

REGULATORY INFORMATION DISTRIBUTION SYSTEM (RIDS)

ACCESSION NBR: 8608070197 DOC. DATE: 86/08/04 NOTARIZED: NO DOCKET #
 FACIL: STN-50-528 Palo Verde Nuclear Station, Unit 1, Arizona Publi 05000528
 AUTH. NAME AUTHOR AFFILIATION
 MOORE, C. L. Kelehar & McLeod
 RECIP. NAME RECIPIENT AFFILIATION
 MIRAOLIA, F. J. Division of Pressurized Water Reactor Licensing - B (post 8

SUBJECT: Forwards util 860717 transaction documents reflecting 860717 closing of sale & leaseback financing transactions.

DISTRIBUTION CODE: Y002D COPIES RECEIVED: LTR 1 ENCL 1 SIZE: 200
 TITLE: Distribution for Atypical 50 Dkt Material

NOTES: Standardized plant.

05000528

	RECIPIENT ID CODE/NAME	COPIES LTTR ENCL		RECIPIENT ID CODE/NAME	COPIES LTTR ENCL
	PWR-B ADTS 09	1 1		PWR-B PD7 LA 08	1 1
	PWR-B PD7 PD 07	1 1		LICITRA, E 01	1 1
	MIRAOLIA, F. J. 06	1 1			
INTERNAL:	ACRS 20	1 1		AEGD/PTB	1 1
	ELD/HDS3 16	1 1		<u>REG FILE</u> 04	1 1
	RGN5	1 1		RM/DDAMI/MIB 17	1 1
EXTERNAL:	LPDR 03	1 1		NRC PDR 02	1 1
	NSIC 05	1 1			

Add: 5P Ltr Encl
1 1

TOTAL NUMBER OF COPIES REQUIRED: LTTR

ENCL

15
14

15
14

25. The following information was obtained from the records of the Department of the Interior, Bureau of Land Management, regarding the land ownership of the area:

[illegible]

AS THE PERIOD OF CONSTRUCTION OF THE NEW BRIDGE APPROACHES, THE STATE OF TEXAS HAS BEEN ADVISED BY THE FEDERAL BUREAU OF INVESTIGATION THAT THE FEDERAL GOVERNMENT IS CONSIDERING THE POSSIBILITY OF PROVIDING FINANCIAL ASSISTANCE TO THE STATE OF TEXAS IN THE FORM OF A LOAN OR GRANT TO COVER THE COSTS OF THE CONSTRUCTION OF THE BRIDGE. THE STATE OF TEXAS HAS REQUESTED THE ASSISTANCE OF THE FEDERAL GOVERNMENT IN THE FORM OF A LOAN OR GRANT TO COVER THE COSTS OF THE CONSTRUCTION OF THE BRIDGE. THE STATE OF TEXAS HAS REQUESTED THE ASSISTANCE OF THE FEDERAL GOVERNMENT IN THE FORM OF A LOAN OR GRANT TO COVER THE COSTS OF THE CONSTRUCTION OF THE BRIDGE.

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED
DATE 08-10-2001 BY 60322 UCBAW

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840. 84

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KELEHER & McLEOD, P. A.

ATTORNEYS AND COUNSELORS AT LAW

PUBLIC SERVICE BUILDING

P. O. DRAWER AA

ALBUQUERQUE, NEW MEXICO 87103

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OF COUNSEL

TELEPHONE 842-6262

AREA CODE 505

August 4, 1986

File # 00431-108

Director of Nuclear Reactor Regulation
Attention: Mr. Frank J. Miraglia, Director
Division of Pressurized Water Reactor Licensing - B
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Re: Sale and Leaseback Financing Transaction
by Public Service Company of New Mexico -
NRC Docket No. STN 50-528

Gentlemen:

In my letter dated July 14, 1986, addressed to you, I indicated that Public Service Company of New Mexico planned to file executed documents (which were generally described in such letter) after the July 17, 1986 closing relating to the sale of public debt. Accordingly, enclosed herewith is a volume entitled "Transaction Documents" reflecting the July 17, 1986 closing. An index is attached to the volume, indicating the documents contained therein.

Again, we sincerely appreciate the responsiveness and cooperation of the NRC Staff.

Yours very truly,

KELEHER & McLEOD, P.A.

By Charles L. Moore
Charles L. Moore

CLM/mu
Encl.

cc: Edward S. Christenbury, Esq. (w/encl.)
Edwin J. Reis, Esq. "
Mr. George W. Knighton "
Arthur C. Gehr, Esq. "
Timothy M. Toy, Esq.
Mr. A. J. Robison

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PUBLIC SERVICE COMPANY OF NEW MEXICO

\$253,677,000

LEASE OBLIGATION BONDS SERIES 1986A

Refunding of Term Lease Obligation Notes, Series 1985
and the Three Initial Series Notes Pledged
to Secure the Same

July 17, 1986

TRANSACTION DOCUMENTS

| Document | Document
No. |
|---|-----------------|
| Amendment No. 1 to Chrysler Participation Agreement
(without exhibits).. | 1 |
| Amendment No. 1 to Burnham Participation Agreement
(without exhibits). | 2 |
| Amendment No. 1 to MFS Participation Agreement
(without exhibits). | 3 |
| Amendment No. 1 to Chrysler Facility Lease. | 4 |
| Amendment No. 1 to Burnham Facility Lease.. | 5 |
| Amendment No. 1 to MFS Facility Lease. | 6 |
| Supplement No. 1 to Chrysler Lease Indenture. | 7 |
| Supplement No. 1 to Burnham Lease Indenture. | 8 |
| Supplement No. 1 to MFS Lease Indenture. | 9 |
| Series 1986A Bond Supplemental Indenture. | 10 |
| Commitment Agreement. | 11 |

AMENDMENT NO. 1

Dated as of July 15, 1986

to

PARTICIPATION AGREEMENT

Dated as of December 16, 1985

among

CHRYSLER FINANCIAL CORPORATION,
as Owner Participant

FIRST PV FUNDING CORPORATION,
as Loan Participant

THE FIRST NATIONAL BANK OF BOSTON,
in its individual capacity and as Owner Trustee
under a Trust Agreement,
dated as of December 16, 1985,
with the Owner Participant, as Owner Trustee

CHEMICAL BANK,
in its individual capacity and as Indenture Trustee
under a Trust Indenture, Mortgage, Security Agreement
and Assignment of Rents, dated as of
December 16, 1985,
with the Owner Trustee, as Indenture Trustee

and

PUBLIC SERVICE COMPANY OF NEW MEXICO,
as Lessee

Sale and Leaseback of an Undivided Interest in
Palo Verde Nuclear Generating Station Unit 1
and Certain Common Facilities

AMENDMENT NO. 1, dated as of July 15, 1986, to the Participation Agreement, dated as of December 16, 1985, among CHRYSLER FINANCIAL CORPORATION, a Michigan corporation (the Owner Participant), FIRST PV FUNDING CORPORATION, a Delaware corporation (the Loan Participant), THE FIRST NATIONAL BANK OF BOSTON, a national banking association, in its individual capacity (FNB) and as Owner Trustee (the Owner Trustee) under a Trust Agreement, dated as of December 16, 1985, with the Owner Participant, CHEMICAL BANK, a New York banking corporation, in its individual capacity (Chemical Bank) and as Indenture Trustee (the Indenture Trustee) under a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents, dated as of December 16, 1985, with the Owner Trustee, and PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation (the Lessee).

