12.03 and not otherwise, the Bondholders of not less than a majority in aggregate principal amount of the Bonds then Outstanding which would be adversely affected thereby, together with, so long as any applicable Letter of Credit or Alternate Security shall be in effect with respect to such Bonds and no drawing on such Letter of Credit shall have been, and shall remain, wrongfully dishonored, the Bank, shall have the right from time to time to consent to and approve the adoption by the City of any Supplemental Ordinance with respect to such Bonds as shall be deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this Ordinance with respect to such Bonds; provided, however, that, unless approved in writing by the Bondholders of all Bonds of the applicable Bonds then Outstanding, nothing herein contained shall permit, or be construed as permitting, with respect to such Bonds (i) a change in the times, amounts and currency of payment of the principal of and premium, if any, and interest on any Outstanding Bond, or a reduction in the principal amount, Purchase Price or redemption price of any Outstanding Bond or the rate of interest thereon, or (ii) the creation of a claim or lien upon, or a pledge of, the applicable Receipts and Revenues of the City from the Installment Sale Agreement ranking prior to or on a parity with the claim, lien or pledge created by this Ordinance, or (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of Bonds, the consent of the Bondholders of which is required for any such Supplemental Ordinance.

In all matters as to which the Trustee has the right to vote or grant or withhold consent as the holder of Senior Unsecured Notes (or Corresponding Securities in the event of an exchange pursuant to Section 12.09 hereof) under the Guaranty, the Trustee shall exercise such right subject to Section 12.09.

(2) If at any time the City shall determine to adopt any Supplemental Ordinance for any of the purposes of this Section 12.03, it shall cause notice of the proposed Supplemental Ordinance to be mailed, postage prepaid, to all Owners of Bonds then Outstanding. Such notice shall briefly set forth the nature of the proposed Supplemental Ordinance and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondholders.

(3) Within one year after the date of such notice, the City may adopt (the date of adoption shall be the date of passage and not the effective date) such Supplemental Ordinance in substantially the form described in such notice only if there shall have first been filed with the Trustee (a) the required consents, in writing, of Bondholders and (b) an opinion of Bond Counsel stating that such Supplemental Ordinance is authorized or permitted by this Ordinance and the Act and complies with their respective terms, and that upon adoption it will be valid and binding upon the City in accordance with its terms and does not adversely affect the exclusion from gross income of interest on the Bonds for Federal income tax purposes.

(4) If the Bondholders of not less than the percentage of Bonds required by this Section 12.03 shall have consented to and approved the adoption thereof as herein provided, no Bondholder shall have any right to object to the adoption of such Supplemental Ordinance, 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 City from, enacting the same or from taking any action pursuant to the provisions thereof.

Section 12.04. Effect of Supplemental Ordinance. Upon the adoption of any Supplemental Ordinance pursuant to the provisions of this Article XII, this Ordinance shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Ordinance of the City, the Trustee and all holders of Bonds then outstanding shall thereafter be determined, exercised and enforced under this Ordinance subject in all respects to such modifications and amendments.

Section 12.05. Supplemental Ordinances Requiring Consent of Company. Anything herein to the contrary notwithstanding, any Supplemental Ordinance under this Article XII which affects any rights, powers and authority of the Company under the Installment Sale Agreement, the Guaranty or the Senior Unsecured Notes (or Corresponding Securities in the event of an exchange pursuant to Section 12.09 hereof) or requires a revision of the Installment Sale Agreement, the Guaranty, the Senior Unsecured Notes or the Company Indenture (or the Corresponding Securities and Governing Instrument, as the case may be) shall not become effective unless and until the Company shall have consented to such Supplemental Ordinance.

Section 12.06. Supplemental Ordinances Requiring Consent of Bank. Any Supplemental Ordinance under this Article XII which affects any rights, powers and authority of a Bank or provider of any Alternate Security or requires a revision of a Letter of Credit or such Alternate Security shall not become effective unless and until such Bank or provider of such Alternate Security, as the case may be, shall have consented to such Supplemental Ordinance.

Section 12.07. Amendment of Installment Sale Agreement, Company Indenture and Guaranty Not Requiring Consent of Bondholders. Without the consent of or notice to the Bondholders, (a) the City and the Company may amend, change or modify the Installment Sale Agreement, and the Trustee may (with the prior written consent of the Bank, so long as the applicable Letter of Credit or Alternate Security shall be in effect and no drawing on such Letter of Credit or Alternate Security shall have been, and shall remain, wrongfully dishonored) consent thereto, and the Trustee may (with the prior written consent of the Bank, so long as the applicable Letter of Credit or Alternate Security shall be in effect and no drawing on such Letter of Credit or Alternate Security shall have been, and shall remain, wrongfully dishonored) consent to amendments to the Company Indenture and the Guaranty, as may be required (i) by the provisions of the Installment Sale Agreement and this Ordinance, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) to change the percentage of ownership interest in the Facilities which constitute the Project; provided that in doing so, the Project Purchase Price shall not be reduced and that an opinion of Bond Counsel shall have been delivered to the Trustee stating that such change is authorized or permitted by this Ordinance and the Act, complies with their respective terms, will be valid and binding upon the City in accordance with its terms and does not adversely affect the exclusion from gross income of interest on the Bonds for Federal income tax purposes or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or materially adverse to the Bondholders and (b) effective upon any Conversion Date to a new Mode, the City and the Company may make and the Trustee may consent to any amendment to the Installment Sale Agreement affecting only the Bonds being converted, subject to clause (iii) of this Section 12.07.

Section 12.08. Amendment of Installment Sale Agreement and Guaranty Requiring Consent of Bondholders. Except in the case of amendments, changes or modifications referred to in Section 12.07 hereof, the City and the Trustee shall not consent to any amendment, change or modification of the Installment Sale Agreement, and the Trustee shall not enter into any amendment, change or modification of the Guaranty, without the mailing of notice and the written approval or consent of the Bondholders of not less than a majority in aggregate principal amount of all the Bonds then Outstanding which relate to such Installment Sale Agreement or Guaranty, together with, so long as any applicable Letter of Credit or Alternate Security shall be in effect and no drawing on such Letter of Credit shall have been, and shall remain, wrongfully dishonored, the written consent of the Bank, procured as provided in Section 12.03 hereof. If at any time the City or the Company shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed in the same manner as

provided by Section 12.03 hereof with respect to Supplemental Ordinances. 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 Office of the Trustee for inspection by all Bondholders.

Section 12.09. Certain Matters with Respect to the Senior Unsecured Notes. (a) The Trustee, as holder of the Senior Unsecured Notes relating to Bonds (or the Corresponding Securities relating to such Bonds, in the event of an exchange pursuant to Section 12.09(b) hereof), shall attend meetings of Bondholders under the Company Indenture (or the Governing Instrument, as the case may be) or deliver its proxy in connection therewith. Either at such meeting, or otherwise when the written consent of the holders of the Company's Senior Unsecured Notes issued under the Company Indenture (or the Governing Instrument, as the case may be) is sought by the Company without a meeting, the Trustee, except as provided in the following sentence, is hereby directed to vote as the holder of the Senior Unsecured Notes relating to such Bonds (or the Corresponding Securities relating to such Bonds, in the event of an exchange pursuant to Section 12.09(b) hereof) or consent in writing with respect thereto, proportionately with what the Trustee reasonably believes will be the vote or consent of the holders of all other outstanding Senior Unsecured Notes voting or consenting; provided, however, that if (i) the Company shall have proposed one or more modifications to the Company Indenture and (ii) the Rating Agency shall have indicated in writing that such modification or modifications would not result in a withdrawal or a reduction of the ratings on the Senior Unsecured Notes of the Company issued under the Company Indenture, the Trustee shall vote as holder of the Senior Unsecured Notes relating to such Bonds (or the Corresponding Securities relating to such Bonds, as the case may be) or shall consent in writing with respect thereto, to approve, adopt and consent to such modification or modifications. Unless approved in writing by Bondholders of all Bonds then Outstanding, together with, so long as any applicable Letter of Credit or Alternate Security shall be in effect and no drawing on such Letter of Credit shall have been, and shall remain, wrongfully dishonored, the Bank, the Trustee shall not vote in favor of, or consent to, any modification to the Company Indenture (or the Governing Instrument, as the case may be) which (A) constitutes a change in the times, amounts or currency of payment of the principal of and premium, if any, and interest on any Senior Unsecured Note relating to such Bond or Corresponding Security relating to such Bond, as the case may be, or a reduction in the principal amount or redemption price thereof, (B) creates a preference or priority of any Company Security secured by the Company Indenture (or the Governing Instrument, as the case may be) over any other Company Security so secured or (C) permits the creation of any lien securing Company Securities ranking prior to or on a parity with the lien of the Company Indenture (or the Governing Instrument) on any of the Company's property subject thereto. Where the direction to the Trustee contained in this Section 12.09 shall not be applicable, the Trustee is authorized to act with respect to the Senior Unsecured Notes relating to such Bonds (or the Corresponding Securities relating to such Bonds, in the event of an exchange pursuant to Section 12.09(b) hereof) as otherwise permitted or required by this Ordinance. When acting pursuant to the direction specified in this Section 12.09, including an exchange specified in Section 12.09(b) hereof, the Trustee shall not be deemed to be exercising any discretion or power under this Ordinance and, therefore, shall be fully protected and indemnified in so acting and shall not be answerable with respect thereto.

(b) Upon at least 30 days' prior written notice from and at the request of the Company to the City, the Paying Agent and the Trustee, the Trustee, as holder of the Senior Unsecured Notes relating to Bonds, shall exchange, in accordance with the provisions of a Supplemental Ordinance providing therefor, the Senior Unsecured Notes relating to such Bonds for other bonds or evidences of indebtedness of the Company ("Company Securities") (x) in an aggregate principal amount equal to the aggregate principal amount of the Bonds, in such principal amounts and maturing on such dates that upon the stated maturity dates of the Bonds a corresponding principal amount of such Company Securities shall mature, (y) bearing interest (but only from the date corresponding to the Initial Interest Accrual Date as defined in the Supplemental Company Indenture) at the same interest rate borne from time to time by either (i) such Senior Unsecured Notes relating to such Bonds or (ii) corresponding Bonds of the maturity date and (z) be subject to redemption prior to maturity at the time, in the amounts and at the same redemption premium borne by

corresponding Bonds of the maturity date (Company Securities meeting the requirements of the foregoing clauses (x), (y) and (z) being herein called the "Corresponding Securities"); provided, however, that prior to or upon such exchange, each of the following conditions shall have been satisfied:

(1) on or prior to the date proposed by the Company for such exchange (the "Exchange Date") (which date shall be set forth in the notice from the Company to the City, the Paying Agent and the Trustee described above in this Section 12.09(b)), the Company shall provide the City, the Bank, the Paying Agent and the Trustee with an opinion of the Bond Counsel reasonably satisfactory to the Trustee to the effect that the exchange will not adversely affect the exclusion of interest on the Bonds of the applicable Bonds from gross income for Federal income tax purposes;

(2) the Corresponding Securities relating to such Bonds shall be outstanding under a mortgage, deed of trust, trust or other indenture or other similar instrument or agreement (a "Governing Instrument") which (i) has been qualified under the Trust Indenture Act of 1939, as amended or (ii) shall, in the opinion of counsel to the Company, meet the requirements for qualification under said Act upon the filing of an appropriate application for such qualification;

(3) the trusts created by the Governing Instrument shall be stated therein to be for the equal and proportionate benefit and security of the holders from time to time of all Company Securities outstanding thereunder (including the Corresponding Securities) without any priority of any such Company Security over any other such Company Security so outstanding;

(4) the Company shall provide the City, the Bank, the Paying Agent and the Trustee with an opinion of Counsel dated the Exchange Date, to the effect that (i) the forms and terms of the Corresponding Securities have been duly authorized by the Company and have been established in conformity with the Governing Instrument, (ii) the Corresponding Securities, when authenticated and delivered by the Trustee under the Governing Instrument in the manner and subject to any conditions specified in such opinion, will have been duly issued under the Governing Instrument and will constitute valid and legally binding obligations of the Company, entitled to the benefits of the Governing Instrument, and enforceable in accordance with their respective terms (except as limited by bankruptcy, insolvency, moratorium and other laws affecting the enforcement of mortgagees' and other creditors' rights and by general equitable principles) and (iii) all conditions precedent relating to such exchange provided in this Ordinance have been complied with;

(5) no Event of Default relating to the Bonds shall have occurred and be continuing hereunder, no "Event of Default" (as defined in the Company Indenture) shall have occurred and be continuing and no "event of default" or other comparable event under the Governing Instrument shall have occurred and be continuing (in each case as certified by the Company to the City, the Bank, the Paying Agent and the Trustee); and

(6) each Rating Agency shall have indicated in writing that the Company Securities outstanding or to be outstanding under the Governing Instrument are or will be assigned the same or a better rating as the rating in effect for the Senior Unsecured Notes of the Company outstanding under the Company Indenture on the Exchange Date.

Section 12.11. Issuance of Bonds Under Other Ordinances; Recognition of Prior Pledges. The City hereby expressly reserves the right to issue, to the extent permitted by law, bonds under other ordinances for one or more purposes permitted by the Act. The City hereby recognizes and protects any prior pledge or mortgage made to secure any prior issue of bonds.

ARTICLE XIII.

The Trustee and the Remarketing Agent

Section 13.01. Agreements by the Trustee. Upon acceptance of this Ordinance by the Trustee, the Trustee shall agree that it will:

(a) subject to Section 2.14 hereof, hold all Bonds delivered to it pursuant to Section 2.03 hereof in trust for the benefit of the respective Bondholders which shall have so delivered such Bonds until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders; and

(b) hold all moneys delivered to it hereunder for the purchase of such Bonds in trust for the benefit of the person or entity which shall have so delivered such moneys until application of such moneys to the purchase of such Bonds.

Section 13.02. Remarketing Agents. The Company shall appoint a Remarketing Agent or Remarketing Agents for any or all Bonds, subject to the conditions set forth in Section 13.03 hereof, if any Bonds shall be in the Flexible Mode, Daily Mode, Weekly Mode or Multiannual Mode (unless the term of such Multiannual Mode is to the maturity of the Bonds). The Company may, at any time, appoint a co-Remarketing Agent meeting the qualifications set forth in Section 13.03 hereof in which case all references herein to "Remarketing Agent" shall include such co-Remarketing Agent. The Remarketing Agent shall designate to the Trustee its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Trustee and the Trustee shall be entitled to rely thereon as to the satisfaction of the conditions set forth in Section 13.03 hereof.

Section 13.03. Qualifications of a Remarketing Agent; Resignation; Removal. The Remarketing Agent shall be a member of the National Association of Securities Dealers, having a capitalization of at least \$15,000,000 and rated not less than "Ba23" long term rating by Moody's and "Prime 3" short term rating by Moody's or be otherwise acceptable to Moody's and be authorized by law to perform all the duties imposed upon it by this Ordinance. The Remarketing Agent may be removed at any time, and a successor Remarketing Agent appointed at the direction of the Company, by an instrument executed by an Authorized Company Representative, filed with the City, the Remarketing Agent and the Trustee. Any successor Remarketing Agent shall agree to perform all of the duties imposed by this Ordinance and the Remarketing Agent Agreement in accordance with the terms hereof and thereof.

ARTICLE XIV.

Bond Insurance Provisions

Section 14.01. Effectiveness. The provisions in this Article XIV shall be effective with respect to the Bonds only if, and so long as, a Municipal Bond Insurance Policy with respect to such Bonds is in full force and effect.

Section 14.02. Consent of Bond Insurer. (a) Notwithstanding Article XII hereof, any provision of this Ordinance expressly recognizing or granting rights in or to the Bond Insurer, including, without limitation, this Article XIV, may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer.

(a) Unless otherwise provided in this Section 14.02, the Bond Insurer's consent shall be required for the adoption of a Supplemental Ordinance to amend Section 2.03(D)(3)(iii) and shall be required in addition to Bondholder consent, when required, for the following purposes: (i) adoption of any Supplemental Ordinance or any amendment, change or modification of the Installment Sale Agreement or Guaranty, (ii) removal of the Trustee, Paying Agent or Co-Paying Agent and selection and appointment of any successor trustee, paying agent or co-paying agent, (iii) the exchange of applicable Senior Unsecured Notes for Corresponding Securities pursuant to Section 12.09(b) hereof and (iv)

initiation or approval of any action not described in (i), (ii) or (iii) above which requires Bondholder consent under this Ordinance.

Section 14.03. Control of Remedies. (a) Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and during the continuance of an Event of Default, with respect to the Bonds insured by the Bond Insurer, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders of such Bonds or the Trustee for the benefit of the Bondholders of such Bonds under this Ordinance, including, without limitation: (i) the right to accelerate the principal of such Bonds as described in this Ordinance and (ii) the right to annul any declaration of acceleration with respect to such Bonds, and the Bond Insurer shall also be entitled to approve all waivers of Event of Default.

(b) Upon the occurrence of an Event of Default relating to the Bonds insured by the Bond Insurance and upon the condition that in accordance with the terms of the Company Indenture (or the Governing Instrument in the event of an exchange pursuant to Section 12.09 hereof), the Senior Unsecured Notes relating to such Bonds (or the Company Securities relating to such Bonds, as the case may be) issued and outstanding thereunder shall have become immediately due and payable pursuant to any provision of the Company Indenture (or the Governing Instrument, as the case may be), the Trustee may, with the consent of the Bond Insurer, and shall, at the direction of the Bond Insurer or Bondholders of at least 25% in principal amount of such Bonds then Outstanding with the consent of the Bond Insurer, by written notice to the City, the Company and the Bond Insurer, declare the principal of such Bonds to be immediately due and payable, whereupon that portion of the principal of such Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Ordinance or in such Bonds to the contrary notwithstanding.

(c) Nothing herein shall be deemed to modify or otherwise affect the consequences of any special mandatory redemption of Bonds pursuant to Section 3.01 hereof.

Section 14.04. Notices to Bond Insurer. (a) The Trustee shall furnish to the Bond Insurer a copy of any notice to be given by the Trustee to the holders of the Bonds insured by the Bond Insurer, including, without limitation, notice of any redemption of or defeasance of such Bonds, and any certificate rendered to the Trustee pursuant to this Ordinance relating to the security for such Bonds.

(b) The Trustee shall notify the Bond Insurer of any failure of the City or the Company to provide any mandatory notice, certificate, opinion or other instrument to the Trustee in accordance with the terms of this Ordinance.

(c) Notwithstanding any other provision of this Ordinance, the Trustee shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal, premium, if any, and/or interest on the Bonds insured by the Bond Insurer as required hereunder and immediately upon the occurrence of any Event of Default relating to such Bonds hereunder.

Section 14.05. Investment Securities. (a) Notwithstanding any other provision of this Ordinance, all moneys relating to Bonds insured by the Bond Insurer deposited with the Trustee pursuant to Section 8.02 of the Ordinance shall be in the form of either:

- (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below); or
- (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(b) The following obligations or securities shall, together with the obligations described in Section 14.05(a) hereof, constitute Investment Securities for all purposes of the Ordinance notwithstanding Section 6.01 hereof:

(1) obligations of any of the following Federal agencies which obligations represent full faith and credit of the United States of America, including the Export-Import Bank, Rural Economic Community Development Administration (formerly the Farmers Home Administration), the Farm Credit System Financial Assistance Corporation, the General Services Administration, the United States Maritime Administration, the Small Business Administration, the Government National Mortgage Association (GNMA), the United States Department of Housing & Urban Development (PHA's) and the Federal Housing Administration;

(2) bonds, notes or other evidences of indebtedness rated "AAA" by S&P and "Aaa" by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(3) United-States-dollar-denominated deposit accounts, Federal Fund and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(5) investments in a money market fund rated "AAA" or "AAA-G" or better by S&P;

(6) Pre-refunded Municipal Obligations defined as follows:

Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on the escrow, in the highest rating category of S&P and Moody's or any successors thereto; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (1) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) investment agreements approved in writing by the Bond Insurer with notice to S&P; and

(8) other forms of investment approved in writing by the Bond Insurer with notice to S&P and with respect to which the Bond Insurer has received such opinions of counsel as it shall reasonably request;

provided, however, that no such investment shall violate the laws of the State of New Mexico.

Section 14.07. Defeasance Provisions. Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the

Municipal Bond Insurance Policy, such Bonds shall remain Outstanding under this Ordinance for all purposes of this Ordinance, not be defeased or otherwise satisfied and not be considered paid by the City, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the City to the holders shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such holders.

Section 14.08. Payment Procedure Pursuant to the Municipal Bond Insurance Policy. The City, the Trustee and the Paying Agent agree to comply with the following provisions:

(a) On the Interest Payment Date, the Paying Agent shall determine whether there will be sufficient funds in the Bond Fund to pay the principal of or interest on the Bonds insured by the Bond Insurance on such Interest Payment Date. If the Paying Agent determines that there will be insufficient funds in the Bond Fund, the Paying Agent shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. The Bond Insurer shall make payments of principal or interest due on the Bonds on or before the first day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Paying Agent.

(b) The Paying Agent shall, after giving notice to the Bond Insurer as provided in Section 14.07(a), make available to the Bond Insurer and, at the Bond Insurer's direction, to the Insurance Trustee, the registration books maintained by the Registrar, and all records relating to the Bond Fund maintained under this Ordinance.

(c) The Paying Agent shall provide the Bond Insurer and the Insurance Trustee with a list of Owners of Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Municipal Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners of Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the Owners of Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Paying Agent shall at the time it provides notice to the Bond Insurer pursuant to Section 14.07(a) above, notify Owners of Bonds entitled to receive the payment or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee or Paying Agent and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Bonds for payment thereon first to the Trustee or Paying Agent, if any, who shall note on such Bonds the portion of the principal paid by the Paying Agent and then, along with an appropriate instrument of assignment, if any, in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Paying Agent has notice that any payment of principal of or interest on a Bond insured by the Bond Insurer which has become due for payment and which is made to a Bondholder by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Paying Agent shall, at the time the Bond Insurer is notified pursuant to Section 14.07(a), notify all Owners of such Bonds that in the event that any such Owner's payment is so recovered, such Owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Paying Agent shall

furnish to the Bond Insurer its records evidencing the payments of principal of and interest on such Bonds which have been made by the Paying Agent and subsequently recovered from such Owners and the dates on which such payments were made.

(f) In addition to those rights granted the Bond Insurer under this Ordinance, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Bonds insured by the Bond Insurer, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Registrar upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Owners of such Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Registrar upon surrender of such Bonds by the holders thereof together with proof of the payment of principal thereof.

Section 14.09. Trustee Provisions. (a) The Trustee, Paying Agent (with respect to the Bonds) and Co-Paying Agent (with respect to the Bonds) may be removed at any time, at the request of the Bond Insurer, for any breach of the trust set forth herein. In case of removal, the Trustee shall be compensated and reimbursed as provided in Section 10.13 hereof

(b) The Bond Insurer shall receive prior written notice of any Trustee or Paying Agent resignation.

(c) Every successor Trustee appointed pursuant to this Section 14.08 shall, in addition to meeting the qualifications set forth in Section 10.15 hereof, be a trust company or bank in good standing located in or incorporated under the laws of the United States of America, any state thereof or the District of Columbia, duly authorized to exercise trust powers and subject to examination by Federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to the Bond Insurer and the Bank. Any successor Paying Agent shall not be appointed unless the Bond Insurer approves such successor in writing.

(d) Notwithstanding any other provision of this Ordinance, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Ordinance, the Trustee shall consider the effect on such Bondholders as if there were no Municipal Bond Insurance Policy.

(e) Notwithstanding any other provision of this Ordinance, no removal, resignation or termination of the Trustee or Paying Agent shall take effect until a successor, acceptable to the Bond Insurer (and, in the case of a successor Trustee, the Bank), shall be appointed and has assumed its duties as successor Trustee or Paying Agent, as the case may be.

Section 14.11. Interested Parties. (a) To the extent that this Ordinance confers upon or gives or grants to the Bond Insurer or any Bank any right, remedy or claim under or by reason of this Ordinance, the Bond Insurer and the Bank is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

(b) Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, give or grant to, any person or entity, other than the City, the Trustee, the Bond Insurer, the Bank, the Company, the Paying Agent and the Bondholders, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee, the Bond Insurer, the Company, the Paying Agent and the Bondholders.

If to the Company: Public Service Company of New Mexico
414 Silver Avenue SW
Albuquerque, New Mexico 87102
Attention: Treasurer

If to the Trustee: at the address specified in the resolution
of the City appointing the Trustee.

Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent hereunder. All notices, certificates, requests or other communications to be given to any Bond Insurer or Remarketing Agent hereunder shall be given in accordance with any written instructions from such parties.

Section 15.08. Effect of Non-Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Ordinance, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Ordinance, and no interest shall accrue for the period after such nominal date.

Section 15.09. Opinions. Each opinion with respect to the validity of documents or Bonds may be qualified to the extent of the application of bankruptcy, insolvency, moratorium, fraudulent conveyance or reorganization laws or laws affecting the remedies for the enforcement of the rights and security provided therein and need not pass on the availability of the remedy of specific enforcement, injunctive relief or any other equitable remedy.

Section 15.10. Notices to Rating Agencies. The Trustee shall promptly give notice to Moody's at Moody's Structured Transaction Group, Corporate Department, 99 Church Street, New York, New York 10007, S&P at Standard & Poor's Financial Institutions Ratings, 25 Broadway, New York, New York 10004 and the Bond Insurer of the occurrence of any of the following:

- (a) the termination, cancellation, amendment, expiration or extension of the Letter of Credit or Alternate Security;
- (b) the removal or resignation of the Trustee or Paying Agent and the naming of a successor Trustee or Paying Agent, as the case may be, pursuant to Article X hereof;
- (c) the removal or resignation of the Remarketing Agent and the naming of a successor Remarketing Agent pursuant to Article XIII hereof;
- (d) the conversion or failed conversion of the Bonds as required by Section 2.03 hereof;
- (e) the redemption or defeasance of the Bonds;
- (f) the execution and delivery of any Supplemental Ordinance adopted pursuant to Section 12.03 hereof;
- (g) any amendment, change or modification of the Installment Sale Agreement pursuant to Section 12.07 hereof; and
- (h) any event of default under an Reimbursement Agreement.

Section 15.11. Surrender of Senior Unsecured Notes. Whenever the principal of any Bonds shall have been paid (or shall be deemed to have been paid within the meaning of this Ordinance) whether upon the redemption or prepayment or upon the maturity or acceleration thereof, or Bonds shall have been delivered to the Trustee by the Company for cancellation or acquired by the Trustee (other than by tender pursuant to Section 2.03 hereof) pursuant to this Ordinance with moneys available hereunder, an equal aggregate principal amount of corresponding Senior Unsecured Notes (or Corresponding Securities, in the event of an exchange pursuant to Section 12.09(b) hereof) maturing on the same date or dates as said Bonds paid, delivered or acquired, shall be surrendered by the Trustee to the trustee under the Company Indenture for cancellation, and upon such surrender said amount of Senior Unsecured Notes (or

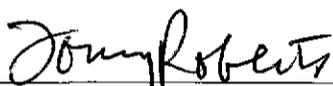
Corresponding Securities, as the case may be) shall be deemed fully paid; provided that, with respect to any such Bonds that were paid or deemed to have been paid with moneys drawn under a Letter of Credit, no such Senior Unsecured Notes (or Corresponding Securities, as the case may be) shall be surrendered by the Trustee for cancellation or deemed fully paid unless and until the Bank shall have been fully reimbursed therefor under the Reimbursement Agreement.

Section 15.12. Headings; Table of Contents. The division of this Ordinance into sections, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

Section 15.13. Acceptance by Trustee. The execution by the party designated and appointed Trustee of the acceptance set forth at the end of this Ordinance certified by the City Clerk shall be sufficient to constitute said party as Trustee hereunder in accordance with the provisions hereof without the execution of any other instrument.

Section 15.14. Declaration of Emergency. The City Council declares that emergency circumstances exist which are of an immediate danger to the public health, safety and welfare of the City and that this Ordinance shall therefore take effect immediately.

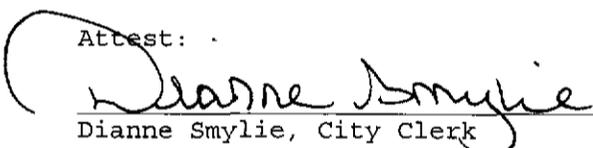
Passed, Adopted, Signed and Approved this 23rd day of August, 2016.



 Tommy Roberts, Mayor

(Seal)

Attest: .



 Dianne Smylie, City Clerk

I, Tommy Roberts, Mayor of the City of Farmington, New Mexico, do hereby declare that, pursuant to Section 3-17-3 N.M.S.A. 1978, this Ordinance deals with an emergency of an immediate danger to the public health, safety and welfare of the City, and any publication of such Ordinance prior to its adoption is hereby declared to be unnecessary.

Tommy Roberts
Mayor

ACCEPTANCE OF DUTIES BY TRUSTEE

_____ as Trustee, hereby accepts as of _____, 2016
the Trust imposed under the foregoing Ordinance and the duties and
obligations imposed on the Trustee thereby.

By: _____

Title: _____

[FORM OF FACE OF FLEXIBLE BOND]

No. [fill in distinguishing letters as to Bank] R-_____ \$_____

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

THE FOLLOWING TWO BRACKETED PARAGRAPHS ARE TO BE DELETED IF BOND IS NOT BOOK-ENTRY-ONLY:

[Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (together with any successor security depository appointed pursuant to the Ordinance, "DTC"), to the City or its agent for registration of transfer or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

As provided in the Ordinance referred to herein, until the termination of the system of book-entry-only transfers through DTC, and notwithstanding any other provision of the Ordinance to the contrary, this Bond may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or any nominee of DTC to a successor securities depository or any nominee thereof.]

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE INSERTED IF FAILED CONVERSION AND BOND IS IN FLEXIBLE MODE WITH A ONE DAY RATE PERIOD OR BOND IS OTHERWISE NOT ENTITLED TO THE BENEFITS OF A LETTER OF CREDIT AND THE BRACKETED LANGUAGE HEREIN REFERRING TO A LETTER OF CREDIT IS TO BE DELETED:

[NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, THIS BOND IS NOT SUPPORTED BY A LETTER OF CREDIT OR ALTERNATE SECURITY.]

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE DELETED IF BOND IS NOT COVERED BY A MUNICIPAL BOND INSURANCE POLICY:

[Municipal Bond Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by _____ (the "Bond Insurer"). The Policy has been delivered to _____, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from the Bond Insurer or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of the Bond Insurer as more fully set forth in the Policy.]

CITY OF FARMINGTON, NEW MEXICO

POLLUTION CONTROL
REVENUE REFUNDING BOND,
2016 SERIES B
(PUBLIC SERVICE COMPANY OF NEW MEXICO
SAN JUAN AND FOUR CORNERS PROJECTS)

CUSIP NO. _____

Registered Owner:

Principal Amount:

Interest Payment Date: the Purchase Date

Bank:

Mode: Flexible

The City of Farmington, an incorporated municipality, a body politic and corporate, existing under the Constitution and laws of the State of New Mexico, United States of America (the "City"), for value received, hereby promises to pay, solely from the sources specified herein and not otherwise, to the Registered Owner, or registered assigns, on the Maturity Date stated above, the Principal Amount shown above, unless redeemed prior thereto as hereinafter provided, upon presentation and surrender hereof as hereinafter provided, and to pay interest on such Principal Amount from the most recent Interest Payment Date, defined below, to which interest has been paid or duly provided for, or if no interest has been paid, from the Commencement Date of the Rate Period stated above until paid in full, payable on the Interest Payment Date. So long as this Bond is in the Flexible Mode, interest shall be due on this Bond on the Purchase Date (as defined herein) and on the Maturity Date, and when this Bond is in any other Mode interest shall be due on the dates provided in the hereinafter defined Ordinance (the "Interest Payment Dates"). Until conversion to the Daily, Weekly or Multiannual Mode as provided herein, this Bond shall bear interest at the Flexible Rate. The Flexible Rate for this Bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Ordinance (herein, with its successors, the "Remarketing Agent"), for the Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, is necessary on and as of the Effective Date, as defined herein, to remarket the Bond having such Rate Period (as determined by the Remarketing Agent) in a secondary market transaction at a price equal to par plus accrued interest on and as of the Effective Date). If this Bond is converted to the Daily, Weekly or Multiannual Mode it shall bear interest at the Daily, Weekly or Multiannual Rate, as the case may be, as defined in the Ordinance. The Remarketing Agent shall determine the initial Flexible Rate or Rates and Rate Period or Periods on or before the date of issue or conversion to the Flexible Mode, which Rate and Rate Period shall remain in effect as provided in the Ordinance. Thereafter, the Remarketing Agent shall redetermine the Flexible Rate for the Rate Period as provided below and shall redetermine the Rate Period. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on this Bond through the day preceding such Interest Payment Date and if any payment, redemption or maturity date is not a Business Day, then the payment may be made on the next succeeding Business Day with the same force and effect as if made on the specified payment date and no interest shall accrue for the period after the specified payment date.

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE DELETED IF BOND IS NOT BOOK-ENTRY-ONLY:

[FOR SO LONG AS THIS BOND IS HELD IN BOOK-ENTRY FORM REGISTERED IN THE NAME OF CEDE & CO. ON THE REGISTRATION BOOKS OF THE CITY KEPT BY THE PAYING AGENT AS REGISTRAR, THIS BOND, IF CALLED FOR PARTIAL REDEMPTION IN ACCORDANCE WITH THE ORDINANCE (HEREIN DEFINED), SHALL BECOME DUE AND PAYABLE ON THE REDEMPTION DATE DESIGNATED IN THE NOTICE OF REDEMPTION GIVEN IN ACCORDANCE WITH THE ORDINANCE AT, AND ONLY TO THE EXTENT OF, THE REDEMPTION PRICE, PLUS ACCRUED INTEREST TO THE SPECIFIED REDEMPTION DATE; AND THIS BOND SHALL BE PAID, TO THE EXTENT SO REDEEMED, (I) UPON PRESENTATION AND SURRENDER THEREOF AT THE 01-TICE SPECIFIED IN SUCH NOTICE OR (II) AT THE WRITTEN REQUEST OF CEDE & CO., BY CHECK OR DRAFT MAILED TO CEDE & CO. BY THE PAYING AGENT OR BY WIRE TRANSFER TO CEDE & CO. BY THE PAYING AGENT IF CEDE & CO. AS BONDHOLDER SO ELECTS. IF, ON THE REDEMPTION DATE, MONEYS FOR THE REDEMPTION OF BONDS OF SUCH MATURITY TO BE REDEEMED, TOGETHER WITH INTEREST TO THE REDEMPTION DATE, SHALL BE HELD BY THE PAYING AGENT OR TRUSTEE SO AS TO BE AVAILABLE THEREFOR ON SUCH DATE, AND AFTER NOTICE OF REDEMPTION SHALL HAVE BEEN GIVEN IN ACCORDANCE WITH THE ORDINANCE, THEN, FROM AND AFTER THE REDEMPTION DATE, THE AGGREGATE PRINCIPAL AMOUNT OF THIS BOND SHALL BE IMMEDIATELY REDUCED BY AN AMOUNT EQUAL TO THE AGGREGATE PRINCIPAL AMOUNT THEREOF SO REDEEMED, NOTWITHSTANDING WHETHER THIS BOND HAS BEEN SURRENDERED TO THE PAYING AGENT FOR CANCELLATION.]