W I T N E S S E T H :

WHEREAS, the Owner Participant, the Loan Participant, the Owner Trustee, the Indenture Trustee and the Lessee have previously entered into a Participation Agreement dated as of December 16, 1985 (the Participation Agreement);

WHEREAS, the Initial Series Note was issued by the Owner Trustee in connection with the acquisition of the Undivided Interest and the Real Property Interest;

WHEREAS, Section 2(d) of the Participation Agreement provides for a refunding of the Initial Series Note upon the satisfaction of the conditions set forth in Sections 2(d) and 11(d) of the Participation Agreement;

WHEREAS, the parties hereto wish to refund the Initial Series Note;

WHEREAS, such refunding of the Initial Series Note necessitates this Amendment No. 1 to Participation Agreement (Amendment No. 1);

WHEREAS, Section 10.1(viii) of the Indenture provides, among other things, that the Owner Trustee and Indenture Trustee may, without consent of the Holders of Notes Outstanding, execute a supplement to the Indenture in order to evidence the issuance of and to provide the terms of Additional Notes;

WHEREAS, the Owner Trustee and the Indenture Trustee intend to execute Supplemental Indenture No. 1, dated as of July 15, 1986 (Supplemental Indenture

No. 1), to the Indenture, providing for the issuance under the Indenture of the Fixed Rate Notes (as defined in Supplemental Indenture No. 1);

WHEREAS, Section 10.2(ii) of the Indenture provides, among other things, that, upon receipt of a written instruction from the Lessee and the Owner Trustee, the Indenture Trustee shall consent to certain amendments to the Facility Lease;

WHEREAS, the Owner Trustee and the Lessee intend to execute Amendment No. 1, dated as of July 15, 1986 (Lease Amendment No. 1), to the Facility Lease, to amend the schedules thereto and for certain other purposes;

WHEREAS, Section 5.09(b) of the Collateral Trust Indenture authorizes the Collateral Trust Trustee, without the consent of the holders of a majority in principal amounts of Outstanding Securities, to consent to certain Changes in the Principal Instruments (as each such term is defined in the Collateral Trust Indenture);

WHEREAS, the parties hereto desire that the Collateral Trust Trustee give its consent, to the extent required, to this Amendment No. 1;

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions.

Except as otherwise defined herein and in the recitals, capitalized terms used herein shall have the respective meanings set forth in Appendix A to the Participation Agreement; provided, however, that, for all purposes of the Participation Agreement, to the extent different from the definitions set forth in Appendix A thereto, the definitions of Deemed Loss Event, Event of Loss and Final Shutdown shall have the respective meanings for such terms as set forth in or appended to the Facility Lease as amended from time to time in accordance with its terms and the terms of the Indenture.

SECTION 2. Amendments.

(a) Clause (v) of paragraph (1) of Section 10(b) is hereby amended to read in its entirety as follows:

"(v) Opinion of Counsel: within 120 days after the end of each fiscal year of the Lessee, an opinion or opinions, satisfactory to the Owner Participant, the Owner Trustee, the Collateral Trust Trustee and the Indenture Trustee, of Keleher & McLeod, P.A., as general counsel for the Lessee, Snell & Wilmer, as special Arizona counsel for the Lessee, and/or other counsel acceptable to the Owner Participant (A) either to the effect that (1) all filings and recordations (or refilings and rerecordations) required to (i) convey to the Owner Trustee, and establish, preserve, protect and perfect the title of the Owner Trustee to, the Undivided Interest, the related Generation Entitlement Share and the Real Property Interest and establish, preserve and protect the Owner Trustee's rights under this Agreement and the other Transaction Documents, and, (ii) so long as any Note is Outstanding, grant, perfect and preserve the security interest of the Indenture Trustee in the Lease Indenture Estate have been duly made, or (2) no such additional filings, recordations, refilings or rerecordations are necessary, to (i) convey to the Owner Trustee, and establish, preserve, protect and perfect the title of the Owner Trustee to, the Undivided Interest, the related Generation Entitlement Share and the Real Property Interest and establish, preserve and protect the Owner Trustee's rights under this Agreement and the other Transaction Documents, and (ii) so long as any Note is Outstanding, grant, perfect and preserve the security interest of the Indenture Trustee in the Lease Indenture Estate and (B) specifying the particulars of all action required during the period from the date of such opinion through the last day of the next succeeding calendar year, including, in the case of each UCC continuation statement required to be filed during such period, the office in which each

such continuation statement is to be filed and the filing date and filing number of the original financing statement or fixture filing to be continued, and the dates within which such continuation statement may be filed under Applicable Law;"

(b) Clause (ix) of paragraph (3) of Section 10(b) is hereby amended to read in its entirety as follows:

"(ix) Notes and Bonds. The Lessee will not, and will not permit any of its Affiliates to, acquire any of the Notes or, except in connection with the selection of Bonds for redemption pursuant to the Collateral Trust Indenture (in strict accordance with the provisions of paragraph 3 of the commitment agreement dated the Refunding Date between PNM and the Loan Participant relating to the Lease Obligation Bonds Series 1986A or provisions (identical in all material respects) of other commitment letters relating to other series of Bonds), any of the Bonds."

SECTION 3. Implementation.

(a) Forms. The forms of Supplemental Indenture No. 1 and Lease Amendment No. 1 are attached hereto as Exhibits A and B, respectively. All blanks in Supplemental Indenture No. 1 and Lease Amendment No. 1 shall be appropriately filled in or completed, all in a manner consistent with the Transaction Documents and the Financing Documents.

(b) Request by the Owner Participant. In accordance with Section 2.01 of the Trust Agreement, the Owner Participant hereby requests that the Owner Trustee (i) execute and deliver this Amendment No. 1, Supplemental Indenture No. 1 and Lease Amendment No. 1 (collectively, the Refunding Amendments), (ii) execute the Fixed Rate Notes and request the Indenture Trustee to authenticate and deliver the Fixed Rate Notes pursuant to Section 3.5(2) of the Indenture and (iii) execute and deliver all other agreements, instruments and certificates contemplated by the Transaction Documents, the Financing Documents and the Refunding Amendments.

(c) Reoptimization of the Notes. If the Lessee, in a timely manner, provides the Owner Trustee and the Owner Participant with information sufficient for the Owner Trustee to direct the adjustments described in Section 2(b) of Supplemental Indenture No. 1, together with a certificate (in form and substance reasonably satisfactory to the Owner Participant) to the effect that such adjustments minimize the aggregate increase in Basic Rent occurring as a result of the operation of Section 3(d) of the Facility Lease, the Owner Trustee shall deliver to the Indenture Trustee a certificate pursuant to such Section 2(b). Notwithstanding the foregoing, the Owner Participant, the Indenture Trustee and the Owner Trustee may rely on such certificate and shall have no obligation to verify the same.

(d) Instruction and Consent. The Lessee and the Owner Trustee hereby instruct the Indenture Trustee (i) to consent to Lease Amendment No. 1, and the Indenture Trustee so consents, and (ii) to execute Supplemental Indenture No. 1, all in accordance with Section 10.2 of the Indenture.

(e) Recordations and Filings. The Lessee represents that it has caused to be made the recordations and filings set forth in Schedule 1 hereto and that such filings and recordations are all the recordations and filings that are necessary in order to preserve, protect and perfect the Owner Trustee's rights and interests under the Facility Lease, as amended by Lease Amendment No. 1, and the first and prior security interest of the Indenture Trustee in the Lease Indenture Estate under the Indenture, as amended by Supplemental Indenture No. 1.

(f) Partial Refund. For purposes of Section 3(b) of the Participation Agreement, the Loan Participant represents and warrants that the portion of the Refunding Loan equal to the Releveraging Amount used in calculating the amount of the Releveraging Loan is \$2,600,000 (the Refund Amount). The preceding representation and warranty is in lieu of the officer's certificate of the Loan Participant specified by Section 3(b) of the Participation Agreement.

(g) Direction to the Indenture Trustee. The Refund Amount shall be paid directly to the Indenture Trustee at the Indenture Trustee's Office to be

disbursed to the Owner Trustee. The Indenture Trustee shall, as soon as practicable, return (subject to paragraph (h) below) the Refund Amount to the Owner Participant as a partial refund of the Investment. The Owner Trustee's Investment shall, for all purposes of the Participation Agreement, be reduced by an amount equal to the excess of (1) the Refund Amount over (2) the amount (if any) of principal of the Initial Series Note paid on July 15, 1986.

(h) Direction by the Owner Participant. The Owner Participant hereby directs that \$990,000 of the Refund Amount shall be paid to the Owner Trustee to be disbursed by the Owner Trustee on account of Transaction Expenses as contemplated by Section 14 of the Participation Agreement.

(i) Refunding of Bonds. The Loan Participant agrees that, unless it obtains the written consent of the Owner Participant, (1) it will refund its Lease Obligation Bonds Series 1986A only in connection with the refunding of an equal principal amount of the Pledged Lessor Notes identified in Schedule 2 to the Series 1986A Bond Supplemental Indenture, dated as of July 15, 1986, and (2) the principal amount of Pledged Lessor Notes bearing interest at the rates per annum of 8.3%, 9.125% and 10.3%, respectively, shall not be less than the principal amount of its Lease Obligation Bonds Series 1986A bearing interest at the rates per annum of 8.3%, 9.125% and 10.3%, respectively.

SECTION 4. Miscellaneous.

(a) Execution. This Amendment No. 1 may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument. Although this Amendment No. 1 is dated as of the date first above written for convenience, the actual dates of execution hereof by the parties hereto are respectively the dates set forth under the signatures hereto, and this Amendment No. 1 shall be effective on the latest of such dates.

(b) Governing Law. This Amendment No. 1 has been negotiated and delivered in the State of New York



(c) Responsibility For Recitals. The recitals contained herein shall be taken as the statements of the Lessee, and the other parties hereto assume no responsibility for the correctness of the same.

IN WITNESS WHEREOF, the parties hereto have each caused this Amendment No. 1 to the Participation Agreement to be duly executed by their respective officers thereunto duly authorized as of the dates set forth below.

CHRYSLER FINANCIAL
CORPORATION

By *Henry J. Faltus*
Title: *Attorney-In-Fact*
Date: July 17, 1986

FIRST PV FUNDING CORPORATION

By *J. H. Baker*
President
Date: July 17, 1986

PUBLIC SERVICE COMPANY OF NEW
MEXICO

By *B. D. Lacey*
Vice President and Corporate
Controller
Date: July 17, 1986.

THE FIRST NATIONAL BANK OF
BOSTON, in its individual
capacity and as Owner
Trustee

By: K. D. Woods
Authorized Officer

Date: July 17, 1986

CHEMICAL BANK, in its indi-
vidual capacity and as
Indenture Trustee

By: [Signature]
Vice President

Date: July 17, 1986

Schedule 1
to
Amendment No. 1
to
Participation Agreement
RECORDATIONS AND FILINGS

Part I. Recordations.

County Recorder, Maricopa County, Arizona:

- (i) Amendment No. 1 to the Facility Lease; and
- (ii) Supplemental Indenture No. 1 to the Indenture.

Part II. Filings.

(a) Separate financing statement amendments naming PNM as "Lessee" and the Owner Participant's Owner Trustee as "Lessor", and the Indenture Trustee, as Assignee of the Owner Trustee, with respect to the Facility Lease, as amended by Lease Amendment No. 1, were filed in the records of:

- (1) the Secretary of State of the State of Arizona, on July 17, 1986 (regular and public utility filings);
- (2) the Clerk of Maricopa County, Arizona, on July 17, 1986;
- (3) the Secretary of State of the State of New Mexico, on July 17, 1986; and
- (4) the Clerk of Bernalillo County, New Mexico, on July 17, 1986.

(b) Separate financing statement amendments naming the Owner Trustee as "Debtor" and the Indenture Trustee as "Secured Party", and listing, as collateral covered thereby, the Lease Indenture Estate, were filed in the records of:

- (1) the Secretary of State of the State of Arizona, on July 17, 1986;

- (2) the Clerk of Maricopa County, Arizona, on July 17, 1986;
- (3) the Secretary of State of the State of New Mexico, on July 17, 1986; and
- (4) the Clerk of Bernalillo County, New Mexico, on July 17, 1986.

(c) A financing statement amendment naming the Owner Trustee as "Debtor" and the Indenture Trustee as "Secured Party", and listing, as collateral covered thereby, the Lease Indenture Estate, was filed on July 17, 1986, with the Secretary of State of the Commonwealth of Massachusetts.

(d) Financing statement amendments naming Funding Corp as "Debtor" and the Collateral Trust Trustee as "Secured Party", and listing, as collateral covered thereby, the "Pledged Property" under the Collateral Trust Indenture, as amended and supplemented, were filed with:

- (1) the Secretary of State of the State of Arizona, on July 17, 1986;
- (2) the County Clerk of Maricopa County, Arizona, on July 17, 1986;
- (3) the Secretary of State of the State of New Mexico, on July 17, 1986; and
- (4) the County Clerk of Bernalillo County, New Mexico, on July 17, 1986.

AMENDMENT NO. 1

Dated as of July 15, 1986

to

PARTICIPATION AGREEMENT

Dated as of December 16, 1985

among

BURNHAM LEASING CORPORATION,
as Owner Participant

FIRST PV FUNDING CORPORATION,
as Loan Participant

THE FIRST NATIONAL BANK OF BOSTON,
in its individual capacity and as Owner Trustee
under a Trust Agreement,
dated as of December 16, 1985,
with the Owner Participant; as Owner Trustee

CHEMICAL BANK,
in its individual capacity and as Indenture Trustee
under a Trust Indenture, Mortgage, Security Agreement
and Assignment of Rents, dated as of
December 16, 1985,
with the Owner Trustee, as Indenture Trustee

and

PUBLIC SERVICE COMPANY OF NEW MEXICO,
as Lessee

Sale and Leaseback of an Undivided Interest in
Palo Verde Nuclear Generating Station Unit 1
and Certain Common Facilities

AMENDMENT NO. 1, dated as of July 15, 1986, to the Participation Agreement, dated as of December 16, 1985, among BURNHAM LEASING CORPORATION, a Delaware corporation (the Owner Participant), FIRST PV FUNDING CORPORATION, a Delaware corporation (the Loan Participant), THE FIRST NATIONAL BANK OF BOSTON, a national banking association, in its individual capacity (FNB) and as Owner Trustee (the Owner Trustee) under a Trust Agreement, dated as of December 16, 1985, with the Owner Participant, CHEMICAL BANK, a New York banking corporation, in its individual capacity (Chemical Bank) and as Indenture Trustee (the Indenture Trustee) under a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents, dated as of December 16, 1985, with the Owner Trustee, and PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation (the Lessee).

W I T N E S S E T H :

WHEREAS, the Owner Participant, the Loan Participant, the Owner Trustee, the Indenture Trustee and the Lessee have previously entered into a Participation Agreement dated as of December 16, 1985 (the Participation Agreement);

WHEREAS, the Initial Series Note was issued by the Owner Trustee in connection with the acquisition of the Undivided Interest and the Real Property Interest;

WHEREAS, Section 2(d) of the Participation Agreement provides for a refunding of the Initial Series Note upon the satisfaction of the conditions set forth in Sections 2(d) and 11(d) of the Participation Agreement;

WHEREAS, the parties hereto wish to refund the Initial Series Note;

WHEREAS, such refunding of the Initial Series Note necessitates this Amendment No. 1 to Participation Agreement (Amendment No. 1);

WHEREAS, Section 10.1(viii) of the Indenture provides, among other things, that the Owner Trustee and Indenture Trustee may, without consent of the Holders of Notes Outstanding, execute a supplement to the Indenture in order to evidence the issuance of and to provide the terms of Additional Notes;

WHEREAS, the Owner Trustee and the Indenture Trustee intend to execute Supplemental Indenture No. 1, dated as of July 15, 1986 (Supplemental Indenture

No. 1), to the Indenture, providing for the issuance under the Indenture of the Fixed Rate Notes (as defined in Supplemental Indenture No. 1);

WHEREAS, Section 10.2(ii) of the Indenture provides, among other things, that, upon receipt of a written instruction from the Lessee and the Owner Trustee, the Indenture Trustee shall consent to certain amendments to the Facility Lease;

WHEREAS, the Owner Trustee and the Lessee intend to execute Amendment No. 1, dated as of July 15, 1986 (Lease Amendment No. 1), to the Facility Lease, to amend the schedules thereto and for certain other purposes;

WHEREAS, Section 5.09(b) of the Collateral Trust Indenture authorizes the Collateral Trust Trustee, without the consent of the holders of a majority in principal amounts of Outstanding Securities, to consent to certain Changes in the Principal Instruments (as each such term is defined in the Collateral Trust Indenture);

WHEREAS, the parties hereto desire that the Collateral Trust Trustee give its consent, to the extent required, to this Amendment No. 1;

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions.

Except as otherwise defined herein and in the recitals, capitalized terms used herein shall have the respective meanings set forth in Appendix A to the Participation Agreement; provided, however, that, for all purposes of the Participation Agreement, to the extent different from the definitions set forth in Appendix A thereto, the definitions of Deemed Loss Event, Event of Loss and Final Shutdown shall have the respective meanings for such terms as set forth in or appended to the Facility Lease as amended from time to time in accordance with its terms and the terms of the Indenture.