This Bond shall not be valid or become obligatory for any other purpose or be entitled to any security or benefit under the ordinance

until the Certificate of Authentication inscribed hereon shall have been signed by the Trustee.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF WHICH SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH HEREIN.

IN WITNESS WHEREOF, the City of Farmington, New Mexico has caused this Bond to be authenticated by its Mayor and its Treasurer, the by his or her manual or facsimile signature, and has caused the corporate seal of the City to be affixed, impressed or reproduced hereon and attested by the City Clerk with his or her manual or facsimile signature.

Dated: _____, 2016

CITY OF FARMINGTON, NEW MEXICO

By:

Tommy Roberts, Mayor

By:

Treasurer

ATTEST:

Dianne Smylie, City Clerk

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

This is to certify that this Bond is one of the Bonds described in the within-mentioned Ordinance.

[Bank Name]

As Trustee

By:

Authorized Officer

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of revenue bonds of the City issued in the aggregate principal amount of \$100,000,000 designated "Pollution Control Revenue Refunding Bonds, 2016 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects)" (the "Bonds") authorized and issued pursuant to and in full compliance with the Constitution and laws of the State of New Mexico, particularly the Pollution Control Revenue Bond Act, Chapter 397, Laws of 1973 of the State of New Mexico, 31st Legislature, 1st Session, as amended (the "Act"), and pursuant to Ordinance No. 2016-1292 of the City adopted August 23, 2016, by the City Council of the City, as supplemented by Resolution No. 2016-1599 of the City adopted on August 9, 2016 (collectively, the "Ordinance"), the proceeds of which will be used, together with other available moneys for refunding outstanding revenue bonds issued under such Act to refund previously outstanding revenue bonds issued under such Act to finance a portion of the costs to Public Service Company of New Mexico (the "Company"), a corporation organized and existing under the laws of the State of New Mexico of acquiring, constructing, and installing certain air and water pollution control systems and facilities (the Company's interest therein being referred to herein as the "San Juan Facilities") relating to Units 1, 2, 3 and 4 at the San Juan Generating Station (the "San Juan Plant") located in San Juan County, New Mexico, interests in which are owned by the Company, and to finance a portion of the costs to the Company of acquiring, constructing, reconstructing, improving, maintaining, equipping or furnishing certain air and water pollution control facilities (the Company's interest therein being referred to herein as the "Four Corners Facilities", and together with the San Juan Facilities, the "Facilities") relating to Units 4 and 5 at the Four Corners Generating Station (the "Four Corners Plant", and together with the San Juan Plant, the "Plants"), an electric power generating plant located in San Juan County, New Mexico, interests in which Facilities have been purchased by the City from, and sold by the City to, the Company.

The Bonds are equally and ratably secured, to the extent provided in the Ordinance, by the pledge thereunder of the Receipts and Revenues of the City from the Installment Sale Agreement, which term, as defined in the Ordinance means all moneys payable to the City under Section 5.02 of that certain Third Amended and Restated Installment Sale Agreement relating to the Bonds, dated as of September 1, 2016, between the City and the Company, as Vendee (the "Installment Sale Agreement") (amending and restating the Second Amended and Restated Installment Sale Agreement, dated as of May 1, 2003, between the City, as Vendor, and the Company, as Vendee which amended and restated the Amended and Restated installment Sale Agreement, dated as of August 15, 1993, between the City, as Vendor, and the Company, as Vendee which amended and restated the Installment Sale Agreement dated as of October 1, 1983, between the City, as Vendor, and the Company, as Vendee), and all receipts of the Trustee credited under the provisions of the Ordinance against such payments, [including payments made to the Trustee under the hereinafter defined Letter of Credit]. The City has also pledged and assigned to the Trustee as security for the Bonds other rights and interests of the City under the Installment Sale Agreement. In addition, the Company has, by a Guaranty Agreement dated as of September 1, 2016 between the Company and the Trustee (the "Guaranty"), unconditionally guaranteed to the Trustee for the benefit of the holders of the Bonds the full and prompt payment of the principal and interest on the Bonds when and as the same shall become due according to the terms of the Ordinance and the Bonds and has issued and delivered to the Trustee its Senior Unsecured Notes (as defined in the Guaranty) as collateral security for its obligations under the Guaranty. Under certain circumstances, as provided in and in accordance with the Ordinance, the Senior Unsecured Notes may be exchanged for Corresponding Securities (as defined in the Ordinance).

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE DELETED IF BOND IS NOT ENTITLED TO BENEFITS OF A LETTER OF CREDIT:

[The Company has caused to be delivered to the Trustee an irrevocable letter of credit (together with any alternate letter of credit issued in accordance with the Ordinance, the "Letter of Credit") issued by the Bank identified hereon (together with any bank issuing an alternate letter of credit, the "Bank"), in favor of the Trustee. Such Letter of Credit will support the payment of principal and Purchase Price (hereinafter defined) of, premium, if any, and interest on the Bonds. Subject to certain conditions, the Letter of Credit may be replaced by

another credit facility, insurance policy, guarantee or other credit support agreement (the "Alternate Security"). If the Company elects not to comply with the provisions of the Installment Sale Agreement regarding the replacement of the Letter of Credit or Alternate Security or the termination or cancellation thereof without replacement, the Bonds shall be subject to mandatory tender for purchase as described below. Bonds supported by a Letter of Credit or Alternate Security are referred herein as "Credit Supported Bonds."]

The owner of this Bond shall have no right to enforce the provisions of the Ordinance or to institute any action or proceeding in equity or at law to enforce the covenants thereof, or to take any action with respect to a default under the Ordinance, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Ordinance. If an Event of Default occurs and is continuing, the principal of all outstanding Bonds may be declared due and payable upon the conditions and in the manner and with the effect provided in the Ordinance.

As more fully provided in the Ordinance, the Bonds do not constitute an indebtedness or obligation to which the full faith and credit of the City are pledged but are limited obligations of the City, which is obligated to pay the principal and Purchase Price of and premium, if any, and interest on the Bonds only out of the Receipts and Revenues of the City from the Installment Sale Agreement and other moneys pledged therefor under the Ordinance. The Bonds may also be paid out of any payments by the Company to the Trustee pursuant to the Guaranty. This Bond does not, and shall never, constitute an indebtedness of the City within the meaning of any State constitutional provision or statutory limitation, and shall never constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

All acts, conditions and things required by the Constitution and statutes of the State of New Mexico, the governing rules and procedures of the City and the Ordinance to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed.

No covenant or agreement contained in this Bond or the Ordinance shall be deemed to be a covenant or agreement of any officer, agent or employee of the City in his or her individual capacity, and neither the members of the City Council of the City nor any official executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond.

Reference is hereby made to the Ordinance, the Installment Sale Agreement, the Guaranty [and the Letter of Credit], copies of which are on file with the Trustee, for the provisions, among others with respect to the custody and application of the proceeds of the Bonds, the collection and disposition of the Receipts and Revenues of the City from the Installment Sale Agreement pledged as security for the payment of the Bonds and the interest and redemption premium, if any, thereon, the nature and the extent of the security for and the rights of the owners of the Bonds, the terms and conditions on which, and the purposes for which, the Bonds are issued and are deemed to be paid and discharged under the Ordinance, and the conditions under which the Ordinance, the Installment Sale Agreement or the Guaranty may be amended, to all of which the owner hereof, by acceptance of this Bond, assents.

Unless otherwise defined herein, capitalized terms used in this Bond shall have the meaning given them in the Ordinance. As used herein, "premium" shall mean, with respect to any amount payable on this Bond, the amount, if any, by which the redemption price hereof (exclusive of interest) exceeds the principal amount hereof at the time such amount is payable. The following terms are defined as follows:

"Business Day" shall mean a day of the year on which banks located in all of the cities in which the Principal Offices of the Trustee, the Bank or the provider of Alternate Security, the Paying Agent and the Remarketing Agent are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" shall mean, with respect to a Bond in the Flexible, Daily, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect or the date on which that Bond is converted to a new Mode.

"Mode" shall mean the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Daily Mode, the Weekly Mode and the Multiannual Mode.

"Purchase Date" shall mean the date on which this Bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" shall mean, when used with respect to any particular rate of interest for a Bond in the Flexible, Daily, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

INTEREST RATE PROVISIONS; MANDATORY TENDER PROVISIONS

At the option of the Company and subject to certain conditions provided for in the Ordinance, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Daily Mode, Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one day, one week or one year or any integral multiple of one year or (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 180 days as provided herein; provided, however, that in the Multiannual Mode the first Rate Period occurring after conversion to such Mode may be shorter than the applicable integral multiple of one year as provided in the Ordinance. While this Bond is in the Flexible Mode, a new interest rate shall take effect on the date such Mode takes effect, and on the Effective Date of the next Rate Period, as defined herein, applicable to this Bond.

While this Bond is in the Flexible Mode, conversions to any other Mode may take place only on an Effective Date. While this Bond is in the Flexible Mode and held in book-entry form, the Paying Agent shall give the Registered Owner of this Bond not less than 15 days' prior written notice of the conversion of this Bond from the Flexible Mode to another Mode. Conversion of this Bond to another Mode shall be subject to certain conditions set forth in the Ordinance. In the event that the conditions for a proposed conversion to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondholders of such conversion and (ii) this Bond shall remain in the Flexible Mode with a Rate Period of one day. In no event shall the failure of this Bond to be converted to another Mode be deemed to be a Default or an Event of Default under the Ordinance as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

While this Bond is in the Flexible Mode, the interest rate and the Rate Period will be determined by the Remarketing Agent and will remain in effect from the Effective Date to and including the Purchase Date. While the Bond is in the Flexible Mode, it may have successive Rate Periods of any duration up to 180 days each and ending on a day preceding a Business Day (a "Flexible Rate Period") and may bear interest at a rate and for a period different from any other Bond.

In the event the Remarketing Agent no longer determines, or fails to determine when required, any Rate Period or any Flexible Rate for any Bonds, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Rate Period for any such Bond shall be deemed to be a Flexible Rate Period with a duration of one day and the Flexible Rate shall be determined as provided in the Ordinance.

While this Bond is in the Flexible Mode it is subject to mandatory tender for purchase on the applicable Effective Date at a price (the "Purchase Price") equal to 100% of the principal amount thereof; provided, however, that the term "Purchase Price" as used herein in connection with any mandatory tender of this Bond pursuant to the following paragraph shall mean a price equal to 100% of the principal amount thereof plus accrued interest, if any, to the Purchase Date).

This Bond is also subject to mandatory tender for purchase at the Purchase Price (i) on the date of the exchange of the Senior Unsecured Notes for Corresponding Securities unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Registered Owner in accordance with the following sentence, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies (as defined in the Ordinance) that the rating on this Bond, if any, will not be withdrawn or reduced as a result of such exchange and (ii) on (a) the effective date of the substitution an Alternate Letter of Credit or Alternate Security unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Registered Owner in accordance with the following sentence, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies that the rating on this Bond, if any, will not be withdrawn or reduced as a result of such substitution or (b) a date that is not more than fifteen (15) or less than ten days prior to the expiration or termination of the Letter of Credit or Alternate Security (other than upon conversion to a new Mode). Notice of mandatory tender pursuant to this paragraph shall be given or caused to be given by the Paying Agent in writing to the Registered Owner at least fifteen (15) days prior to the mandatory Purchase Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND IN ACCORDANCE WITH THE PROVISIONS OF THE ORDINANCE AND ON THE PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TENDERED FOR PURCHASE, AND SHALL CEASE TO BE OUTSTANDING UNDER THE ORDINANCE, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS BOND TO THE PAYING AGENT. The Purchase Price shall be paid on the Delivery Date, which shall be the Effective Date or any subsequent Business Day on which this Bond is delivered to the Paying Agent [notwithstanding any substitution of an Alternate Letter of Credit or Alternate Security after the date notice of mandatory tender was given the Registered Owner in accordance with the terms hereof]. The Purchase Price of this Bond shall be paid only upon surrender of this Bond to the Paying Agent as provided herein. From and after the Effective Date, no further interest shall be payable to the Registered Owner for the preceding Rate Period; provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Bonds not so delivered shall constitute Undelivered Bonds and shall not be considered Outstanding under the Ordinance on the Purchase Date.

The determination and redetermination of the Flexible Rate and the Rate Period shall be conclusive and binding on the City, the Trustee, the Paying Agent, the Bank, the Company and the Bondholders.

While this Bond is in the Flexible Mode, interest shall be computed on the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed. From and after the date on which this Bond becomes due, any unpaid principal will bear interest at the then effective Flexible Rate until paid or duly provided for. The Bonds are issuable in fully registered form and while in the Flexible Mode shall be in denominations of \$100,000 or any multiple of \$5,000 in excess of \$100,000.

While this Bond is in the Flexible Mode, the principal of and interest on this Bond due at maturity are payable when due by wire or bank transfer of immediately available funds within the continental United States to the Registered Owner hereof but only upon presentation and surrender of this Bond at the Principal Office of the Paying Agent, which is _____ (with its successors in such capacity, the "Paying Agent"). While this Bond is in the Flexible Mode, the Purchase Price of and, if applicable, interest on this Bond tendered for purchase is payable by wire or bank transfer within the continental United States from the Paying Agent to the Registered Owner tendering this Bond. Payment of the Purchase Price of and, if applicable, interest on this Bond to such owner shall be made on the Purchase Date if presentation and surrender of this Bond is made prior to 11:00 a.m., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this Bond is made prior to 11:00 a.m., New York City time. The Purchase Price of and, if applicable, interest on this Bond shall be paid in immediately available funds. Overdue interest on this Bond, or interest on overdue principal while in the Flexible Mode is payable in immediately available funds by wire or bank transfer within

the continental United States from the Paying Agent to the Registered Owner, determined as of the close of the business on the applicable special record date as determined by the Trustee. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondholders at least ten (10) days before the special record date. The Paying Agent will promptly certify to the City, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondholders, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE UPON NOTICE TO OR FROM THE REGISTERED OWNER HEREOF AS OF A DATE PRIOR TO SUCH PURCHASE. IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE OUTSTANDING UNDER THE ORDINANCE, INTEREST HEREOF SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT.

TRANSFER OF BONDS

Bonds (other than Undelivered Bonds) may be transferred on the books of registration kept by the Registrar (initially, the Paying Agent) by the owner in person or by his duly authorized attorney, upon surrender thereof, together with a written instrument of transfer executed by the owner or his duly authorized attorney. Upon surrender for registration of transfer of any Bond at the Principal Office of the Registrar, the City shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees, in authorized denominations, a new Bond or Bonds of the same interest rate, maturity and aggregate principal amount.

Such registration of transfer of Bonds shall be without charge to the owners of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the owners of the Bonds requesting such transfer as a condition precedent to the exercise of such privilege.

Except in connection with any optional or mandatory tender of Bonds pursuant to Section 2.03 of the Ordinance, the Trustee shall not be obligated to make any registration of transfer of Bonds during the three Business Days next preceding an Interest Payment Date or, in the case of any proposed redemption of Bonds, next preceding the date of the first mailing of notice of such redemption.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either principal or interest shall be made only to or upon the order of the registered owner thereof, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

OPTIONAL REDEMPTION

During any Flexible Mode, the Bonds are subject to redemption by the City at the option of the Company, in whole or in part, on any Effective Date for such Bond at a redemption price equal to 100% of the principal amount of such Bond plus accrued interest thereon to the redemption date.

EXTRAORDINARY OPTIONAL REDEMPTION

The Bonds are subject to redemption prior to maturity as a whole or in part at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of its option to prepay all or a part of the unpaid balance of the Project Purchase Price in accordance with Section 9.01(a) of the Installment Sale Agreement if the Company shall have determined that the continued operation of the Facilities relating to any of the electrical generating units in connection with which the Facilities are to be utilized at the Plants or the operation of any such

unit or any other part of the Facilities is impractical, uneconomical or undesirable for any reason.

MANDATORY REDEMPTION

The Credit Supported Bonds which are entitled to the benefits of a Letter of Credit are subject to mandatory redemption in whole on any day within 15 days after receipt by the Trustee from the Bank of a notice in the form attached as an exhibit to the applicable Reimbursement Agreement or Letter of Credit stating that an "event of default" thereunder has occurred. Such Bonds so redeemed will be redeemed at a redemption price equal to 100% of the principal amount to be redeemed plus unpaid interest accrued to the redemption date.

SPECIAL MANDATORY REDEMPTION

The Bonds are subject to special mandatory redemption in whole or in part and shall be redeemed at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on the 180th day (or such earlier date as may be designated by the Company) after a final determination by a court of competent jurisdiction or an administrative agency to the effect that, as a result of failure by the Company to perform or observe any covenant, agreement or representation in the Installment Sale Agreement, the interest payable on the Bonds is includable in whole for Federal income tax purposes in the gross income of the holders thereof, other than any holder who is a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code. No determination by any court or administrative agency shall be considered final unless the Company shall have participated in the proceeding which resulted in such determination, either directly or through a Bondholder, to a degree it deems sufficient and until conclusion of any appellate review or reviews sought by any party to such proceeding or the expiration of the time for seeking such review or reviews. The Bonds shall be redeemed either in whole or in part in such principal amount as may be required so that the interest payable on the Bonds remaining outstanding after such redemption would not be includable in whole in the gross income of any holder thereof for Federal income tax purposes, other than a holder who is a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code.

NOTICE OF REDEMPTION

If any of the Bonds are called for redemption, and provided that, if the redemption is at the option of the Company pursuant to *Optional Redemption* or *Extraordinary Optional Redemption* above, the Company shall have given written notice of such redemption to the Trustee not less than 45 days prior to the date fixed for redemption, notice of redemption shall be given electronically or by first class mail not less than 30 days or more than 60 days prior to the redemption date, except that notice of a redemption at the option of the Company pursuant to *Optional Redemption* above shall not be given and notice of redemption pursuant to *Mandatory Redemption* above shall be given as promptly as practicable after receipt by the Trustee of notice from the Bank, to each owner of the Bonds or portions thereof to be redeemed at the last address shown on the registration books kept by the Registrar. Any notice for the redemption of any Bond mailed as provided in the Ordinance shall be conclusively deemed to have been duly given whether or not such notice is received. Failure to send electronically or to mail any such notice to the holder of any Bond or any defect therein shall not affect the validity of the proceedings for such redemption as to the holders of any Bonds to whom notice has been mailed.

* * * * *

[FORM OF ASSIGNMENT]
ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within-mentioned Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney or agent to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Please insert Social Security or other Identifying Number of Assignee

[FORM OF FACE OF DAILY BOND]

No. [fill in distinguishing letters as to Bank] R-_____ \$_____

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

THE FOLLOWING TWO BRACKETED PARAGRAPHS ARE TO BE DELETED IF BOND IS NOT BOOK-ENTRY-ONLY:

[Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (together with any successor security depository appointed pursuant to the Ordinance, "DTC"), to the City or its agent for registration of transfer or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

As provided in the Ordinance referred to herein, until the termination of the system of book-entry-only transfers through DTC, and notwithstanding any other provision of the Ordinance to the contrary, this Bond may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or any nominee of DTC to a successor securities depository or any nominee thereof.]

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE INSERTED IF BOND IS NOT ENTITLED TO THE BENEFITS OF A LETTER OF CREDIT AND THE BRACKETED LANGUAGE HEREIN REFERRING TO A LETTER OF CREDIT IS TO BE DELETED:

[NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, THIS BOND IS NOT SUPPORTED BY A LETTER OF CREDIT OR ALTERNATE SECURITY.]

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE DELETED IF BOND IS NOT COVERED BY A MUNICIPAL BOND INSURANCE POLICY:

[Municipal Bond Insurance Policy No. ____ (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by _____ (the "Bond Insurer"). The Policy has been delivered to _____, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from the Bond Insurer or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of the Bond Insurer as more fully set forth in the Policy.]

CITY OF FARMINGTON, NEW MEXICO
POLLUTION CONTROL
REVENUE REFUNDING BOND,
2016 SERIES B
(PUBLIC SERVICE COMPANY OF NEW MEXICO
SAN JUAN AND FOUR CORNERS PROJECTS)

Maturity Date: _____ CUSIP
NO. _____

Registered Owner:

Principal Amount:

Interest Payment Date:
(i) the first Business Day of each calendar month, and
(ii) the Maturity Date

Date of this Bond
(date of issuance in the Daily Mode)

Bank:

Mode: Daily

The City of Farmington, an incorporated municipality, a body politic and corporate, existing under the Constitution and laws of the State of New Mexico, United States of America (the "City"), for value received, hereby promises to pay, solely from the sources specified herein and not otherwise, to the Registered Owner, or registered assigns, on the Maturity Date stated above, the Principal Amount shown above, unless redeemed prior thereto as hereinafter provided, upon presentation and surrender hereof (as hereinafter provided) and to pay interest on such Principal Amount from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid, from the Date of this Bond stated above, until paid in full, payable on the Interest Payment Date, as stated above at the interest rates described herein. Until conversion to the Flexible, Weekly or Multiannual Mode as provided herein, this Bond shall bear interest at the Daily Rate. The Daily Rate for this Bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Ordinance (herein, with its successors, the "Remarketing Agent"), for the Rate Period, as defined herein, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds (as defined herein) in the Daily Mode at par plus accrued interest on and as of the Effective Date, as defined below, but not in excess of the Maximum Interest Rate (as defined in the Ordinance). If this Bond is converted to the Flexible, Weekly or Multiannual Mode it shall bear interest at the Flexible, Weekly or Multiannual Mode, as the case may be, as defined in the Ordinance. The Remarketing Agent shall determine the initial Daily Rate on or before the date of issue or conversion to the Daily Mode, which rate shall remain in effect as provided in the Ordinance. Thereafter, the Remarketing Agent shall redetermine the Daily Rate for the Rate Period as provided below. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on this Bond through the day preceding such Interest Payment Date and if any payment, redemption or Maturity Date is not a Business Day then the payment may be made on the next succeeding Business Day with the same force and effect as if made on the specified payment date and no interest shall accrue for the period after the specified payment date.

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE DELETED IF BOND IS NOT BOOK-ENTRY-ONLY:

[FOR SO LONG AS THIS BOND IS HELD IN BOOK-ENTRY FORM REGISTERED IN THE NAME OF CEDE & CO. ON THE REGISTRATION BOOKS OF THE CITY KEPT BY THE PAYING AGENT AS REGISTRAR, THIS BOND, IF CALLED FOR PARTIAL REDEMPTION IN ACCORDANCE WITH THE ORDINANCE (HEREIN DEFINED), SHALL BECOME DUE AND PAYABLE ON REDEMPTION DATE DESIGNATED IN THE NOTICE OF REDEMPTION GIVEN IN ACCORDANCE WITH THE ORDINANCE AT, AND ONLY TO THE EXTENT OF, THE REDEMPTION PRICE, PLUS ACCRUED INTEREST TO THE SPECIFIED REDEMPTION DATE; AND THIS BOND SHALL BE PAID, TO THE EXTENT SO REDEEMED, (I) UPON PRESENTATION AND SURRENDER THEREOF AT THE OFFICE SPECIFIED IN SUCH NOTICE OR (II) AT THE WRITTEN REQUEST OF CEDE & CO., BY CHECK OR DRAFT MAILED TO CEDE & CO. BY THE PAYING AGENT OR BY WIRE TRANSFER TO CEDE & CO. BY THE PAYING AGENT IF CEDE & CO. AS BONDHOLDER SO ELECTS. IF, ON THE REDEMPTION DATE, MONEYS FOR THE REDEMPTION OF BONDS OF SUCH MATURITY TO BE REDEEMED, TOGETHER WITH INTEREST TO THE REDEMPTION DATE, SHALL BE HELD BY THE PAYING AGENT OR TRUSTEE SO AS TO BE AVAILABLE THEREFOR ON SUCH DATE AND AFTER NOTICE OF REDEMPTION SHALL HAVE BEEN GIVEN IN ACCORDANCE WITH THE ORDINANCE, THEN, FROM AND AFTER THE REDEMPTION DATE, THE AGGREGATE PRINCIPAL AMOUNT OF THIS BOND SHALL BE IMMEDIATELY REDUCED BY AN AMOUNT EQUAL TO THE AGGREGATE PRINCIPAL AMOUNT THEREOF SO REDEEMED, NOTWITHSTANDING WHETHER THIS BOND HAS BEEN SURRENDERED TO THE PAYING AGENT FOR CANCELLATION.]

This Bond shall not be valid or become obligatory for any other purpose or be entitled to any security or benefit under the Ordinance until the Certificate of Authentication inscribed hereon shall have been signed by the Trustee.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF WHICH SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH HEREIN.

IN WITNESS WHEREOF, the City of Farmington, New Mexico has caused this Bond to be authenticated by its Mayor and its Treasurer, each by his or her manual or facsimile signature, and has caused the corporate seal of the City to be affixed, impressed or reproduced hereon and attested by the City Clerk with his or her manual or facsimile signature.

Dated: _____

CITY OF FARMINGTON, NEW MEXICO

By:

Tommy Roberts, Mayor

By:

Treasurer

ATTEST:

Dianne Smylie, City Clerk

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]
CERTIFICATE OF AUTHENTICATION

This is to certify that this Bond is one of the Bonds described in
the within-mentioned Ordinance.

Bank Name _____
As Trustee

By:

Authorized officer

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of revenue bonds of the City issued in the aggregate principal amount of \$100,000,000 designated "Pollution Control Revenue Refunding Bonds, 2016 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects)" (the "Bonds") authorized and issued pursuant to and in full compliance with the Constitution and laws of the State of New Mexico, particularly the Pollution Control Revenue Bond Act, Chapter 397, Laws of 1973 of the State of New Mexico, 31st Legislature, 1st Session, as amended (the "Act"), and pursuant to Ordinance No. 2016-1292 of the City adopted August 23, 2016, by the City Council of the City, as supplemented by Resolution No. 2016-1599 of the City adopted on August 9, 2016 (collectively, the "Ordinance"), the proceeds of which will be used, together with other available moneys for refunding outstanding revenue bonds issued under such Act to refund previously outstanding revenue bonds issued under such Act to finance a portion of the costs to Public Service Company of New Mexico (the "Company"), a corporation organized and existing under the laws of the State of New Mexico of acquiring, constructing, and installing certain air and water pollution control systems and facilities (the Company's interest therein being referred to herein as the "San Juan Facilities") relating to Units 1, 2, 3 and 4 at the San Juan Generating Station (the "San Juan Plant") located in San Juan County, New Mexico, interests in which are owned by the Company and to finance a portion of the costs to the Company of acquiring, constructing, reconstructing, improving, maintaining, equipping or furnishing certain air and water pollution control facilities (the Company's interest therein being referred to herein as the "Four Corners Facilities", and together with the San Juan Facilities, the "Facilities") relating to Units 4 and 5 at the Four Corners Generating Station (the "Four Corners Plant", and together with the San Juan Plant, the "Plants"), an electric power generating plant located in San Juan County, New Mexico, interests in which Facilities have been purchased by the City from, and sold by the City to, the Company.

The Bonds are equally and ratably secured, to the extent provided in the Ordinance, by the pledge thereunder of the Receipts and Revenues of the City from the Installment Sale Agreement, which term, as defined in the Ordinance means all moneys payable to the City under Section 5.02 of that certain Third Amended and Restated Installment Sale Agreement relating to the Facilities, dated as of September 1, 2016, between the City, as Vendor and the Company, as Vendee (the "Installment Sale Agreement") (amending and restating the Second Amended and Restated Installment Sale Agreement, dated as of May 1, 2003, between the City, as Vendor and the Company, as Vendee which amended and restated the Amended and Restated installment Sale Agreement, dated as of August 15, 1993, between the City, as Vendor, and the Company, as Vendee which amended and restated the Installment Sale Agreement dated as of October 1, 1983, between the City, as Vendor, and the Company, as Vendee), and all receipts of the Trustee credited under the provisions of the Ordinance against such payments, [including payments made to the Trustee under the hereinafter defined Letter of Credit]. The City has also pledged and assigned to the Trustee as security for the Bonds other rights and interests of the City under the Installment Sale Agreement. In addition, the Company has, by a Guaranty Agreement dated as of September 1, 2016 between the Company and the Trustee (the "Guaranty"), unconditionally guaranteed to the Trustee for the benefit of the holders of the Bonds the full and prompt payment of the principal and interest on the Bonds when and as the same shall become due according to the terms of the Ordinance and the Bonds and has issued and delivered to the Trustee its Senior Unsecured Notes (as defined in the Guaranty) as collateral security for its obligations under the Guaranty. Under certain circumstances, as provided in and in accordance with the Ordinance, the Senior Unsecured Notes may be exchanged for Corresponding Securities (as defined in the Ordinance).

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE DELETED IF BOND IS NOT ENTITLED TO BENEFITS OF A LETTER OF CREDIT:

[The Company has caused to be delivered to the Trustee an irrevocable letter of credit (together with any alternate letter of credit issued in accordance with the Ordinance, the "Letter of Credit") issued by the Bank identified hereon (together with any bank issuing an alternate letter of credit, the "Bank"), in favor of the Trustee. Such Letter of Credit will support the payment of principal and Purchase Price (hereinafter defined) of, premium, if any, and interest on the Bonds.

Subject to certain conditions, the Letter of Credit may be replaced by another credit facility, insurance policy, guarantee or other credit support agreement (the "Alternate Security"), or the Letter of Credit or Alternate Security may be terminated without replacement thereof. If the Company elects not to comply with the provisions of the Installment Sale Agreement regarding the replacement of the Letter of Credit or Alternate Security or the termination or cancellation thereof without replacement, the Bonds shall be subject to mandatory tender for purchase as described below. Bonds supported by a Letter of Credit or Alternate Security are referred to herein as "Credit Supported Bonds."]

The owner of this Bond shall have no right to enforce the provisions of the Ordinance or to institute an action or proceeding in equity or at law to enforce the covenants thereof, or to take any action with respect to a default under the Ordinance, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Ordinance. If an Event of Default occurs and is continuing, the principal of all outstanding Bonds may be declared due and payable upon the conditions and in the manner and with the effect provided in the Ordinance.

As more fully provided in the Ordinance, the Bonds do not constitute an indebtedness or obligation to which the full faith and credit of the City are pledged but are limited obligations of the City, which is obligated to pay the principal and Purchase Price of and premium, if any, and interest on the Bonds only out of the Receipts and Revenues of the City from the Installment Sale Agreement and other moneys pledged therefor under the Ordinance. The Bonds may also be paid out of any payments by the Company to the Trustee pursuant to the Guaranty. This Bond does not, and shall never, constitute an indebtedness of the City within the meaning of any State constitutional provision or statutory limitation, and shall never constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

All acts, conditions and things required by the Constitution and statutes of the State of New Mexico, the governing rules and procedures of the City and the Ordinance to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed.

No covenant or agreement contained in this Bond or the Ordinance shall be deemed to be a covenant or agreement of any officer, agent or employee of the City in his or her individual capacity, and neither the members of the City Council of the City nor any official executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond.

Reference is hereby made to the Ordinance, the Installment Sale Agreement, the Guaranty [and the Letter of Credit], copies of which are on file with the Trustee, for the provisions, among others, with respect to the custody and application of the proceeds of the Bonds, the collection and disposition of the Receipts and Revenues of the City from the Installment Sale Agreement pledged as security for the payment of the Bonds and the interest and redemption premium, if any, thereon, the nature and the extent of the security for and the rights of the owners of the Bonds, the terms and conditions of which, and the purposes for which, the Bonds are issued and are deemed to be paid and discharged under the Ordinance, and the conditions under which the Ordinance, the Installment Sale Agreement or the Guaranty may be amended, to all of which the owner hereof, by acceptance of this Bond, assents.

Unless otherwise defined herein, capitalized terms used in this Bond shall have the meaning given them in the Ordinance. As used herein, "premium" shall mean, with respect to any amount payable on the Bonds, the amount, if any, by which the redemption price thereof (exclusive of interest) exceeds the principal amount thereof at the time such amount is payable. The following terms are defined as follows:

"Business Day" shall mean a day of the year on which banks located in all of the cities in which the Principal offices of the Trustee, the Bank or the provider of Alternate Security, the Paying Agent and the Remarketing Agent are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" shall mean, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect or the date on which that Bond is converted to a new Mode.

"Mode" shall mean the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Daily Mode, the Weekly Mode and the Multiannual Mode.

"Purchase Date" shall mean the date on which this Bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" shall mean, when used with respect to any particular rate of interest for a Bond in the Flexible, Daily, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein. While this Bond is in the Daily Mode, a new interest rate shall take effect on the date such Mode takes effect and thereafter on each [Wednesday].

INTEREST RATE PROVISIONS; MANDATORY AND OPTIONAL TENDER PROVISIONS

At the option of the Company and subject to certain conditions provided for in the Ordinance, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Daily Mode, Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one day, one week or one year or any integral multiple of one year or (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 180 days as provided herein; provided, however, that in the Multiannual Mode the first Rate Period occurring after conversion to such Mode may be shorter than the applicable integral multiple of one year as provided in the Ordinance.

While this Bond is in the Daily Mode, conversions to any other Mode may take place only on an Interest Payment Date upon (fifteen) 15 days prior written notice from the Paying Agent to the Registered Owner of this Bond. Conversion of this Bond to another Mode shall be subject to certain conditions set forth in the Ordinance. In the event that the conditions for a proposed conversion date to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondholders of such conversion, (ii) this Bond shall nonetheless automatically convert to the Flexible Mode with a Rate Period of one day on the failed conversion date and (iii) this Bond shall be subject to mandatory tender for purchase as provided below. In no event shall the failure of this Bond to be converted to another Mode be deemed to be a Default or an Event of Default under the Ordinance as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

When this Bond is in the Daily Mode, the Daily Rate in effect for the Rate Period (the "Effective Rate" for such Period) shall be determined not later than the Business Day next preceding the Effective Date. If the Remarketing Agent fails to make such determination or fails to announce the Effective Rate as required with respect to any Bonds in the Daily Mode, or if for any reason such manner of determination shall be determined to be invalid and unenforceable, the rate on such Bonds to take effect on that Effective Date shall be the Daily Rate in effect on the day preceding such date. The Remarketing Agent shall announce the Effective Rate by telephone to the Paying Agent not later than 4:00 p.m., New York City time, on the Business Day preceding the Effective Date, and shall promptly confirm such notice in writing. While this Bond is in the Daily Mode, any Bondholder may ascertain the Effective Rate at any time by contacting the Paying Agent or the Remarketing Agent.

The determination and redetermination of the Daily Rate shall be conclusive and binding on the City, the Trustee, the Paying Agent, the Bank, the Company and the Bondholders.

While this Bond is in the Daily Mode, interest shall be computed on the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed. From and after the date on which this Bond becomes due, any unpaid principal will bear interest at the then effective

interest rate until paid or duly provided for. The Bonds are issuable in fully registered form and while in the Daily Mode shall be in denominations of \$100,000 each or any integral multiple thereof

While this Bond is in the Daily Mode, the principal of this Bond is payable when due by wire or bank transfer of immediately available funds within the continental United States to the registered owner hereof but only upon presentation and surrender of this Bond at the principal office of the Paying Agent, which is (with its successors in such capacity, the "Paying Agent"). Interest on this Bond while in the Daily Mode is payable in immediately available funds by wire or bank transfer within the continental United States from the Paying Agent to the Registered Owner, determined as of the close of business on the applicable Record Date (as defined below). The Purchase Price of Bonds tendered for purchase shall be paid as provided below.