SECTION 2. Amendments.

(a) Clause (v) of paragraph (1) of Section 10(b) is hereby amended to read in its entirety as follows:

"(v) Opinion of Counsel: within 120 days after the end of each fiscal year of the Lessee, an opinion or opinions, satisfactory to the Owner Participant, the Owner Trustee, the Collateral Trust Trustee and the Indenture Trustee, of Keleher & McLeod, P.A., as general counsel for the Lessee, Snell & Wilmer, as special Arizona counsel for the Lessee, and/or other counsel acceptable to the Owner Participant (A) either to the effect that (1) all filings and recordations (or refilings and rerecordations) required to (i) convey to the Owner Trustee, and establish, preserve, protect and perfect the title of the Owner Trustee to, the Undivided Interest, the related Generation Entitlement Share and the Real Property Interest and establish, preserve and protect the Owner Trustee's rights under this Agreement and the other Transaction Documents, and, (ii) so long as any Note is Outstanding, grant, perfect and preserve the security interest of the Indenture Trustee in the Lease Indenture Estate have been duly made, or (2) no such additional filings, recordations, refilings or rerecordations are necessary, to (i) convey to the Owner Trustee, and establish, preserve, protect and perfect the title of the Owner Trustee to, the Undivided Interest, the related Generation Entitlement Share and the Real Property Interest and establish, preserve and protect the Owner Trustee's rights under this Agreement and the other Transaction Documents, and (ii) so long as any Note is Outstanding, grant, perfect and preserve the security interest of the Indenture Trustee in the Lease Indenture Estate and (B) specifying the particulars of all action required during the period from the date of such opinion through the last day of the next succeeding calendar year, including, in the case of each UCC continuation statement required to be filed during such period, the office in which each

such continuation statement is to be filed and the filing date and filing number of the original financing statement or fixture filing to be continued, and the dates within which such continuation statement may be filed under Applicable Law;"

(b) Clause (ix) of paragraph (3) of Section 10(b) is hereby amended to read in its entirety as follows:

"(ix) Notes and Bonds. The Lessee will not, and will not permit any of its Affiliates to, acquire any of the Notes or, except in connection with the selection of Bonds for redemption pursuant to the Collateral Trust Indenture (in strict accordance with the provisions of paragraph 3 of the commitment agreement dated the Refunding Date between PNM and the Loan Participant relating to the Lease Obligation Bonds Series 1986A or provisions (identical in all material respects) of other commitment letters relating to other series of Bonds), any of the Bonds."

SECTION 3. Implementation.

(a) Forms. The forms of Supplemental Indenture No. 1 and Lease Amendment No. 1 are attached hereto as Exhibits A and B, respectively. All blanks in Supplemental Indenture No. 1 and Lease Amendment No. 1 shall be appropriately filled in or completed, all in a manner consistent with the Transaction Documents and the Financing Documents.

(b) Request by the Owner Participant. In accordance with Section 2.01 of the Trust Agreement, the Owner Participant hereby requests that the Owner Trustee (i) execute and deliver this Amendment No. 1, Supplemental Indenture No. 1 and Lease Amendment No. 1 (collectively, the Refunding Amendments), (ii) execute the Fixed Rate Notes and request the Indenture Trustee to authenticate and deliver the Fixed Rate Notes pursuant to Section 3.5(2) of the Indenture and (iii) execute and deliver all other agreements, instruments and certificates contemplated by the Transaction Documents, the Financing Documents and the Refunding Amendments.

(c) Reoptimization of the Notes. If the Lessee, in a timely manner, provides the Owner Trustee and the Owner Participant with information sufficient for the Owner Trustee to direct the adjustments described in Section 2(b) of Supplemental Indenture No. 1, together with a certificate (in form and substance reasonably satisfactory to the Owner Participant) to the effect that such adjustments minimize the aggregate increase in Basic Rent occurring as a result of the operation of Section 3(d) of the Facility Lease, the Owner Trustee shall deliver to the Indenture Trustee a certificate pursuant to such Section 2(b). Notwithstanding the foregoing, the Owner Participant, the Indenture Trustee and the Owner Trustee may rely on such certificate and shall have no obligation to verify the same.

(d) Instruction and Consent. The Lessee and the Owner Trustee hereby instruct the Indenture Trustee (i) to consent to Lease Amendment No. 1, and the Indenture Trustee so consents, and (ii) to execute Supplemental Indenture No. 1, all in accordance with Section 10.2 of the Indenture.

(e) Recordations and Filings. The Lessee represents that it has caused to be made the recordations and filings set forth in Schedule 1 hereto and that such filings and recordations are all the recordations and filings that are necessary in order to preserve, protect and perfect the Owner Trustee's rights and interests under the Facility Lease, as amended by Lease Amendment No. 1, and the first and prior security interest of the Indenture Trustee in the Lease Indenture Estate under the Indenture, as amended by Supplemental Indenture No. 1.

(f) Partial Refund. For purposes of Section 3(b) of the Participation Agreement, the Loan Participant represents and warrants that the portion of the Refunding Loan equal to the Releveraging Amount used in calculating the amount of the Releveraging Loan is \$544,000 (the Refund Amount). The preceding representation and warranty is in lieu of the officer's certificate of the Loan Participant specified by Section 3(b) of the Participation Agreement.

(g) Direction to the Indenture Trustee. The Refund Amount shall be paid directly to the Indenture Trustee at the Indenture Trustee's Office to be

disbursed to the Owner Trustee. The Indenture Trustee shall, as soon as practicable, return (subject to paragraph (h) below) the Refund Amount to the Owner Participant as a partial refund of the Investment. The Owner Trustee's Investment shall, for all purposes of the Participation Agreement, be reduced by an amount equal to the excess of (1) the Refund Amount over (2) the amount (if any) of principal of the Initial Series Note paid on July 15, 1986.

(h) Direction by the Owner Participant. The Owner Participant hereby directs that \$544,000 of the Refund Amount shall be paid to the Owner Trustee to be disbursed by the Owner Trustee on account of Transaction Expenses as contemplated by Section 14 of the Participation Agreement.

(i) Refunding of Bonds. The Loan Participant agrees that, unless it obtains the written consent of the Owner Participant, (1) it will refund its Lease Obligation Bonds Series 1986A only in connection with the refunding of an equal principal amount of the Pledged Lessor Notes identified in Schedule 2 to the Series 1986A Bond Supplemental Indenture, dated as of July 15, 1986, and (2) the principal amount of Pledged Lessor Notes bearing interest at the rates per annum of 8.3%, 9.125% and 10.3%, respectively, shall not be less than the principal amount of its Lease Obligation Bonds Series 1986A bearing interest at the rates per annum of 8.3%, 9.125% and 10.3%, respectively.

SECTION 4: Miscellaneous.

(a) Execution. This Amendment No. 1 may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument. Although this Amendment No. 1 is dated as of the date first above written for convenience, the actual dates of execution hereof by the parties hereto are respectively the dates set forth under the signatures hereto, and this Amendment No. 1 shall be effective on the latest of such dates.

(b) Governing Law. This Amendment No. 1 has been negotiated and delivered in the State of New York

(c) Responsibility For Recitals. The recitals contained herein shall be taken as the statements of the Lessee, and the other parties hereto assume no responsibility for the correctness of the same.

IN WITNESS WHEREOF, the parties hereto have each caused this Amendment No. 1 to the Participation Agreement to be duly executed by their respective officers thereunto duly authorized as of the dates set forth below.