The record date (the "Record Date") for payment of interest while this Bond is in the Daily Mode is the close of business on the Business Day preceding the date on which interest is to be paid. With respect to overdue interest or interest payable on redemption of this Bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date. The special record date may not be more than 30 days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondholders at least ten days before the special record date. The Paying Agent will promptly certify to the City, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondholders, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

While this Bond is in the Daily Mode, the Registered Owner shall have the right to tender this Bond on any Business Day for purchase in multiples of \$100,000 at a price (the "Purchase Price") equal to 100% of the principal amount thereof, plus accrued interest, if any, to the Purchase Date, upon compliance with the conditions described below; provided that if the Purchase Date is an Interest Payment Date, accrued interest shall be paid separately, and not as part of the Purchase Price on such date. While this Bond is in the book-entry system, a Registered Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of 2016 Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the 2016 Bonds are transferred by Direct Participants on DTC's records. In order to exercise the right to tender, the Registered Owner must deliver to the Paying Agent a written irrevocable notice of tender substantially in the form of the Bondholder's Election Notice set forth hereon and satisfactory to the Paying Agent. While this Bond is in the Daily Mode, it will be purchased on the Business Day specified in such Bondholder's Election Notice; provided that such notice is received by the Paying Agent by no later than 10:30 a.m., New York time on such Business Day. If the Registered Owner of this Bond has elected to require purchase as provided above, the Registered Owner shall be deemed, by such election, to have agreed irrevocably to sell this Bond to any purchaser determined in accordance with the provisions of the Ordinance on the date fixed for purchase at the Purchase Price and any Bond not delivered shall be deemed tendered (an "Undelivered Bond") and shall cease to be outstanding under the Ordinance, and no further interest shall accrue as of the Purchase Date.

Tender of this Bond will not be effective and this Bond will not be purchased if at the time of tender or on the Purchase Date (i) an acceleration of the principal of the Bonds shall have occurred and not have been annulled in accordance with the Ordinance or (ii) the Bonds shall be deemed to be paid in full in accordance with Section 8.02 of the Ordinance. Notice of tender of this Bond is irrevocable. All notices of tender of Bonds shall be made to the Paying Agent at the following address: _____, or such other address specified in writing by the Paying Agent to the Bondholders. All deliveries of tendered Bonds, including deliveries of Bonds subject to mandatory tender shall be made to the Paying Agent at the following address: _____, or such other address specified in writing by the Paying Agent to the Bondholders.

This Bond is subject to mandatory tender for purchase at the Purchase Price (i) on the date of conversion or proposed conversion from one Mode to another Mode, (ii) on the date of the exchange of the Senior Unsecured Notes for Corresponding Securities unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Registered Owner in accordance with the following sentence, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies (as defined in the Ordinance) that the rating on this Bond, if any, will not be withdrawn or reduced as a result of such exchange and (iii) on (a) the effective date of the substitution of an Alternate Letter of Credit or Alternate Security unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Registered owner in accordance with the following sentence, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies that the rating on this Bond, if any, will not be withdrawn or reduced as a result of such substitution or (b) a date that is not more than 15 or less than ten days prior to the expiration or termination of the Letter of Credit or Alternate Security (other than upon conversion to a new Mode). Notice of mandatory tender shall be given or caused to be given by the Paying Agent in writing to the Registered Owner at least 15 days prior to the mandatory Purchase Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND AT SUCH PRICE TO ANY PURCHASER DETERMINED IN ACCORDANCE WITH THE PROVISIONS OF THE ORDINANCE IN THE EVENT OF SUCH MANDATORY TENDER AND, ON SUCH PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENTS OF THE PURCHASE PRICE. From and after the Purchase Date, no further interest on this Bond shall be payable to the Registered Owner; provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

The Purchase Price of this Bond shall be paid to the Registered Owner by the Paying Agent on the Delivery Date, which shall be the Purchase Date or any subsequent Business Day on which this Bond is delivered to the Paying Agent [notwithstanding any substitution of an Alternate Letter of Credit or Alternate Security after the date notice of mandatory tender was given the Registered Owner in accordance with the terms hereof]; provided that if the Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as part of the Purchase Price on such date. The Purchase Price of this Bond shall be paid only upon surrender of this Bond to the Paying Agent as provided herein. The Purchase Price of Bonds tendered for purchase is payable for Bonds in the Daily Mode by wire or bank transfer within the continental United States in immediately available funds from the Paying Agent to the Registered Owner. If on any date this Bond is subject to mandatory tender for purchase or is required to be purchased at the election of the Registered Owner, payment of the Purchase Price of this Bond to such Registered Owner shall be made on the Purchase Date if presentation and surrender of this Bond is made prior to 11:00 a.m., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this Bond is made prior to 11:00 a.m., New York City time.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE UPON NOTICE TO OR FROM THE REGISTERED OWNER HEREOF AS OF A DATE PRIOR TO SUCH PURCHASE. IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE OUTSTANDING UNDER THE ORDINANCE, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT.

TRANSFER OF BONDS

Bonds (other than Undelivered Bonds) may be transferred on the books of registration kept by the Registrar (initially, the Paying Agent) by the owner in person or by his duly authorized attorney, upon surrender thereof, together with a written instrument of transfer executed by the owner or his duly authorized attorney. Upon surrender for registration of transfer of any Bond at the Principal Office of the Registrar, the City shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees, in authorized denominations, a new Bond or Bonds of the same interest rate, maturity and aggregate principal amount.

Such registration of transfer of Bonds shall be without charge to the owners of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the owners of the Bonds requesting such transfer as a condition precedent to the exercise of such privilege.

Except in connection with any optional or mandatory tender of Bonds pursuant to Section 2.03 of the Ordinance, the Trustee shall not be obligated to make any registration of transfer of Bonds during the three Business Days next preceding an Interest Payment Date or, in the case of any proposed redemption of Bonds, next preceding the date of the first mailing of notice of such redemption.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either principal or interest shall be made only to or upon the order of the registered owner thereof, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

OPTIONAL REDEMPTION

While this Bond is in the Daily Mode, it is subject to redemption by the City at the option of the Company, in whole or in part, on any Interest Payment Date, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date.

EXTRAORDINARY OPTIONAL REDEMPTION

The Bonds are subject to redemption prior to maturity as a whole or in part at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of its option to prepay all or a part of the unpaid balance of the Project Purchase Price in full in accordance with Section 9.01(a) of the Installment Sale Agreement if the Company shall have determined that the continued operation of the Facilities relating to any of the electrical generating units in connection with which the Facilities are to be utilized at the Plants or the operation of any such unit or any other part of the Facilities is impractical, uneconomical or undesirable for any reason.

MANDATORY REDEMPTION

The Credit Supported Bonds which are entitled to the benefits of a Letter of Credit are subject to mandatory redemption in whole on any day within 15 days after receipt by the Trustee from the Bank of a notice in the form attached as an exhibit to the applicable Reimbursement Agreement or Letter of Credit stating that an "event of default" thereunder has occurred. Such Bonds so redeemed will be redeemed at a redemption price equal to 100% of the principal amount to be redeemed plus unpaid interest accrued to the redemption date.

SPECIAL MANDATORY REDEMPTION

The Bonds are subject to special mandatory redemption in whole or in part and shall be redeemed at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on the 180th day (or such earlier date as may be designated by the Company) after a final determination by a court of competent jurisdiction or an administrative agency to the effect that, as a result of failure by the Company to perform or observe any covenant, agreement or representation in the Installment Sale Agreement, the interest payable on the Bonds is includable in whole for Federal income tax purposes in the gross income of the holders thereof, other than any holder who is a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code. No determination by any court or administrative agency shall be considered final unless the Company shall have participated in the proceeding which resulted in such determination, either directly or through a Bondholder, to a degree it deems sufficient and until conclusion of any appellate review or reviews sought by any party to such proceeding or the expiration of the time for seeking such review or reviews. The Bonds shall be redeemed either in whole or in part in such principal amount as may be required so that the interest

payable on the Bonds remaining outstanding after such redemption would not be includable in whole in the gross income of any holder thereof for Federal income tax purposes, other than a holder who is a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code.

NOTICE OF REDEMPTION

If any of the Bonds are called for redemption, and provided that, if the redemption is at the option of the Company pursuant to Optional Redemption or Extraordinary Optional Redemption above, the Company shall have given written notice of such redemption to the Trustee not less than 45 days prior to the date fixed for redemption, notice of redemption shall be given electronically or by first class mail not less than 30 days or more than 60 days prior to the redemption date, except that notice of redemption pursuant to Mandatory Redemption above shall be given as promptly as practicable after receipt by the Trustee of notice from the Bank, to each owner of the Bonds or portions thereof to be redeemed at the last address shown on the registration books kept by the Registrar. Any notice for the redemption of any Bond mailed as provided in the Ordinance shall be conclusively deemed to have been duly given whether or not such notice is received. Failure to send electronically or to mail any such notice to the holder of any Bond or any defect therein shall not affect the validity of the proceedings for such redemption as to the holders of any Bonds to whom notice has been mailed.

With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been paid within the meaning of the Ordinance, such notice shall state that such redemption shall be conditioned upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds or portions thereof to be redeemed or satisfaction of such other conditions as may be set forth therein, and that if such moneys shall not have been so received or such other conditions shall not have been satisfied said notice shall be of no force and effect and the City shall not be required to redeem such Bonds or portions thereof. In the event that such notice of redemption contains such a condition and such moneys are not received or such other conditions are not satisfied, the redemption shall not be made and the Trustee shall within five days thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received or such other conditions were not satisfied.

* * * * *

[FORM OF ASSIGNMENT]
ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within-mentioned Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney or agent to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Please Insert Social
Security or other Identifying
Number of Assignee

[BONDHOLDER'S ELECTION NOTICE]

CITY OF FARMINGTON, NEW MEXICO

POLLUTION CONTROL
REVENUE REFUNDING BOND,
2016 SERIES B
(PUBLIC SERVICE COMPANY OF NEW MEXICO
FOUR CORNERS AND SAN JUAN PROJECTS)

| <u>Principal Amount</u> | <u>CUSIP</u> | <u>Principal Amount Tendered for Purchase</u> | <u>Bond Numbers</u> | <u>Purchase Date</u> |
|-----------------------------|--------------|---|---------------------|--------------------------|
|-----------------------------|--------------|---|---------------------|--------------------------|

The undersigned hereby certifies that it is the Registered Owner or the Beneficial Owner (as described below) of the Bonds described above (the "Tendered Bonds"), all of which are in the Daily Mode, and hereby agrees that the delivery of this instrument of transfer to the Paying Agent constitutes an irrevocable offer to sell the Tendered Bonds to the Company or its designee on the Purchase Date, which shall be the Business Day specified in this instrument, provided that it is received by the Paying Agent by no later than 10:30 a.m., New York time, on such Purchase Date, at a purchase price equal to the unpaid principal balance thereof plus accrued and unpaid interest thereon to the Purchase Date (the "Purchase Price"); provided that if the Purchase Date is an Interest Payment Date, it is recognized that accrued interest will be paid separately and not as part of the Purchase Price on such date. The undersigned acknowledges and agrees that this election notice is irrevocable and that the undersigned will have no further rights with respect to the Tendered Bonds, except payment, upon presentation and surrender, of the Purchase Price by wire or bank transfer within the continental United States from the Paying Agent to the undersigned (i) on the Purchase Date if the Tendered Bonds shall have been surrendered to the Paying Agent prior to the 11:00 a.m., New York City time, on the Purchase Date or (ii) on any Delivery Date subsequent to the Purchase Date on which Tendered Bonds are delivered to the Paying Agent by 11:00 a.m., New York City time.

Except as otherwise indicated herein and unless the context otherwise requires, the terms used herein shall have the meanings set forth in Ordinance No. 2016-1292 adopted by the City Council of the City of Farmington, New Mexico on August 23, 2016, as may be supplemented by further Resolutions of the City.

Date:

Signature(s)

(Street City State Zip)

IMPORTANT: The above signature(s) must correspond with the name(s) as set forth on the face of the Tendered Bond(s) with respect to which this Bondholder's Election Notice is being delivered without any change whatsoever. If this notice is signed by a person other than the Registered Owner of any Tendered Bond(s), the Tendered Bond(s) must be either endorsed on the Assignment appearing on each Bond or accompanied by appropriate Bond powers, in each case signed exactly as the name or names of the Registered owner or owners appear on the books of registration kept by the Registrar. The method of presenting this notice to the Paying Agent is the choice of the person making such presentation. If it is made by mail, it should be by registered mail with return receipt requested.

Notwithstanding the foregoing, during the time the Bonds are issued in book-entry-only form, this Bondholder's Election Notice must be signed by the beneficial owner of the Bonds or by a duly authorized attorney and must be accompanied by an affidavit in the form attached hereto.

Affidavit

State of _____

County of _____

BEFORE ME, the undersigned authority, duly commissioned and qualified within and for the State and County aforesaid, personally came and appeared

who, being by me first duly sworn, deposed and said that he/she is the owner of the following Pollution Control Revenue Bond, 2016 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects):

| | | |
|-------------------------|--------------|----------------------|
| <u>Principal Amount</u> | <u>CUSIP</u> | <u>Maturity Date</u> |
|-------------------------|--------------|----------------------|

Sworn to and subscribed before me this ____ day of ____, ____.

NOTARY PUBLIC

EXHIBIT C

[FORM OF FACE OF WEEKLY BOND]

No. [fill in distinguishing letters as to Bank] R-_____ \$_____

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

THE FOLLOWING TWO BRACKETED PARAGRAPHS ARE TO BE DELETED IF BOND IS NOT BOOK-ENTRY-ONLY:

[Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (together with any successor security depository appointed pursuant to the Ordinance, "DTC"), to the City or its agent for registration of transfer or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

As provided in the Ordinance referred to herein, until the termination of the system of book-entry-only transfers through DTC, and notwithstanding any other provision of the Ordinance to the contrary, this Bond may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or any nominee of DTC to a successor securities depository or any nominee thereof.]

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE INSERTED IF BOND IS NOT ENTITLED TO THE BENEFITS OF A LETTER OF CREDIT AND THE BRACKETED LANGUAGE HEREIN REFERRING TO A LETTER OF CREDIT IS TO BE DELETED:

[NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, THIS BOND IS NOT SUPPORTED BY A LETTER OF CREDIT OR ALTERNATE SECURITY.]

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE DELETED IF BOND IS NOT COVERED BY A MUNICIPAL BOND INSURANCE POLICY:

[Municipal Bond Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by _____ (the "Bond Insurer"). The Policy has been delivered to _____, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from the Bond Insurer or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of the Bond Insurer as more fully set forth in the Policy.]

CITY OF FARMINGTON, NEW MEXICO

POLLUTION CONTROL
REVENUE REFUNDING BOND,
2016 SERIES B
(PUBLIC SERVICE COMPANY OF NEW MEXICO
SAN JUAN AND FOUR CORNERS PROJECTS)

Maturity Date: _____ CUSIP
NO. _____

Registered Owner:

Principal Amount:

Interest Payment Date:

- (i) the first Business Day of each calendar month, and
- (ii) the Maturity Date

Date of this Bond
(date of issuance in the Weekly Mode)

Bank:

Mode: Weekly

The City of Farmington, an incorporated municipality, a body politic and corporate, existing under the Constitution and laws of the State of New Mexico, United States of America (the "City"), for value received, hereby promises to pay, solely from the sources specified herein and not otherwise, to the Registered Owner, or registered assigns, on the Maturity Date stated above, the Principal Amount shown above, unless redeemed prior thereto as hereinafter provided, upon presentation and surrender hereof (as hereinafter provided) and to pay interest on such Principal Amount from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid, from the Date of this Bond stated above, until paid in full, payable on the Interest Payment Date, as stated above at the interest rates described herein. Until conversion to the Flexible, Daily or Multiannual Mode as provided herein, this Bond shall bear interest at the Weekly Rate. The Weekly Rate for this Bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Ordinance (herein, with its successors, the "Remarketing Agent"), for the Rate Period, as defined herein, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds (as defined herein) in the Weekly Mode at par plus accrued interest on and as of the Effective Date, as defined below, but not in excess of the Maximum Interest Rate (as defined in the Ordinance). If this Bond is converted to the Flexible, Daily or Multiannual Mode it shall bear interest at the Flexible, Daily or Multiannual Rate, as the case may be, as defined in the Ordinance. The Remarketing Agent shall determine the initial Weekly Rate on or before the date of issue or conversion to the Weekly Mode, which rate shall remain in effect as provided in the Ordinance. Thereafter, the Remarketing Agent shall redetermine the Weekly Rate for the Rate Period as provided below. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on this Bond through the day preceding such Interest Payment Date and if any payment, redemption or Maturity Date is not a Business Day then the payment may be made on the next succeeding Business Day with the same force and effect as if made on the specified payment date and no interest shall accrue for the period after the specified payment date.

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE DELETED IF BOND IS NOT BOOK-ENTRY-ONLY:

[FOR SO LONG AS THIS BOND IS HELD IN BOOK-ENTRY FORM REGISTERED IN THE NAME OF CEDE & CO. ON THE REGISTRATION BOOKS OF THE CITY KEPT BY THE PAYING AGENT AS REGISTRAR, THIS BOND, IF CALLED FOR PARTIAL REDEMPTION IN ACCORDANCE WITH THE ORDINANCE (HEREIN DEFINED), SHALL BECOME DUE AND PAYABLE ON THE REDEMPTION DATE DESIGNATED IN THE NOTICE OF REDEMPTION GIVEN IN ACCORDANCE WITH THE ORDINANCE AT, AND ONLY TO THE EXTENT OF, THE REDEMPTION PRICE, PLUS ACCRUED INTEREST TO THE SPECIFIED REDEMPTION DATE; AND THIS BOND SHALL BE PAID, TO THE EXTENT SO REDEEMED, (I) UPON PRESENTATION AND SURRENDER THEREOF AT THE OFFICE SPECIFIED IN SUCH NOTICE OR (II) AT THE WRITTEN REQUEST OF CEDE & CO., BY CHECK OR DRAFT MAILED TO CEDE & CO. BY THE PAYING AGENT OR BY WIRE TRANSFER TO CEDE & CO. BY THE PAYING AGENT IF CEDE & CO. AS BONDHOLDER SO ELECTS. IF, ON THE REDEMPTION DATE, MONEYS FOR THE REDEMPTION OF BONDS OF SUCH MATURITY TO BE REDEEMED, TOGETHER WITH INTEREST TO THE REDEMPTION DATE, SHALL BE HELD BY THE PAYING AGENT OR TRUSTEE SO AS TO BE AVAILABLE THEREFOR ON SUCH DATE AND AFTER NOTICE OF REDEMPTION SHALL HAVE BEEN GIVEN IN ACCORDANCE WITH THE ORDINANCE, THEN, FROM AND AFTER THE REDEMPTION DATE, THE AGGREGATE PRINCIPAL AMOUNT OF THIS BOND SHALL BE IMMEDIATELY REDUCED BY AN AMOUNT EQUAL TO THE AGGREGATE PRINCIPAL AMOUNT THEREOF SO REDEEMED, NOTWITHSTANDING WHETHER THIS BOND HAS BEEN SURRENDERED TO THE PAYING AGENT FOR CANCELLATION.]

This Bond shall not be valid or become obligatory for any other purpose or be entitled to any security or benefit under the Ordinance until the Certificate of Authentication inscribed hereon shall have been signed by the Trustee.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF WHICH SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH HEREIN.

IN WITNESS WHEREOF, the City of Farmington, New Mexico has caused this Bond to be authenticated by its Mayor and its Treasurer, each by his or her manual or facsimile signature, and has caused the corporate seal of the City to be affixed, impressed or reproduced hereon and attested by the City Clerk with his or her manual or facsimile signature.

Dated: _____

CITY OF FARMINGTON, NEW MEXICO

By:

Tommy Roberts, Mayor

By:

Treasurer

ATTEST:

Dianne Smylie, City Clerk

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]
CERTIFICATE OF AUTHENTICATION

This is to certify that this Bond is one of the Bonds described in the within-mentioned Ordinance.

Bank Name _____
As Trustee

By: _____
Authorized officer

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of revenue bonds of the City issued in the aggregate principal amount of \$100,000,000 designated "Pollution Control Revenue Refunding Bonds, 2016 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects)" (the "Bonds") authorized and issued pursuant to and in full compliance with the Constitution and laws of the State of New Mexico, particularly the Pollution Control Revenue Bond Act, Chapter 397, Laws of 1973 of the State of New Mexico, 31st Legislature, 1st Session, as amended (the "Act"), and pursuant to Ordinance No. 2016-1292 of the City adopted August 23, 2016, by the City Council of the City, as supplemented by Resolution No. 2016-1599 of the City adopted on August 9, 2016 (collectively, the "Ordinance"), the proceeds of which will be used, together with other available moneys for refunding outstanding revenue bonds issued under such Act to refund previously outstanding revenue bonds issued under such Act to finance a portion of the costs to Public Service Company of New Mexico (the "Company"), a corporation organized and existing under the laws of the State of New Mexico of acquiring, constructing, and installing certain air and water pollution control systems and facilities (the Company's interest therein being referred to herein as the "San Juan Facilities") relating to Units 1, 2, 3 and 4 at the San Juan Generating Station (the "San Juan Plant") located in San Juan County, New Mexico, interests in which are owned by the Company and to finance a portion of the costs to the Company of acquiring, constructing, reconstructing, improving, maintaining, equipping or furnishing certain air and water pollution control facilities (the Company's interest therein being referred to herein as the "Four Corners Facilities", and together with the San Juan Facilities, the "Facilities") relating to Units 4 and 5 at the Four Corners Generating Station (the "Four Corners Plant", and together with the San Juan Plant, the "Plants"), an electric power generating plant located in San Juan County, New Mexico, interests in which Facilities have been purchased by the City from, and sold by the City to, the Company. _____ has accepted the trust imposed under the Ordinance and will serve as trustee thereunder (the "Trustee").

The Bonds are equally and ratably secured, to the extent provided in the Ordinance, by the pledge thereunder of the Receipts and Revenues of the City from the Installment Sale Agreement, which term, as defined in the Ordinance means all moneys payable to the City under Section 5.02 of that certain Third Amended and Restated Installment Sale Agreement relating to the Facilities, dated as of September 1, 2016, between the City and the Company, as Vendee (the "Installment Sale Agreement") (amending and restated the Second Amended and Restated Installment Sale Agreement, dated as of May 1, 2003, between the City, as Vendor and the Company, as Vendee which amended and restated the Amended and Restated installment Sale Agreement, dated as of August 15, 1993, between the City, as Vendor, and the Company, as Vendee which amended and restated the Installment Sale Agreement dated as of October 1, 1983, between the City, as Vendor, and the Company, as Vendee), and all receipts of the Trustee credited under the provisions of the Ordinance against such payments, [including payments made to the Trustee under the hereinafter defined Letter of Credit]. The City has also pledged and assigned to the Trustee as security for the Bonds other rights and interests of the City under the Installment Sale Agreement. In addition, the Company has, by a Guaranty Agreement dated as of September 1, 2016 between the Company and the Trustee (the "Guaranty"), unconditionally guaranteed to the Trustee for the benefit of the holders of the Bonds the full and prompt payment of the principal and interest on the Bonds when and as the same shall become due according to the terms of the Ordinance and the Bonds and has issued and delivered to the Trustee its Senior Unsecured Notes (as defined in the Guaranty) as collateral security for its obligations under the Guaranty. Under certain circumstances, as provided in and in accordance with the Ordinance, the Senior Unsecured Notes may be exchanged for Corresponding Securities (as defined in the Ordinance).

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE DELETED IF BOND IS NOT ENTITLED TO BENEFITS OF A LETTER OF CREDIT:

[The Company has caused to be delivered to the Trustee an irrevocable letter of credit (together with any alternate letter of credit issued in accordance with the Ordinance, the "Letter of Credit") issued by the Bank identified hereon (together with any bank issuing an alternate letter of credit, the "Bank"), in favor of the Trustee. Such Letter of Credit will support the payment of principal and Purchase Price

(hereinafter defined) of, premium, if any, and interest on the Bonds. Subject to certain conditions, the Letter of Credit may be replaced by another credit facility, insurance policy, guarantee or other credit support agreement (the "Alternate Security"), or the Letter of Credit or Alternate Security may be terminated without replacement thereof. If the Company elects not to comply with the provisions of the Installment Sale Agreement regarding the replacement of the Letter of Credit or Alternate Security or the termination or cancellation thereof without replacement, the Bonds shall be subject to mandatory tender for purchase as described below. Bonds supported by a Letter of Credit or Alternate Security are referred to herein as "Credit Supported Bonds."]

The owner of this Bond shall have no right to enforce the provisions of the Ordinance or to institute an action or proceeding in equity or at law to enforce the covenants thereof, or to take any action with respect to a default under the Ordinance, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Ordinance. If an Event of Default occurs and is continuing, the principal of all outstanding Bonds may be declared due and payable upon the conditions and in the manner and with the effect provided in the Ordinance.

As more fully provided in the Ordinance, the Bonds do not constitute an indebtedness or obligation to which the full faith and credit of the City are pledged but are limited obligations of the City, which is obligated to pay the principal and Purchase Price of and premium, if any, and interest on the Bonds only out of the Receipts and Revenues of the City from the Installment Sale Agreement and other moneys pledged therefor under the Ordinance. The Bonds may also be paid out of any payments by the Company to the Trustee pursuant to the Guaranty. This Bond does not, and shall never, constitute an indebtedness of the City within the meaning of any State constitutional provision or statutory limitation, and shall never constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

All acts, conditions and things required by the Constitution and statutes of the State of New Mexico, the governing rules and procedures of the City and the Ordinance to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed.

No covenant or agreement contained in this Bond or the Ordinance shall be deemed to be a covenant or agreement of any officer, agent or employee of the City in his or her individual capacity, and neither the members of the City Council of the City nor any official executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond.

Reference is hereby made to the Ordinance, the Installment Sale Agreement, the Guaranty [and the Letter of Credit], copies of which are on file with the Trustee, for the provisions, among others, with respect to the custody and application of the proceeds of the Bonds, the collection and disposition of the Receipts and Revenues of the City from the Installment Sale Agreement pledged as security for the payment of the Bonds and the interest and redemption premium, if any, thereon, the nature and the extent of the security for and the rights of the owners of the Bonds, the terms and conditions of which, and the purposes for which, the Bonds are issued and are deemed to be paid and discharged under the Ordinance, and the conditions under which the Ordinance, the Installment Sale Agreement or the Guaranty may be amended, to all of which the owner hereof, by acceptance of this Bond, assents.

Unless otherwise defined herein, capitalized terms used in this Bond shall have the meaning given them in the Ordinance. As used herein, "premium" shall mean, with respect to any amount payable on the Bonds, the amount, if any, by which the redemption price thereof (exclusive of interest) exceeds the principal amount thereof at the time such amount is payable. The following terms are defined as follows:

"Business Day" shall mean a day of the year on which banks located in all of the cities in which the Principal offices of the Trustee, the Bank or the provider of Alternate Security, the Paying Agent and the

Remarketing Agent are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" shall mean, with respect to a Bond in the Flexible, Daily, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect or the date on which that Bond is converted to a new Mode.

"Mode" shall mean the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Daily Mode, the Weekly Mode and the Multiannual Mode.

"Purchase Date" shall mean the date on which this Bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" shall mean, when used with respect to any particular rate of interest for a Bond in the Flexible, Daily, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein. While this Bond is in the Weekly Mode, a new interest rate shall take effect on the date such Mode takes effect and thereafter on each Wednesday.

INTEREST RATE PROVISIONS; MANDATORY AND OPTIONAL TENDER PROVISIONS

At the option of the Company and subject to certain conditions provided for in the Ordinance, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Daily Mode, Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one day, one week or one year or any integral multiple of one year or (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 180 days as provided herein; provided, however, that in the Multiannual Mode the first Rate Period occurring after conversion to such Mode may be shorter than the applicable integral multiple of one year as provided in the Ordinance.

While this Bond is in the Weekly Mode, conversions to any other Mode may take place only on an Interest Payment Date upon 15 days prior written notice from the Paying Agent to the Registered Owner of this Bond. Conversion of this Bond to another Mode shall be subject to certain conditions set forth in the Ordinance. In the event that the conditions for a proposed conversion date to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondholders of such conversion, (ii) this Bond shall nonetheless automatically convert to the Flexible Mode with a Rate Period of one day on the failed conversion date and (iii) this Bond shall be subject to mandatory tender for purchase as provided below. In no event shall the failure of this Bond to be converted to another Mode be deemed to be a Default or an Event of Default under the Ordinance as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

When this Bond is in the Weekly Mode, the Weekly Rate in effect for the Rate Period (the "Effective Rate" for such Period) shall be determined not later than the Business Day next preceding the Effective Date. If the Remarketing Agent fails to make such determination or fails to announce the Effective Rate as required with respect to any Bonds in the Weekly Mode, or if for any reason such manner of determination shall be determined to be invalid and unenforceable, the rate on such Bonds to take effect on that Effective Date shall be the Weekly Rate in effect on the day preceding such date. The Remarketing Agent shall announce the Effective Rate by telephone to the Paying Agent not later than 4:00 p.m., New York City time, on the Business Day preceding the Effective Date, and shall promptly confirm such notice in writing. While this Bond is in the Weekly Mode, any Bondholder may ascertain the Effective Rate at any time by contacting the Paying Agent or the Remarketing Agent.

The determination and redetermination of the Weekly Rate shall be conclusive and binding on the City, the Trustee, the Paying Agent, the Bank, the Company and the Bondholders.

While this Bond is in the Weekly Mode, interest shall be computed on the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed. From and after the date on which this Bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for. The Bonds are issuable in fully registered form and while in the Weekly Mode shall be in denominations of \$100,000 each or any integral multiple thereof

While this Bond is in the Weekly Mode, the principal of this Bond is payable when due by wire or bank transfer of immediately available funds within the continental United States to the registered owner hereof but only upon presentation and surrender of this Bond at the principal office of the Paying Agent, which is _____ (with its successors in such capacity, the "Paying Agent"). Interest on this Bond while in the Weekly Mode is payable in immediately available funds by wire or bank transfer within the continental United States from the Paying Agent to the Registered Owner, determined as of the close of business on the applicable Record Date (as defined below). The Purchase Price of Bonds tendered for purchase shall be paid as provided below.

The record date (the "Record Date") for payment of interest while this Bond is in the Weekly Mode is the close of business on the Business Day preceding the date on which interest is to be paid. With respect to overdue interest or interest payable on redemption of this Bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date. The special record date may not be more than 30 days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondholders at least ten days before the special record date. The Paying Agent will promptly certify to the City, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondholders, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

While this Bond is in the Weekly Mode, the Registered Owner shall have the right to tender this Bond on any Business Day for purchase in multiples of \$100,000 at a price (the "Purchase Price") equal to 100% of the principal amount thereof, plus accrued interest, if any, to the Purchase Date, upon compliance with the conditions described below; provided that if the Purchase Date is an Interest Payment Date, accrued interest shall be paid separately, and not as part of the Purchase Price on such date. While this Bond is in the book-entry system, a Registered Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of 2016 Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the 2016 Bonds are transferred by Direct Participants on DTC's records. In order to exercise the right to tender, the Registered Owner must deliver to the Paying Agent a written irrevocable notice of tender substantially in the form of the Bondholder's Election Notice set forth hereon and satisfactory to the Paying Agent. In order to exercise the right to tender, the Registered Owner must deliver to the Paying Agent a written irrevocable notice of tender substantially in the form of the Bondholder's Election Notice set forth hereon and satisfactory to the Paying Agent. While this Bond is in the Weekly Mode, it will be purchased on the Business Day specified in such Bondholder's Election Notice; provided that such date is at least seven calendar days after receipt by the Paying Agent of such notice. If the Registered Owner of this Bond has elected to require purchase as provided above, the Registered Owner shall be deemed, by such election, to have agreed irrevocably to sell this Bond to any purchaser determined in accordance with the provisions of the Ordinance on the date fixed for purchase at the Purchase Price and any Bond not delivered shall be deemed tendered (an "Undelivered Bond") and shall cease to be outstanding under the Ordinance, and no further interest shall accrue as of the Purchase Date.

Tender of this Bond will not be effective and this Bond will not be purchased if at the time of tender or on the Purchase Date (i) an acceleration of the principal of the Bonds shall have occurred and not have been annulled in accordance with the Ordinance or (ii) the Bonds shall be deemed to be paid in full in accordance with Section 8.02 of the Ordinance. Notice of tender of this Bond is irrevocable. All notices of tender of Bonds shall be made to the Paying Agent at the following

address: _____, or such other address specified in writing by the Paying Agent to the Bondholders. All deliveries of tendered Bonds, including deliveries of Bonds subject to mandatory tender shall be made to the Paying Agent at the following address:

_____, or such other address specified in writing by the Paying Agent to the Bondholders.

This Bond is subject to mandatory tender for purchase at the Purchase Price (i) on the date of conversion or proposed conversion from one Mode to another Mode, (ii) on the date of the exchange of the Senior Unsecured Notes for Corresponding Securities unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Registered Owner in accordance with the following sentence, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies (as defined in the Ordinance) that the rating on this Bond, if any, will not be withdrawn or reduced as a result of such exchange and (iii) on (a) the effective date of the substitution of an Alternate Letter of Credit or Alternate Security unless, prior to the date the Paying Agent is required to give notice of such mandatory tender to the Registered owner in accordance with the following sentence, the Paying Agent and the Trustee shall have received from the Company written evidence from the Rating Agencies that the rating on this Bond, if any, will not be withdrawn or reduced as a result of such substitution or (b) a date that is not more than fifteen (15) or less than ten days prior to the expiration or termination of the Letter of Credit or Alternate Security (other than upon conversion to a new Mode.) Notice of mandatory tender shall be given or caused to be given by the Paying Agent in writing to the Registered Owner at least fifteen (15) days prior to the mandatory Purchase Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND AT SUCH PRICE TO ANY PURCHASER DETERMINED IN ACCORDANCE WITH THE PROVISIONS OF THE ORDINANCE IN THE EVENT OF SUCH MANDATORY TENDER AND, ON SUCH PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENTS OF THE PURCHASE PRICE. From and after the Purchase Date, no further interest on this Bond shall be payable to the Registered Owner; provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

The Purchase Price of this Bond shall be paid to the Registered Owner by the Paying Agent on the Delivery Date, which shall be the Purchase Date or any subsequent Business Day on which this Bond is delivered to the Paying Agent [notwithstanding any substitution of an Alternate Letter of Credit or Alternate Security after the date notice of mandatory tender was given the Registered Owner in accordance with the terms hereof]; provided that if the Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as part of the Purchase Price on such date. The Purchase Price of this Bond shall be paid only upon surrender of this Bond to the Paying Agent as provided herein. Bonds which are not surrendered shall be deemed to be tendered ("Undelivered Bonds") and shall cease to be outstanding under the Ordinance. From and after the Purchase Date, no further interest shall accrue and be payable to the Registered Owner; provided that there are sufficient funds available on the Purchase Date to pay the Purchase Price. The Purchase Price of Bonds tendered for purchase is payable for Bonds in the Weekly Mode by wire or bank transfer within the continental United States in immediately available funds from the Paying Agent to the Registered Owner. If on any date this Bond is subject to mandatory tender for purchase or is required to be purchased at the election of the Registered Owner, payment of the Purchase Price of this Bond to such Registered Owner shall be made on the Purchase Date if presentation and surrender of this Bond is made prior to 11:00 a.m., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this Bond is made prior to 11:00 a.m., New York City time.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE UPON NOTICE TO OR FROM THE REGISTERED OWNER HEREOF AS OF A DATE PRIOR TO SUCH PURCHASE. IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE OUTSTANDING UNDER THE ORDINANCE, INTEREST HEREOF SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT.