BURNHAM LEASING CORPORATION

By *Sheldon Barnett*
Title: *Assistant Treasurer*

Date: July 17, 1986

FIRST PV FUNDING CORPORATION

By *J. H. Barker*
President

Date: July 17, 1986

PUBLIC SERVICE COMPANY OF NEW MEXICO

By *B. D. Lacey*
Vice President and Corporate Controller

Date: July 17, 1986

THE FIRST NATIONAL BANK OF
BOSTON, in its individual
capacity and as Owner
Trustee

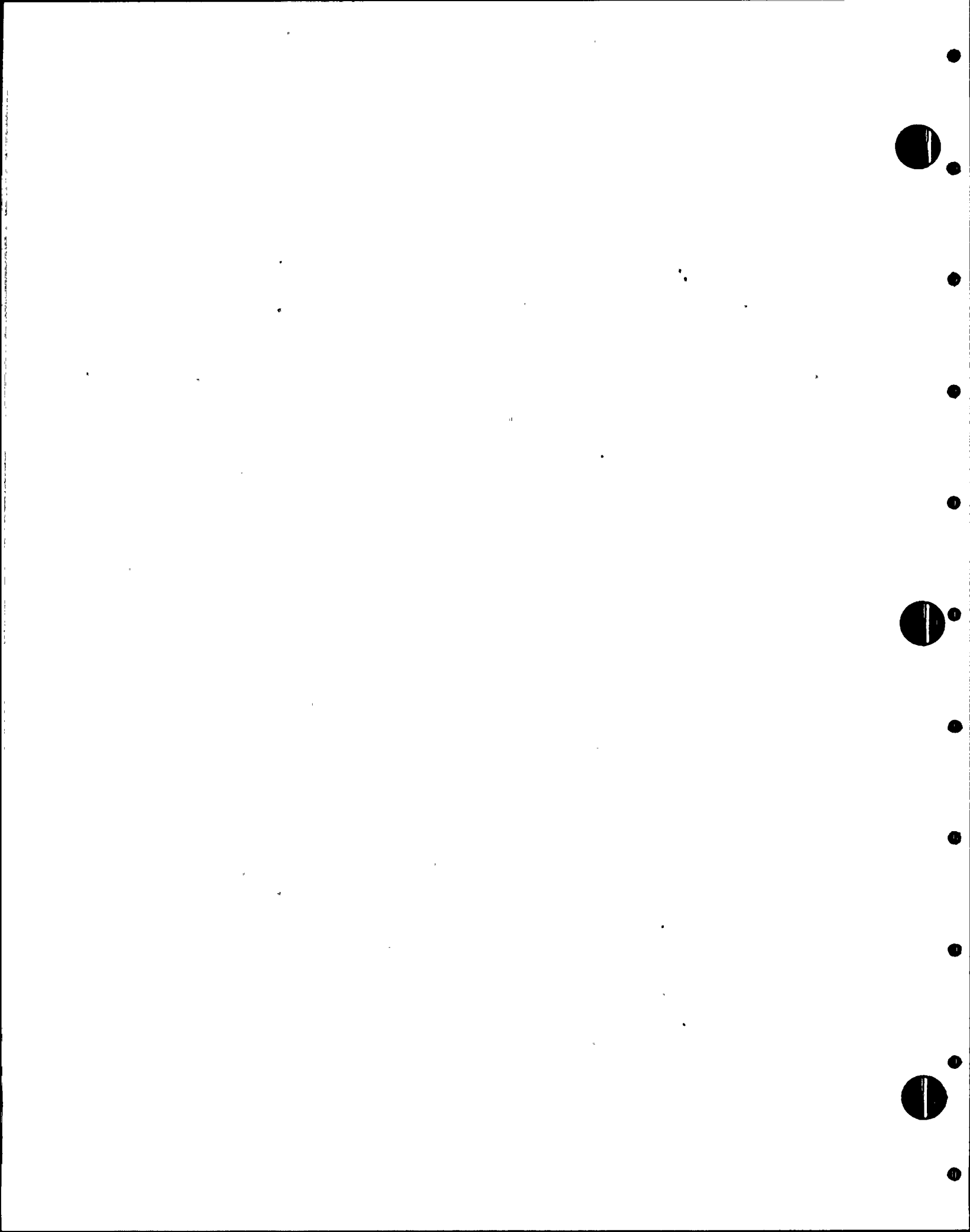
By: K. O. Woods
Authorized Officer

Date: July 17, 1986

CHEMICAL BANK, in its indi-
vidual capacity and as
Indenture Trustee

By: J. E. Lee
Vice President

Date: July 17, 1986



Schedule 1
to
Amendment No. 1
to
Participation Agreement

RECORDATIONS AND FILINGS

Part I. Recordations.

County Recorder, Maricopa County, Arizona:

- (i) Amendment No. 1 to the Facility Lease; and
- (ii) Supplemental Indenture No. 1 to the Indenture.

Part II. Filings.

(a) Separate financing statement amendments naming PNM as "Lessee" and the Owner Participant's Owner Trustee as "Lessor", and the Indenture Trustee, as Assignee of the Owner Trustee, with respect to the Facility Lease, as amended by Lease Amendment No. 1, were filed in the records of:

- (1) the Secretary of State of the State of Arizona, on July 17, 1986 (regular and public utility filings);
- (2) the Clerk of Maricopa County, Arizona, on July 17, 1986;
- (3) the Secretary of State of the State of New Mexico, on July 17, 1986; and
- (4) the Clerk of Bernalillo County, New Mexico, on July 17, 1986.

(b) Separate financing statement amendments naming the Owner Trustee as "Debtor" and the Indenture Trustee as "Secured Party", and listing, as collateral covered thereby, the Lease Indenture Estate, were filed in the records of:

- (1) the Secretary of State of the State of Arizona, on July 17, 1986;

(2) the Clerk of Maricopa County,
Arizona, on July 17, 1986;

(3) the Secretary of State of the State
of New Mexico, on July 17, 1986; and

(4) the Clerk of Bernalillo County, New
Mexico, on July 17, 1986.

(c) A financing statement amendment naming
the Owner Trustee as "Debtor" and the Indenture Trustee
as "Secured Party", and listing, as collateral covered
thereby, the Lease Indenture Estate, was filed on
July 17, 1986, with the Secretary of State of the
Commonwealth of Massachusetts.

(d) Financing statement amendments naming
Funding Corp as "Debtor" and the Collateral Trust
Trustee as "Secured Party", and listing, as collateral
covered thereby, the "Pledged Property" under the
Collateral Trust Indenture, as amended and supplemented,
were filed with:

(1) the Secretary of State of the State
of Arizona, on July 17, 1986;

(2) the County Clerk of Maricopa County,
Arizona, on July 17, 1986;

(3) the Secretary of State of the State
of New Mexico, on July 17, 1986; and

(4) the County Clerk of Bernalillo
County, New Mexico, on July 17,
1986.

AMENDMENT NO. 1

Dated as of July 15, 1986

to

PARTICIPATION AGREEMENT

Dated as of December 16, 1985

among

MFS LEASING CORP.,
as Owner Participant

FIRST PV FUNDING CORPORATION,
as Loan Participant

THE FIRST NATIONAL BANK OF BOSTON,
in its individual capacity and as Owner Trustee
under a Trust Agreement,
dated as of December 16, 1985,
with the Owner Participant, as Owner Trustee

CHEMICAL BANK,
in its individual capacity and as Indenture Trustee
under a Trust Indenture, Mortgage, Security Agreement
and Assignment of Rents, dated as of
December 16, 1985;
with the Owner Trustee, as Indenture Trustee

and

PUBLIC SERVICE COMPANY OF NEW MEXICO,
as Lessee

Sale and Leaseback of an Undivided Interest in
Palo Verde Nuclear Generating Station Unit 1
and Certain Common Facilities

AMENDMENT NO. 1, dated as of July 15, 1986, to the Participation Agreement, dated as of December 16, 1985, among MFS LEASING CORP., a Delaware corporation (the Owner Participant), FIRST PV FUNDING CORPORATION, a Delaware corporation (the Loan Participant), THE FIRST NATIONAL BANK OF BOSTON, a national banking association, in its individual capacity (FNB) and as Owner Trustee (the Owner Trustee) under a Trust Agreement, dated as of December 16, 1985, with the Owner Participant, CHEMICAL BANK, a New York banking corporation, in its individual capacity (Chemical Bank) and as Indenture Trustee (the Indenture Trustee) under a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents, dated as of December 16, 1985, with the Owner Trustee, and PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation (the Lessee).