TRANSFER OF BONDS

Bonds (other than Undelivered Bonds) may be transferred on the books of registration kept by the Registrar (initially, the Paying Agent) by the owner in person or by his duly authorized attorney, upon surrender thereof, together with a written instrument of transfer executed by the owner or his duly authorized attorney. Upon surrender for registration of transfer of any Bond at the Principal Office of the Registrar, the City shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees, in authorized denominations, a new Bond or Bonds of the same interest rate, maturity and aggregate principal amount.

Such registration of transfer of Bonds shall be without charge to the owners of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the owners of the Bonds requesting such transfer as a condition precedent to the exercise of such privilege.

Except in connection with any optional or mandatory tender of Bonds pursuant to Section 2.03 of the Ordinance, the Trustee shall not be obligated to make any registration of transfer of Bonds during the three Business Days next preceding an Interest Payment Date or, in the case of any proposed redemption of Bonds, next preceding the date of the first mailing of notice of such redemption.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either principal or interest shall be made only to or upon the order of the registered owner thereof, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

During any Weekly Mode, the Bonds are subject to redemption by the City at the option of the Company, in whole or in part, on any Interest Payment Date, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date.

EXTRAORDINARY OPTIONAL REDEMPTION

The Bonds are subject to redemption prior to maturity as a whole or in part at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of its option to prepay all or a part of the unpaid balance of the Project Purchase Price in full in accordance with Section 9.01(a) of the Installment Sale Agreement if the Company shall have determined that the continued operation of the Facilities relating to any of the electrical generating units in connection with which the Facilities are to be utilized at the Plants or the operation of any such unit or any other part of the Facilities is impractical, uneconomical or undesirable for any reason.

MANDATORY REDEMPTION

The Credit Supported Bonds which are entitled to the benefits of a Letter of Credit are subject to mandatory redemption in whole on any day within 15 days after receipt by the Trustee from the Bank of a notice in the form attached as an exhibit to the applicable Reimbursement Agreement or Letter of Credit stating that an "event of default" thereunder has occurred. Such Bonds so redeemed will be redeemed at a redemption price equal to 100% of the principal amount to be redeemed plus unpaid interest accrued to the redemption date.

SPECIAL MANDATORY REDEMPTION

The Bonds are subject to special mandatory redemption in whole or in part and shall be redeemed at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on the 180th day (or such earlier date as may be designated by the Company) after a final determination by a court of competent jurisdiction or an administrative agency to the effect that, as a result of failure by the Company to perform or observe any covenant, agreement or representation in the Installment Sale Agreement, the interest payable on the Bonds is

includable in whole for Federal income tax purposes in the gross income of the holders thereof, other than any holder who is a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code. No determination by any court or administrative agency shall be considered final unless the Company shall have participated in the proceeding which resulted in such determination, either directly or through a Bondholder, to a degree it deems sufficient and until conclusion of any appellate review or reviews sought by any party to such proceeding or the expiration of the time for seeking such review or reviews. The Bonds shall be redeemed either in whole or in part in such principal amount as may be required so that the interest payable on the Bonds remaining outstanding after such redemption would not be includable in whole in the gross income of any holder thereof for Federal income tax purposes, other than a holder who is a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code.

NOTICE OF REDEMPTION

If any of the Bonds are called for redemption, and provided that, if the redemption is at the option of the Company pursuant to Optional Redemption or Extraordinary Optional Redemption above, the Company shall have given written notice of such redemption to the Trustee not less than 45 days prior to the date fixed for redemption, notice of redemption shall be given electronically or by first class mail not less than 30 days or more than 60 days prior to the redemption date, except that notice of redemption pursuant to Mandatory Redemption above shall be given as promptly as practicable after receipt by the Trustee of notice from the Bank, to each owner of the Bonds or portions thereof to be redeemed at the last address shown on the registration books kept by the Registrar. Any notice for the redemption of any Bond mailed as provided in the Ordinance shall be conclusively deemed to have been duly given whether or not such notice is received. Failure to send electronically or to mail any such notice to the holder of any Bond or any defect therein shall not affect the validity of the proceedings for such redemption as to the holders of any Bonds to whom notice has been mailed.

With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been paid within the meaning of the Ordinance, such notice shall state that such redemption shall be conditioned upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds or portions thereof to be redeemed or satisfaction of such other conditions as may be set forth therein, and that if such moneys shall not have been so received or such other conditions shall not have been satisfied said notice shall be of no force and effect and the City shall not be required to redeem such Bonds or portions thereof. In the event that such notice of redemption contains such a condition and such moneys are not received or such other conditions are not satisfied, the redemption shall not be made and the Trustee shall within five days thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received or such other conditions were not satisfied.

* * * * *

[FORM OF ASSIGNMENT]
ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within-mentioned Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney or agent to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Please Insert Social Security or other Identifying Number of Assignee

[BONDHOLDER'S ELECTION NOTICE)

CITY OF FARMINGTON, NEW MEXICO

POLLUTION CONTROL
REVENUE REFUNDING BOND,
2016 SERIES B
(PUBLIC SERVICE COMPANY OF NEW MEXICO
SAN JUAN AND FOUR CORNERS PROJECTS)

| <u>Principal Amount</u> | <u>CUSIP</u> | <u>Principal Amount Tendered for Purchase</u> | <u>Bond Numbers</u> | <u>Purchase Date</u> |
|-----------------------------|--------------|---|---------------------|--------------------------|
|-----------------------------|--------------|---|---------------------|--------------------------|

The undersigned hereby certifies that it is the Registered Owner or the Beneficial Owner (as described below) of the Bonds described above (the "Tendered Bonds"), all of which are in the Weekly Mode, and hereby agrees that the delivery of this instrument of transfer to the Paying Agent constitutes an irrevocable offer to sell the Tendered Bonds to the Company or its designee on the Purchase Date, which shall be a Business Day at least seven calendar days following delivery of this instrument, at a purchase price equal to the unpaid principal balance thereof plus accrued and unpaid interest thereon to the Purchase Date (the "Purchase Price"); provided that if the Purchase Date is an Interest Payment Date, it is recognized that accrued interest will be paid separately and not as part of the Purchase Price on such date. The undersigned acknowledges and agrees that this election notice is irrevocable and that the undersigned will have no further rights with respect to the Tendered Bonds, except payment, upon presentation and surrender, of the Purchase Price by wire or bank transfer within the continental United States from the Paying Agent to the undersigned (i) on the Purchase Date if the Tendered Bonds shall have been surrendered to the Paying Agent prior to the 11:00 a.m., New York City time, on the Purchase Date or (ii) on any Delivery Date subsequent to the Purchase Date on which Tendered Bonds are delivered to the Paying Agent by 11:00 a.m., New York City time.

Except as otherwise indicated herein and unless the context otherwise requires, the terms used herein shall have the meanings set forth in Ordinance No. 2016-1292 adopted by the City Council of the City of Farmington, New Mexico on August 23, 2016, as may be supplemented by further Resolutions of the City adopted.

Date:

Signature(s)

(Street City State Zip)

IMPORTANT: The above signature(s) must correspond with the name(s) as set forth on the face of the Tendered Bond(s) with respect to which this Bondholder's Election Notice is being delivered without any change whatsoever. If this notice is signed by a person other than the Registered Owner of any Tendered Bond(s), the Tendered Bond(s) must be either endorsed on the Assignment appearing on each Bond or accompanied by appropriate Bond powers, in each case signed exactly as the name or names of the Registered owner or owners appear on the books of registration kept by the Registrar. The method of presenting this notice to the Paying Agent is the choice of the person making such presentation. If it is made by mail, it should be by registered mail with return receipt requested.

Notwithstanding the foregoing, during the time the Bonds are issued in book-entry-only form, this Bondholder's Election Notice must be signed by the beneficial owner of the Bonds or by a duly authorized attorney and must be accompanied by an affidavit in the form attached hereto.

Affidavit

State of _____
County of _____

BEFORE ME, the undersigned authority, duly commissioned and qualified within and for the State and County aforesaid, personally came and appeared

who, being by me first duly sworn, deposed and said that he/she is the owner of the following Pollution Control Revenue Bond, 2016 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects):

| | | |
|-------------------------|--------------|----------------------|
| <u>Principal Amount</u> | <u>CUSIP</u> | <u>Maturity Date</u> |
|-------------------------|--------------|----------------------|

Sworn to and subscribed before me this ____ day of _____, ____.

NOTARY PUBLIC

EXHIBIT D

[FORM OF FACE OF MULTIANNUAL BOND]

No. [fill in distinguishing letters as to Bank] R-_____ \$_____

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

THE FOLLOWING TWO BRACKETED PARAGRAPHS ARE TO BE DELETED IF BOND IS NOT BOOK-ENTRY-ONLY:

[Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (together with any successor security depository appointed pursuant to the Ordinance, "DTC"), to the City or its agent for registration of transfer or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

As provided in the Ordinance referred to herein, until the termination of the system of book-entry-only transfers through DTC, and notwithstanding any other provision of the Ordinance to the contrary, this Bond may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or any nominee of DTC to a successor securities depository or any nominee thereof.]

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE INSERTED IF BOND IS NOT ENTITLED TO THE BENEFITS OF A LETTER OF CREDIT AND THE BRACKETED LANGUAGE HEREIN REFERRING TO A LETTER OF CREDIT IS TO BE DELETED:

[NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, THIS BOND IS NOT SUPPORTED BY A LETTER OF CREDIT OR ALTERNATE SECURITY.]

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE DELETED IF BOND IS NOT COVERED BY A MUNICIPAL BOND INSURANCE POLICY:

[Municipal Bond Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by _____ (the "Bond Insurer"). The Policy has been delivered to _____, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from the Bond Insurer or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of the Bond Insurer as more fully set forth in the Policy.]

CITY OF FARMINGTON, NEW MEXICO

POLLUTION CONTROL
REVENUE REFUNDING BOND
2016 SERIES B
(PUBLIC SERVICE COMPANY OF NEW MEXICO
SAN JUAN AND FOUR CORNERS PROJECTS)

CUSIP NO. _____
Maturity Date:

Registered Owner:

Principal Amount:

Interest Payment Dates: _____ 1 and _____ 1

Current Effective Date:

Interest Rate:
(to Next Purchase Date)

Next Purchase Date:

Date of this Bond:
(date of issuance in the Multiannual Mode)

Mode: Multiannual

The City of Farmington, an incorporated municipality, a body politic and corporate, existing under the Constitution and laws of the State of New Mexico, United States of America (the "City"), for value received, hereby promises to pay, solely from the sources specified herein and not otherwise, to the Registered Owner, or registered assigns, on the Maturity Date stated above, the Principal Amount shown above, unless redeemed prior thereto as hereinafter provided, upon presentation and surrender hereof as hereinafter provided, and to pay interest on such Principal Amount from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid, from the Date of this Bond stated above, until paid in full, at the rates set forth herein, payable on the Interest Payment Date. Until conversion to the Flexible, Daily or Weekly Rate as provided below, this Bond shall bear interest at the Multiannual Rate. The Multiannual Rate shall be the rate of interest determined by the Remarketing Agent designated as provided in the Ordinance (herein, with its successors, the "Remarketing Agent"), for the Rate Period, as defined herein, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds (as defined herein) with the same Rate Period in a secondary market transaction at par plus accrued interest on and as of the Effective Date, as defined herein, but not in excess of the Maximum Interest Rate (as defined in the Ordinance). If this Bond is converted to the Flexible, Daily or Weekly Mode it shall bear interest at the Flexible, Daily or Weekly Rate, as the case may be, as defined in the Ordinance. The Remarketing Agent shall determine the initial Multiannual Rate and Rate Period on or before the date of issue or conversion to the Multiannual Mode, which rate shall remain in effect as provided in the Ordinance. Thereafter, the Remarketing Agent shall redetermine the Multiannual Rate for the Rate Period as provided herein and shall redetermine the Rate Period. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on this Bond through the day preceding such Interest Payment Date and if any payment, redemption or maturity date for principal, premium or interest shall not be a Business Day, then the payment thereof may be made on the next succeeding Business Day with the same force and effect as if made on the specified payment date and no interest shall accrue for the period after the specified payment date.

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE DELETED IF BOND IS NOT BOOK-ENTRY-ONLY:

[FOR SO LONG AS THIS BOND IS HELD IN BOOK-ENTRY FORM REGISTERED IN THE NAME OF CEDE & CO. ON THE REGISTRATION BOOKS OF THE CITY KEPT BY THE PAYING AGENT AS REGISTRAR, THIS BOND, IF CALLED FOR PARTIAL REDEMPTION IN ACCORDANCE WITH THE ORDINANCE (HEREIN DEFINED), SHALL BECOME DUE AND PAYABLE ON THE REDEMPTION DATE DESIGNATED IN THE NOTICE OF REDEMPTION GIVEN IN ACCORDANCE WITH THE ORDINANCE AT, AND ONLY TO THE EXTENT OF, THE REDEMPTION PRICE, PLUS ACCRUED INTEREST TO THE SPECIFIED REDEMPTION DATE; AND THIS BOND SHALL BE PAID, TO THE EXTENT SO REDEEMED, (I) UPON PRESENTATION AND SURRENDER THEREOF AT THE OFFICE SPECIFIED IN SUCH NOTICE OR (II) AT THE WRITTEN REQUEST OF CEDE & CO., BY CHECK OR DRAFT MAILED TO CEDE & CO. BY THE PAYING AGENT OR BY WIRE TRANSFER TO CEDE & CO. BY THE PAYING AGENT IF CEDE CO. AS BONDHOLDER SO ELECTS. IF, ON THE REDEMPTION DATE, MONEYS FOR THE REDEMPTION OF BONDS OF SUCH MATURITY TO BE REDEEMED, TOGETHER WITH INTEREST TO THE REDEMPTION DATE, SHALL BE HELD BY THE PAYING AGENT OR TRUSTEE SO AS TO BE AVAILABLE THEREFOR ON SUCH DATE, AND AFTER NOTICE OF REDEMPTION SHALL HAVE BEEN GIVEN IN ACCORDANCE WITH THE ORDINANCE, THEN, FROM AND AFTER THE REDEMPTION DATE, THE AGGREGATE PRINCIPAL AMOUNT OF THIS BOND SHALL BE IMMEDIATELY REDUCED BY AN AMOUNT EQUAL TO THE AGGREGATE PRINCIPAL AMOUNT THEREOF SO REDEEMED, NOTWITHSTANDING WHETHER THIS BOND HAS BEEN SURRENDERED TO THE PAYING AGENT FOR CANCELLATION.]

This Bond shall not be valid or become obligatory for any other purpose or be entitled to any security or benefit under the Ordinance

until the Certificate of Authentication inscribed hereon shall have been signed by the Trustee.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF WHICH SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH HEREIN.

IN WITNESS WHEREOF, the City of Farmington, New Mexico has caused this Bond to be authenticated by its Mayor and its Treasurer, each by his or her manual or facsimile signature, and has caused the corporate seal of the City to be affixed, impressed or reproduced hereon and attested by the City Clerk with his or her manual or facsimile signature.

Dated: _____

CITY OF FARMINGTON, NEW MEXICO

By:

Tommy Roberts, Mayor

By:

Treasurer

ATTEST:

Dianne Smylie, City Clerk

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

This is to certify that this Bond is one of the Bonds described in the within mentioned Ordinance.

_____, As Trustee

By:

Name:

Title:

[FORM OF REVERSE OF BOND]

This Bond is one of a duly authorized issue of revenue bonds of the City issued in the aggregate principal amount of \$100,000,000 designated "Pollution Control Revenue Refunding Bonds, 2016 Series B (Public Service Company of New Mexico San Juan and Four Corners Projects)" (the "Bonds") authorized and issued pursuant to and in full compliance with the Constitution and laws of the State of New Mexico, particularly the Pollution Control Revenue Bond Act, Chapter 397, Laws of 1973 of the State of New Mexico, 315 Legislature, 151 Session, as amended (the "Act"), and pursuant to Ordinance No. 2016-1292 of the City adopted August 23, 2016, by the City Council of the City, as supplemented by Resolution No. 2016-1599 of the City adopted on August 9, 2016 (collectively, the "Ordinance"), the proceeds of which will be used, together with other available moneys for refunding outstanding revenue bonds issued under such Act to refund previously outstanding revenue bonds issued under such Act to finance a portion of the costs to Public Service Company of New Mexico (the "Company"), a corporation organized and existing under the laws of the State of New Mexico of acquiring, constructing, and installing certain air and water pollution control systems and facilities (the Company's interest therein being referred to herein as the "San Juan Facilities") relating to Units 1, 2, 3 and 4 at the San Juan Generating Station (the "San Juan Plant") located in San Juan County, New Mexico, interests in which are owned by the Company and to finance a portion of the costs to the Company of acquiring, constructing, reconstructing, improving, maintaining, equipping or furnishing certain air and water pollution control facilities (the Company's interest therein being referred to herein as the "Four Corners Facilities", and together with the San Juan Facilities, the "Facilities") relating to Units 4 and 5 at the Four Corners Generating Station (the "Four Corners Plant", and together with the San Juan Plant, the "Plants"), an electric power generating plant located in San Juan County, New Mexico, interests in which Facilities have been purchased by the City from, and sold by the City to, the Company. _____ has accepted the trust imposed under the Ordinance and will serve as trustee thereunder (the "Trustee").

The Bonds are equally and ratably secured, to the extent provided in the Ordinance, by the pledge thereunder of the Receipts and Revenues of the City from the Installment Sale Agreement, which term, as defined in the Ordinance means all moneys payable to the City under Section 5.02 of that certain Third Amended and Restated Installment Sale Agreement relating to the Facilities, dated as of September 1, 2016, between the City and the Company, as Vendee (the "Installment Sale Agreement") (amending and restated the Second Amended and Restated Installment Sale Agreement, dated as of May 1, 2003, between the City, as Vendor, and the Company, as Vendee which amended and restated the Amended and Restated Installment Sale Agreement, dated as of August 15, 1993, between the City, as Vendor, and the Company, as Vendee which amended and restated the Installment Sale Agreement dated as of October 1, 1983, between the City, as Vendor, and the Company, as Vendee), and all receipts of the Trustee credited under the provisions of the Ordinance against such payments, (including payments made to the Trustee under the hereinafter defined Letter of Credit). The City has also pledged and assigned to the Trustee as security for the Bonds other rights and interests of the City under the Installment Sale Agreement. In addition, the Company has, by a Guaranty Agreement dated as of September 1, 2016 between the Company and the Trustee (the "Guaranty"), unconditionally guaranteed to the Trustee for the benefit of the holders of the Bonds the full and prompt payment of the principal and interest on the Bonds when and as the same shall become due according to the terms of the Ordinance and the Bonds and has issued and delivered to the Trustee its Senior Unsecured Notes (as defined in the Guaranty) as collateral security for its obligations under the Guaranty. Under certain circumstances, as provided in and in accordance with the Ordinance, the Senior Unsecured Notes may be exchanged for Corresponding Securities (as defined in the Ordinance).

THE FOLLOWING BRACKETED PARAGRAPH IS TO BE DELETED IF BOND IS NOT ENTITLED TO BENEFITS OF A LETTER OF CREDIT:

[The Company has caused to be delivered to the Trustee an irrevocable letter of credit (together with any alternate letter of credit issued in accordance with the Ordinance, the "Letter of Credit") issued by the Bank identified hereon (together with any bank issuing an alternate letter of credit, the "Bank"), in favor of the Trustee. Such Letter of Credit will support the payment of principal and Purchase Price

(hereinafter defined) of, premium, if any, and interest on the Bonds. Subject to certain conditions, the Letter of Credit may be replaced by another credit facility, insurance policy, guarantee or other credit support agreement (the "Alternate Security"), or the Letter of Credit or Alternate Security may be terminated without replacement thereof. If the Company elects not to comply with the provisions of the Installment Sale Agreement regarding the replacement of the Letter of Credit or Alternate Security or the termination or cancellation thereof without replacement, the Bonds shall be subject to mandatory tender for purchase as described below. Bonds supported by a Letter of Credit or Alternate Security are referred to herein as "Credit Supported Bonds."]

The owner of this Bond shall have no right to enforce the provisions of the Ordinance or to institute an action or proceeding in equity or at law to enforce the covenants thereof, or to take any action with respect to a default under the Ordinance, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Ordinance. If an Event of Default occurs and is continuing, the principal of all outstanding Bonds may be declared due and payable upon the conditions and in the manner and with the effect provided in the Ordinance.

As more fully provided in the Ordinance, the Bonds do not constitute an indebtedness or obligation to which the full faith and credit of the City are pledged but are limited obligations of the City, which is obligated to pay the principal and Purchase Price of and premium, if any, and interest on the Bonds only out of the Receipts and Revenues of the City from the Installment Sale Agreement and other moneys pledged therefor under the Ordinance. The Bonds may also be paid out of any payments by the Company to the Trustee pursuant to the Guaranty. This Bond does not, and shall never, constitute an indebtedness of the City within the meaning of any State constitutional provision or statutory limitation, and shall never constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

All acts, conditions and things required by the Constitution and statutes of the State of New Mexico, the governing rules and procedures of the City and the Ordinance to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed.

No covenant or agreement contained in this Bond or the Ordinance shall be deemed to be a covenant or agreement of any officer, agent or employee of the City in his or her individual capacity, and neither the members of the City Council of the City nor any official executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond.

Reference is hereby made to the Ordinance, the Installment Sale Agreement, the Guaranty [and the Letter of Credit], copies of which are on file with the Trustee, for the provisions, among others, with respect to the custody and application of the proceeds of the Bonds, the collection and disposition of the Receipts and Revenues of the City from the Installment Sale Agreement pledged as security for the payment of the Bonds and the interest and redemption premium, if any, thereon, the nature and the extent of the security for and the rights of the owners of the Bonds, the terms and conditions on which, and the purposes for which, the Bonds are issued and are deemed to be paid and discharged under the Ordinance, and the conditions under which the Ordinance, the Installment Sale Agreement or the Guaranty may be amended, to all of which the owner hereof, by acceptance of this Bond, assents.

Unless otherwise defined herein, capitalized terms used in this Bond shall have the meaning given them in the Ordinance. As used herein, "premium" shall mean, with respect to any amount payable on the Bonds, the amount, if any, by which the redemption price thereof (exclusive of interest) exceeds the principal amount thereof at the time such amount is payable. The following terms are defined as follows:

"Business Day" shall mean a day of the year on which banks located in all of the cities in which the Principal Offices of the Trustee, the Bank or the provider of Alternate Security, the Paying Agent and the

Remarketing Agent are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" shall mean, with respect to a Bond in the Flexible, Daily, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect or the date on which that Bond is converted to a new Mode.

"Mode" shall mean the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Daily Mode, the Weekly Mode and the Multiannual Mode.

"Purchase Date" shall mean the date on which this Bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" shall mean, when used with respect to any particular rate of interest for a Bond in the Flexible, Daily, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

INTEREST RATE PROVISIONS; MANDATORY TENDER PROVISIONS

At the option of the Company and subject to certain conditions provided for in the Ordinance, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Daily Mode, Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one day, one week or one year or any integral multiple of one year or (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 180 days as provided herein; provided, however, that in the Multiannual Mode the first Rate Period occurring after conversion to such Mode may be shorter than the applicable integral multiple of one year as provided in the Ordinance; and provided, further, if the Bonds are initially issued in the Multiannual Mode with a term to maturity, then the Bonds may not be converted to any other Mode. While this Bond is in the Multiannual Mode, a new interest rate shall take effect on the date such Mode takes effect, and thereafter on the Interest Payment Date ending the Rate Period designated by the Company.

While this Bond is in the Multiannual Mode, conversions to any other Mode or conversions to new Rate Periods of the same or different lengths while in the Multiannual Mode, may take place only on a date which would have been an Effective Date for this Bond. While this Bond is in the Multiannual Mode and held in book-entry form, the Paying Agent shall give the Registered Owner of this Bond not less than 15 days' prior written notice of the conversion of this Bond from the Multiannual Mode to another Mode. Conversion of this Bond to another Mode, or to a new Rate Period in the Multiannual Mode of the same or a different length, shall be subject to certain conditions set forth in the Ordinance. In the event that the conditions for a proposed conversion to a new Mode, or to a new Rate Period in the Multiannual Mode of the same or different length, are not met (i) such new Mode or Rate Period shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondholders of such conversion and (ii) this Bond shall automatically convert to the Flexible Mode with a Rate Period of one day. In no event shall the failure of this Bond to be converted to another Mode or Rate Period be deemed to be a Default or an Event of Default under the Ordinance as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted. If this Bond has been issued in the Multiannual Mode with a term to maturity, then this Bond may not be converted to any other Mode.

When this Bond is in the Multiannual Mode, the Multiannual Rate in effect for the Rate Period (the "Effective Rate" for such Period) and the duration of the Rate Period shall be determined by the Remarketing Agent not later than the Business Day immediately preceding the Effective Date. If the Remarketing Agent fails to make such determination or fails to announce the Effective Rate as required with respect to any Bonds in the Multiannual Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the rate to take effect on any Effective Date shall be automatically converted to the Flexible Mode with a Rate Period of one day. The Remarketing Agent shall announce the Effective Rate and duration of the Rate Period electronically or by

telephone to the Paying Agent not later than 2:00 p.m., New York City time, the Business Day immediately preceding the Effective Date, and shall promptly confirm such notice in writing.

Each determination and redetermination of the Multiannual Rate and the Rate Period shall be conclusive and binding on the City, the Trustee, the Paying Agent, the Bank, the Company and the Bondholders.

While this Bond is in the Multiannual Mode, interest shall be computed on the basis of a 360-day year, consisting of twelve 30-day months. From and after the date on which this Bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for. The Bonds are issuable in fully registered form and while in the Multiannual Mode, shall be in denominations of \$5,000 or any multiple thereof.

While this Bond is in the Multiannual Mode, the principal of and premium, if any, on this Bond are payable when due by check or draft in immediately available funds to the Registered Owner hereof but only upon presentation and surrender of this Bond at the Principal Office of the Paying Agent, which is _____ (with its successors in such capacity, the "Paying Agent"). Interest on this Bond while in the Multiannual Mode is payable by check or draft in immediately available funds mailed on the applicable payment date by the Paying Agent to the Registered Owner, determined as of the close of business on the applicable Record Date (as defined below), at its address as shown on the registration books maintained by the Registrar (initially, the Paying Agent); provided that registered owners of \$1,000,000 or more in aggregate principal amount of Bonds may submit to the Paying Agent a written notice requesting that interest on such Bonds be payable by wire transfer and the appropriate information (which notice shall remain in effect until revoked). The Purchase Price (as defined below) of Bonds tendered for purchase shall be paid as provided below.

The record date (the "Record Date") for payment of interest while this Bond is in the Multiannual Mode is the fifteenth day of the month immediately preceding the date on which the interest is to be paid; provided that with respect to overdue interest or interest payable on redemption of this Bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than 30 days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondholders at least ten days before the special record date. The Paying Agent will promptly certify to the City, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondholders, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

While this Bond is in the Multiannual Mode, this Bond is subject to mandatory tender for purchase at a price (the "Purchase Price") equal to 100% of the principal amount thereof, plus accrued interest, if any, to the Purchase Date, on the Effective Date. All deliveries of tendered Bonds, including deliveries of Bonds subject to mandatory tender, shall be made to the Paying Agent at _____, or such other address specified in writing by the Paying Agent to the Bondholders.

THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND AT SUCH PRICE TO ANY PURCHASER DETERMINED IN ACCORDANCE WITH THE PROVISIONS OF THE ORDINANCE IN THE EVENT OF SUCH MANDATORY TENDER AND, ON SUCH PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENTS OF THE PURCHASE PRICE. From and after the Purchase Date, no further interest on this Bond shall be payable to the Registered Owner; provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

The Purchase Price of this Bond shall be paid to the Registered Owner by the Paying Agent on the Delivery Date, which shall be the Purchase Date or any subsequent Business Day on which this Bond is delivered to the Paying Agent [notwithstanding any substitution of an Alternate Letter of Credit or Alternate Security after the date notice of mandatory tender was given the Registered Owner in accordance with the terms hereof]; provided that if the Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as part of the Purchase Price on such date. The Purchase Price of this Bond shall be paid only upon surrender of this Bond to the Paying Agent as provided

herein. Bonds which are not surrendered shall be deemed to be tendered ("Undelivered Bonds") and shall cease to be outstanding under the Ordinance. From and after the Purchase Date, no further interest shall accrue and be payable to the Registered Owner; provided that there are sufficient funds available on the Purchase Date to pay the Purchase Price. The Purchase Price of Bonds tendered for purchase is payable for Bonds in the Multiannual Mode by check or draft in immediately available funds from the Paying Agent to the Registered Owner at its address shown on the registration books maintained by the Registrar. If on any date this Bond is subject to mandatory tender for purchase, payment of the Purchase Price of this Bond to such owner shall be made on the Purchase Date if presentation and surrender of this Bond is made prior to 11:00 a.m., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this Bond is made prior to 11:00 a.m., New York City time.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE UPON NOTICE TO OR FROM THE REGISTERED OWNER HEREOF AS OF A DATE PRIOR TO SUCH PURCHASE. IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE OUTSTANDING UNDER THE ORDINANCE, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT.

TRANSFER OF BONDS

Bonds (other than Undelivered Bonds) may be transferred on the books of registration kept by the Registrar by the owner in person or by his duly authorized attorney, upon surrender thereof together with a written instrument of transfer executed by the owner or his duly authorized attorney. Upon surrender for registration of transfer of any Bond at the Principal Office of the Registrar, the City shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees, in authorized denominations, a new Bond or Bonds of the same interest rate, maturity and aggregate principal amount.

Such registration of transfer of Bonds shall be without charge to the owners of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the owners of the Bonds requesting such transfer as a condition precedent to the exercise of such privilege.

Except in connection with any mandatory tender of Bonds pursuant to Section 2.03 of the Ordinance, the Trustee shall not be obligated to make any registration of transfer of Bonds during the three Business Days next preceding an Interest Payment Date or, in the case of any proposed redemption of Bonds, next preceding the date of the first mailing of notice of such redemption.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either principal or interest shall be made only to or upon the order of the registered owner thereof, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

OPTIONAL REDEMPTION

In the Multiannual Mode and after the expiration of the applicable No Call Period (measured from the beginning of the applicable Rate Period) set forth in the following schedule, the Bonds shall be subject to redemption at the direction of the Company in whole at any time or in part from time to time on any Interest Payment Date after _____ upon payment of the applicable redemption prices, expressed as a percentage of the principal amount of the Bonds to be redeemed, set forth below together with interest accrued to the redemption date.

| Redemption Dates (both dates inclusive) | Redemption Price |
|---|------------------|
|---|------------------|

If less than all of the outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be

selected as provided in the Ordinance with Bonds in the Multiannual Mode being redeemed in units of \$5,000.

EXTRAORDINARY OPTIONAL REDEMPTION

The Bonds are subject to redemption prior to maturity as a whole or in part at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of its option to prepay all or a part of the unpaid balance of the Project Purchase Price in full in accordance with Section 9.01(a) of the Installment Sale Agreement if the Company shall have determined that the continued operation of the Facilities relating to any of the electrical generating units in connection with which the Facilities are to be utilized at the Plants or the operation of any such unit or any other part of the Facilities is impractical, uneconomical or undesirable for any reason.

MANDATORY REDEMPTION

The Credit Supported Bonds which are entitled to the benefits of a Letter of Credit are subject to mandatory redemption in whole on any day within 15 days after receipt by the Trustee from the Bank of a notice in the form attached as an exhibit to the applicable Reimbursement Agreement or Letter of Credit stating that an "event of default" thereunder has occurred. Such Bonds so redeemed will be redeemed at a redemption price equal to 100% of the principal amount to be redeemed plus unpaid interest accrued to the redemption date.

SPECIAL MANDATORY REDEMPTION

The Bonds are subject to special mandatory redemption in whole or in part and shall be redeemed at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on the 180th day (or such earlier date as may be designated by the Company) after a final determination by a court of competent jurisdiction or an administrative agency to the effect that, as a result of failure by the Company to perform or observe any covenant, agreement or representation in the Installment Sale Agreement, the interest payable on the Bonds is includable in whole for Federal income tax purposes in the gross income of the holders thereof, other than any holder who is a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code. No determination by any court or administrative agency shall be considered final unless the Company shall have participated in the proceeding which resulted in such determination, either directly or through a Bondholder, to a degree it deems sufficient and until conclusion of any appellate review or reviews sought by any party to such proceeding or the expiration of the time for seeking such review or reviews. The Bonds shall be redeemed either in whole or in part in such principal amount as may be required so that the interest payable on the Bonds remaining outstanding after such redemption would not be includable in whole in the gross income of any holder thereof for Federal income tax purposes, other than a holder who is a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code.

NOTICE OF REDEMPTION

If any of the Bonds are called for redemption, and provided that, if the redemption is at the option of the Company pursuant to Optional Redemption or Extraordinary Optional Redemption above, the Company shall have given written notice of such redemption to the Trustee not less than 45 days prior to the date fixed for redemption, notice of redemption shall be given electronically or by first class mail not less than 30 days or more than 60 days prior to the redemption date, except that notice of redemption pursuant to Mandatory Redemption above shall be given as promptly as practicable after receipt by the Trustee of notice from the Bank, to each owner of the Bonds or portions thereof to be redeemed at the last address shown on the registration books kept by the Registrar. Any notice for the redemption of any Bond mailed as provided in the Ordinance shall be conclusively deemed to have been duly given whether or not such notice is received. Failure to send electronically or to mail any such notice to the holder of any Bond or any defect therein shall not affect the validity of the proceedings for such redemption as to the holders of any Bonds to whom notice has been mailed.

With respect to any notice of optional redemption of Bonds, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been paid within the meaning of the Ordinance, such notice shall state that such redemption shall be conditioned upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds or portions thereof to be redeemed or satisfaction of such other conditions as may be set forth therein, and that if such moneys shall not have been so received or such other conditions shall not have been satisfied said notice shall be of no force and effect and the City shall not be required to redeem such Bonds or portions thereof. In the event that such notice of redemption contains such a condition and such moneys are not received or such other conditions are not satisfied, the redemption shall not be made and the Trustee shall within five days thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received or such other conditions were not satisfied.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE OR REDEMPTION IN EACH CASE UPON NOTICE TO THE OWNER HEREOF AS OF A DATE PRIOR TO SUCH PURCHASE OR REDEMPTION, IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE OR REDEMPTION PRICE WITH THE PAYING AGENT ON THE PURCHASE OR REDEMPTION DATE, AS THE CASE MAY BE, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE DEEMED TO BE OUTSTANDING UNDER THE ORDINANCE, INTEREST HEREIN SHALL CEASE TO ACCRUE AS OF THE PURCHASE OR REDEMPTION DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE OR REDEMPTION PRICE SO DEPOSITED WITH THE PAYING AGENT ONLY UPON SURRENDER OF THIS BOND TO THE PAYING AGENT.

* * * * *

[FORM OF ASSIGNMENT]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within-mentioned Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney or agent to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Please Insert Social
Security or other Identifying
Number of Assignee