W I T N E S S E T H :

WHEREAS, the Owner Participant, the Loan Participant, the Owner Trustee, the Indenture Trustee and the Lessee have previously entered into a Participation Agreement dated as of December 16, 1985 (the Participation Agreement);

WHEREAS, the Initial Series Note was issued by the Owner Trustee in connection with the acquisition of the Undivided Interest and the Real Property Interest;

WHEREAS, Section 2(d) of the Participation Agreement provides for a refunding of the Initial Series Note upon the satisfaction of the conditions set forth in Sections 2(d) and 11(d) of the Participation Agreement;

WHEREAS, the parties hereto wish to refund the Initial Series Note;

WHEREAS, such refunding of the Initial Series Note necessitates this Amendment No. 1 to Participation Agreement (Amendment No. 1);

WHEREAS, Section 10.1(viii) of the Indenture provides, among other things, that the Owner Trustee and Indenture Trustee may, without consent of the Holders of Notes Outstanding, execute a supplement to the Indenture in order to evidence the issuance of and to provide the terms of Additional Notes;

WHEREAS, the Owner Trustee and the Indenture Trustee intend to execute Supplemental Indenture No. 1, dated as of July 15, 1986 (Supplemental Indenture

No. 1), to the Indenture, providing for the issuance under the Indenture of the Fixed Rate Notes (as defined in Supplemental Indenture No. 1);

WHEREAS, Section 10.2(ii) of the Indenture provides, among other things, that, upon receipt of a written instruction from the Lessee and the Owner Trustee, the Indenture Trustee shall consent to certain amendments to the Facility Lease;

WHEREAS, the Owner Trustee and the Lessee intend to execute Amendment No. 1, dated as of July 15, 1986 (Lease Amendment No. 1), to the Facility Lease, to amend the schedules thereto and for certain other purposes;

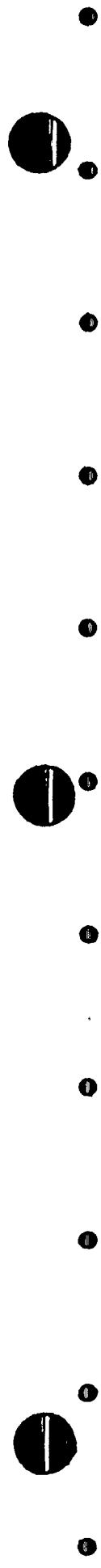
WHEREAS, Section 5.09(b) of the Collateral Trust Indenture authorizes the Collateral Trust Trustee, without the consent of the holders of a majority in principal amounts of Outstanding Securities, to consent to certain Changes in the Principal Instruments (as each such term is defined in the Collateral Trust Indenture);

WHEREAS, the parties hereto desire that the Collateral Trust Trustee give its consent, to the extent required, to this Amendment No. 1;

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions.

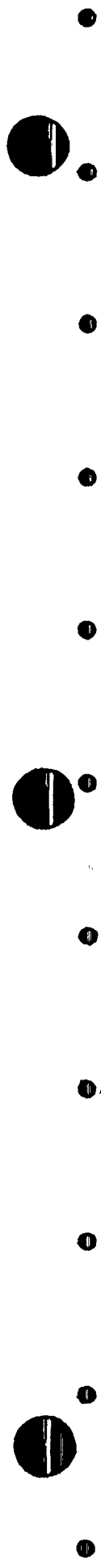
Except as otherwise defined herein and in the recitals, capitalized terms used herein shall have the respective meanings set forth in Appendix A to the Participation Agreement; provided, however, that, for all purposes of the Participation Agreement, to the extent different from the definitions set forth in Appendix A thereto, the definitions of Deemed Loss Event, Event of Loss and Final Shutdown shall have the respective meanings for such terms as set forth in or appended to the Facility Lease as amended from time to time in accordance with its terms and the terms of the Indenture.



SECTION 2. Amendments.

(a) Clause (v) of paragraph (1) of Section 10(b) is hereby amended to read in its entirety as follows:

"(v) Opinion of Counsel: within 120 days after the end of each fiscal year of the Lessee, an opinion or opinions, satisfactory to the Owner Participant, the Owner Trustee, the Collateral Trust Trustee and the Indenture Trustee, of Keleher & McLeod, P.A., as general counsel for the Lessee, Snell & Wilmer, as special Arizona counsel for the Lessee, and/or other counsel acceptable to the Owner Participant (A) either to the effect that (1) all filings and recordations (or refilings and rerecordations) required to (i) convey to the Owner Trustee, and establish, preserve, protect and perfect the title of the Owner Trustee to, the Undivided Interest, the related Generation Entitlement Share and the Real Property Interest and establish, preserve and protect the Owner Trustee's rights under this Agreement and the other Transaction Documents, and, (ii) so long as any Note is Outstanding, grant, perfect and preserve the security interest of the Indenture Trustee in the Lease Indenture Estate have been duly made, or (2) no such additional filings, recordations, refilings or rerecordations are necessary, to (i) convey to the Owner Trustee, and establish, preserve, protect and perfect the title of the Owner Trustee to, the Undivided Interest, the related Generation Entitlement Share and the Real Property Interest and establish, preserve and protect the Owner Trustee's rights under this Agreement and the other Transaction Documents, and (ii) so long as any Note is Outstanding, grant, perfect and preserve the security interest of the Indenture Trustee in the Lease Indenture Estate and (B) specifying the particulars of all action required during the period from the date of such opinion through the last day of the next succeeding calendar year, including, in the case of each UCC continuation statement required to be filed during such period, the office in which each



such continuation statement is to be filed and the filing date and filing number of the original financing statement or fixture filing to be continued, and the dates within which such continuation statement may be filed under Applicable Law;"

(b) Clause (ix) of paragraph (3) of Section 10(b) is hereby amended to read in its entirety as follows:

"(ix) Notes and Bonds. The Lessee will not, and will not permit any of its Affiliates to, acquire any of the Notes or, except in connection with the selection of Bonds for redemption pursuant to the Collateral Trust Indenture (in strict accordance with the provisions of paragraph 3 of the commitment agreement dated the Refunding Date between PNM and the Loan Participant relating to the Lease Obligation Bonds Series 1986A or provisions (identical in all material respects) of other commitment letters relating to other series of Bonds), any of the Bonds."

SECTION 3. Implementation.

(a) Forms. The forms of Supplemental Indenture No. 1 and Lease Amendment No. 1 are attached hereto as Exhibits A and B, respectively. All blanks in Supplemental Indenture No. 1 and Lease Amendment No. 1 shall be appropriately filled in or completed, all in a manner consistent with the Transaction Documents and the Financing Documents.

(b) Request by the Owner Participant. In accordance with Section 2.01 of the Trust Agreement, the Owner Participant hereby requests that the Owner Trustee (i) execute and deliver this Amendment No. 1, Supplemental Indenture No. 1 and Lease Amendment No. 1 (collectively, the Refunding Amendments), (ii) execute the Fixed Rate Notes and request the Indenture Trustee to authenticate and deliver the Fixed Rate Notes pursuant to Section 3.5(2) of the Indenture and (iii) execute and deliver all other agreements, instruments and certificates contemplated by the Transaction Documents, the Financing Documents and the Refunding Amendments.

(c) Reoptimization of the Notes. If the Lessee, in a timely manner, provides the Owner Trustee and the Owner Participant with information sufficient for the Owner Trustee to direct the adjustments described in Section 2(b) of Supplemental Indenture No. 1, together with a certificate (in form and substance reasonably satisfactory to the Owner Participant) to the effect that such adjustments minimize the aggregate increase in Basic Rent occurring as a result of the operation of Section 3(d) of the Facility Lease, the Owner Trustee shall deliver to the Indenture Trustee a certificate pursuant to such Section 2(b). Notwithstanding the foregoing, the Owner Participant, the Indenture Trustee and the Owner Trustee may rely on such certificate and shall have no obligation to verify the same.

(d) Instruction and Consent. The Lessee and the Owner Trustee hereby instruct the Indenture Trustee (i) to consent to Lease Amendment No. 1, and the Indenture Trustee so consents, and (ii) to execute Supplemental Indenture No. 1, all in accordance with Section 10.2 of the Indenture.

(e) Recordations and Filings. The Lessee represents that it has caused to be made the recordations and filings set forth in Schedule 1 hereto and that such filings and recordations are all the recordations and filings that are necessary in order to preserve, protect and perfect the Owner Trustee's rights and interests under the Facility Lease, as amended by Lease Amendment No. 1, and the first and prior security interest of the Indenture Trustee in the Lease Indenture Estate under the Indenture, as amended by Supplemental Indenture No. 1.

(f) Partial Refund. For purposes of Section 3(b) of the Participation Agreement, the Loan Participant represents and warrants that the portion of the Refunding Loan equal to the Releveraging Amount used in calculating the amount of the Releveraging Loan is \$662,205.60 (the Refund Amount). The preceding representation and warranty is in lieu of the officer's certificate of the Loan Participant specified by Section 3(b) of the Participation Agreement.

(g) Direction to the Indenture Trustee. The Refund Amount shall be paid directly to the Indenture Trustee at the Indenture Trustee's Office to be

disbursed to the Owner Trustee. The Indenture Trustee shall, as soon as practicable, return (subject to paragraph (h) below) the Refund Amount to the Owner Participant as a partial refund of the Investment. The Owner Trustee's Investment shall, for all purposes of the Participation Agreement, be reduced by an amount equal to the excess of (1) the Refund Amount over (2) the amount (if any) of principal of the Initial Series Note paid on July 15, 1986.

(h) Direction by the Owner Participant. The Owner Participant hereby directs that \$360,000 of the Refund Amount shall be paid to the Owner Trustee to be disbursed by the Owner Trustee on account of Transaction Expenses as contemplated by Section 14 of the Participation Agreement.

(i) Refunding of Bonds. The Loan Participant agrees that, unless it obtains the written consent of the Owner Participant, (1) it will refund its Lease Obligation Bonds Series 1986A only in connection with the refunding of an equal principal amount of the Pledged Lessor Notes identified in Schedule 2 to the Series 1986A Bond Supplemental Indenture, dated as of July 15, 1986, and (2) the principal amount of Pledged Lessor Notes bearing interest at the rates per annum of 8.3%, 9.125% and 10.3%, respectively, shall not be less than the principal amount of its Lease Obligation Bonds Series 1986A bearing interest at the rates per annum of 8.3%, 9.125% and 10.3%, respectively.

SECTION 4. Miscellaneous.

(a) Execution. This Amendment No. 1 may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument. Although this Amendment No. 1 is dated as of the date first above written for convenience, the actual dates of execution hereof by the parties hereto are respectively the dates set forth under the signatures hereto, and this Amendment No. 1 shall be effective on the latest of such dates.

(b) Governing Law. This Amendment No. 1 has been negotiated and delivered in the State of New York

and shall be governed by, and be construed in accordance with, the laws of the State of New York.

(c) Responsibility For Recitals. The recitals contained herein shall be taken as the statements of the Lessee, and the other parties hereto assume no responsibility for the correctness of the same.

IN WITNESS WHEREOF, the parties hereto have each caused this Amendment No. 1 to the Participation Agreement to be duly executed by their respective officers thereunto duly authorized as of the dates set forth below.

MFS LEASING CORP.

By Christine R. Cook
Title: Assistant Vice President

Date: July 17, 1986

FIRST PV FUNDING CORPORATION

By [Signature]
President

Date: July 17, 1986

PUBLIC SERVICE COMPANY OF NEW
MEXICO

By [Signature]
Vice President and Corporate
Controller

Date: July 17, 1986

THE FIRST NATIONAL BANK OF
BOSTON, in its individual
capacity and as Owner
Trustee

By: *K. W. Wink*
Authorized Officer

Date: July 17, 1986

CHEMICAL BANK, in its indi-
vidual capacity and as
Indenture Trustee

By *R. J. Kelly*
Vice President

Date: July 17, 1986



Schedule 1
to
Amendment No. 1
to
Participation Agreement

RECORDATIONS AND FILINGS

Part I. Recordations.

County Recorder, Maricopa County, Arizona:

- (i) Amendment No. 1 to the Facility Lease; and
- (ii) Supplemental Indenture No. 1 to the Indenture.

Part II. Filings.

(a) Separate financing statement amendments naming PNM as "Lessee" and the Owner Participant's Owner Trustee as "Lessor", and the Indenture Trustee, as Assignee of the Owner Trustee, with respect to the Facility Lease, as amended by Lease Amendment No. 1, were filed in the records of:

- (1) the Secretary of State of the State of Arizona, on July 17, 1986 (regular and public utility filings);
- (2) the Clerk of Maricopa County, Arizona, on July 17, 1986;
- (3) the Secretary of State of the State of New Mexico, on July 17, 1986; and
- (4) the Clerk of Bernalillo County, New Mexico, on July 17, 1986.

(b) Separate financing statement amendments naming the Owner Trustee as "Debtor" and the Indenture Trustee as "Secured Party", and listing, as collateral covered thereby, the Lease Indenture Estate, were filed in the records of:

- (1) the Secretary of State of the State of Arizona, on July 17, 1986;

- (2) the Clerk of Maricopa County, Arizona, on July 17, 1986;
- (3) the Secretary of State of the State of New Mexico, on July 17, 1986; and
- (4) the Clerk of Bernalillo County, New Mexico, on July 17, 1986.

(c) A financing statement amendment naming the Owner Trustee as "Debtor" and the Indenture Trustee as "Secured Party", and listing, as collateral covered thereby, the Lease Indenture Estate, was filed on July 17, 1986, with the Secretary of State of the Commonwealth of Massachusetts.

(d) Financing statement amendments naming Funding Corp as "Debtor" and the Collateral Trust Trustee as "Secured Party", and listing, as collateral covered thereby, the "Pledged Property" under the Collateral Trust Indenture, as amended and supplemented, were filed with:

- (1) the Secretary of State of the State of Arizona, on July 17, 1986;
- (2) the County Clerk of Maricopa County, Arizona, on July 17, 1986;
- (3) the Secretary of State of the State of New Mexico, on July 17, 1986; and
- (4) the County Clerk of Bernalillo County, New Mexico, on July 17, 1986.

When Recorded, Return to: Gregg R. Neilsen
Snell & Wilmer
3100 Valley Bank Center
Phoenix, Arizona 85073

CERTAIN RIGHTS OF THE LESSOR UNDER THE FACILITY LEASE AS AMENDED BY THIS AMENDMENT NO. 1 THERETO HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, CHEMICAL BANK, AS INDENTURE TRUSTEE UNDER A TRUST INDENTURE, MORTGAGE, SECURITY AGREEMENT AND ASSIGNMENT OF RENTS DATED AS OF DECEMBER 16, 1985, AS AMENDED. THIS AMENDMENT NO. 1 HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. SEE SECTION 3(f) OF THIS AMENDMENT NO. 1 FOR INFORMATION CONCERNING THE RIGHTS OF HOLDERS OF VARIOUS COUNTERPARTS HEREOF.

THIS COUNTERPART IS NOT THE ORIGINAL COUNTERPART.

AMENDMENT NO. 1

Dated as of July 15, 1986

to

FACILITY LEASE

Dated as of December 16, 1985

between

THE FIRST NATIONAL BANK OF BOSTON
not in its individual capacity,
but solely as Owner Trustee under
a Trust Agreement, dated as of
December 16, 1985, with Chrysler
Financial Corporation

Lessor

and

PUBLIC SERVICE COMPANY OF NEW MEXICO,

Lessee

Original Facility Lease recorded December 31, 1985,
as Instrument No. 85-623282, in Maricopa County,
Arizona Recorder's Office.



AMENDMENT NO. 1, dated as of July 15, 1986 (Amendment No. 1), to the Facility Lease dated as of December 16, 1985, between THE FIRST NATIONAL BANK OF BOSTON, a national banking association, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement, dated as of December 16, 1985, with Chrysler Financial Corporation (the Lessor), and PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation (the Lessee).

W I T N E S S E T H :

WHEREAS, the Lessee and the Lessor have heretofore entered into a Facility Lease dated as of December 16, 1985 (the Facility Lease), providing for the lease by the Lessor to the Lessee of the Undivided Interest and the Real Property Interest;

WHEREAS, Section 3(e) of the Facility Lease provides for an adjustment to Basic Rent and to the schedules of Casualty Values, Special Casualty Values and Termination Values in the event, among other things, that the Fixed Rate Note is issued; and

WHEREAS, the Fixed Rate Notes are being issued pursuant to Supplemental Indenture No. 1, dated as of July 15, 1986, to the Indenture;

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions.

For purposes hereof, capitalized terms used herein and not otherwise defined herein or in the recitals shall have the meanings assigned to such terms in Appendix A and Schedule 1 to the Facility Lease.

SECTION 2. Amendments.

(a) Section 3(a)(ii) of the Facility Lease is amended to read in its entirety as follows:

"(ii) (1) on July 15, 1986 an amount equal to 4.3683233% of the Facility Cost and (2) on January 15, 1987 and on each Basic Rent

Payment Date thereafter to and including January 15, 2015, an amount equal to 4.57290% of Facility Cost; and".

(b) Section 10(a) of the Facility Lease is amended to read in its entirety as follows:

"(a) Required Insurance. The Lessee will use its best efforts to cause the Operating Agent to carry and maintain insurance required under the ANPP Participation Agreement and will make all payments required of the Lessee under the ANPP Participation Agreement in respect of such insurance. The Lessee will at all times maintain, directly or through the Operating Agent, policies of casualty and liability insurance with respect to the Undivided Interest and the Real Property Interest in such amounts and with such coverage as shall be adequate in accordance with prudent utility practice. Any policies of insurance in respect of destruction, damage, loss, theft or other casualty to the Undivided Interest, the Real Property Interest, Unit 1 or any part thereof shall name the Lessor (and, to the extent practicable, the Owner Participant) as additional insured, as its interest (or their interests) may appear, and any policies with respect to nuclear liability insurance with respect to the Undivided Interest, the Real Property Interest, Unit 1, or any part thereof, shall include all Indemnitees as insureds through an omnibus definition of "insured" or through endorsement; provided, however, that if the Operating Agent, as trustee, shall become the loss payee under any policy of insurance constituting Project Insurance, then the Lessor and the Owner Participant shall be and be made beneficiaries of the trust arrangement under which the Operating Agent acts as trustee. The Lessee shall, on or before March 1 of each

year, commencing March 1, 1987, furnish to the Lessor and the Owner Participant (A) a report signed by the broker or brokers for the PVNGS insurance (or if insurance is placed directly by the Operating Agent, a certificate signed by the Operating Agent) (i) showing the insurance then maintained by the ANPP Participants with respect to PVNGS, (ii) stating that no premiums are then delinquent, and (iii) stating that the insurance maintained by the ANPP Participants with respect to PVNGS is in accordance with the terms of (1) the ANPP Participation Agreement and (2) this Section 10, (B) a report signed by the broker or brokers for the Lessee's insurance (or if insurance is placed directly by the Lessee, a certificate signed by the Lessee) showing the separate insurance, if any, then maintained by the Lessee with respect to its interest in PVNGS and stating that no premiums under such insurance are delinquent; (C) a certificate signed by the Lessee stating that the insurance maintained by the ANPP Participants and by the Lessee, identified on the reports to be delivered pursuant to clauses (A) and (B), is in accordance with prudent utility practice within the nuclear industry, the ANPP Participation Agreement and this Section 10; and (D) upon the request of the Lessor or the Owner Participant, copies (to the extent permitted by the issuers of such policies) of policies so maintained. Any report by an insurance broker with respect to clause (A)(iii)(1) may be made in reliance upon a schedule provided by the Lessee (a copy of which shall be attached) identifying the insurance (by coverage, limits, insureds and other pertinent details) required to be maintained under the ANPP Participation Agreement. Any report with respect to clause (A)(iii)(2) may be made in reliance upon a similar schedule provided by the Lessee (a copy of which shall be attached) identifying

the insurance required to be maintained under this Section 10. All insurance proceeds paid in respect of damage, destruction, loss, theft or other casualty to the Undivided Interest or the Real Property Interest shall be applied as provided in Section 9(g), (h) or (i), as the case may be, subject, however, to any priority allocations of such proceeds to decontamination and debris removal set forth in the insurance policies or required under Applicable Law. In the event that either the Operating Agent or the Lessee delivers a certificate pursuant to clause (A) or (B) of the foregoing, the Owner Participant shall be entitled to receive (if it so requests and if the insurer will issue the same) a report from any insurer listed in such certificate."

(c) Section 16(a)(v) of the Facility Lease is hereby amended to insert the words "may, if it shall so elect in its sole discretion," in lieu of the word "shall" in the parenthetical phrase first preceding clause A of Section 16(a)(v).

(d) Schedule 3 to the Facility Lease (Schedule of Casualty Values) is hereby replaced with Schedule 1 hereto.

(e) Schedule 4 to the Facility Lease (Schedule of Special Casualty Values) is hereby replaced with Schedule 2 hereto.

(f) Schedule 5 to the Facility Lease (Schedule of Termination Values) is hereby replaced with Schedule 3 hereto.

(g) Schedule 2 to the Facility Lease (Basic Rent Percentage) is hereby deleted in its entirety.



SECTION 3. Miscellaneous.

(a) Partial Prepayment of Rent. In accordance with the last sentence of Section 3(a) of the Facility Lease, the Lessee shall pay an amount equal to \$69,616.44 on July 17, 1986, such amount (i) being equal to the interest payment due on the Initial Series Note on such date and (ii) to be credited against Basic Rent due on January 15, 1987.

(b) Effective Date of Amendments. The amendments set forth in Section 2 hereof shall be and become effective upon the execution hereof by the parties hereto.

(c) Counterpart Execution. This Amendment No. 1 may be executed in any number of counterparts and by each of the parties hereto on separate counterparts; all such counterparts shall together constitute but one and the same instrument.

(d) Governing Law. This Amendment No. 1 has been negotiated and delivered in the State of New York and shall be governed by, and be construed in accordance with, the laws of the State of New York, except to the extent that pursuant to the law of the State of Arizona such law is mandatorily applicable hereto.

(e) Disclosure. Pursuant to Arizona Revised Statutes Section 33-401, the beneficiary of the Trust Agreement is Chrysler Financial Corporation, a Michigan corporation. The address of the beneficiary is Greenwich Office Park I, Greenwich, Connecticut 06836, Attention: Leveraged Leasing. A copy of the Trust Agreement is available for inspection at the offices of the Owner Trustee at 100 Federal Street, Boston, Massachusetts 02110, Attention of Corporate Trust Division.

(f) Amendment No. 1. The single executed original of this Amendment No. 1 marked "THIS COUNTERPART IS THE ORIGINAL COUNTERPART" and containing the receipt of the Indenture Trustee thereon shall be the "Original" of



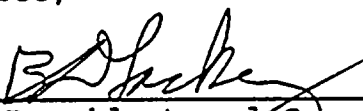
this Amendment No. 1. To the extent that this Amendment No. 1 constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Amendment No. 1 may be created or continued through the transfer or possession of any counterpart other than the "Original".

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment No. 1 to Facility Lease to be duly executed in New York, New York by an officer thereunto duly authorized.

THE FIRST NATIONAL BANK OF
BOSTON,
not in its individual
capacity, but solely as
Owner Trustee under a Trust
Agreement, dated as of
December 16, 1985, with
Chrysler Financial
Corporation

By 
Authorized Officer

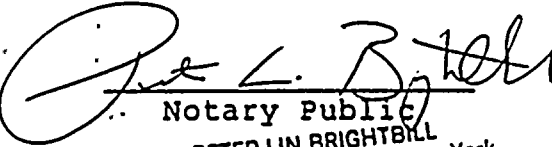
PUBLIC SERVICE COMPANY OF NEW
MEXICO,

By 
Vice President and Corporate
Controller



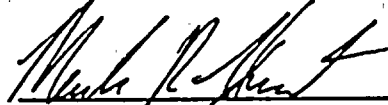
State of New York)
) ss:
County of New York)

The foregoing instrument was acknowledged before me this 16th day of July, by B.D. LACKEY, the Vice President and Corporate Controller of PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation, on behalf of the corporation.


Notary Public
PETER LIN BRIGHTBILL
NOTARY PUBLIC, State of New York
NO. 31-4852758
Qualified in New York County
Commission Expires January 21, 1988

State of New York)
) ss:
County of New York)

The foregoing instrument was acknowledged before me this 16th day of July, by K.D. Woods, an Authorized Officer of THE FIRST NATIONAL BANK OF BOSTON, a national banking association, on behalf of the banking association as trustee under that certain Trust Agreement dated as of December 16, 1985 with Chrysler Financial Corporation.


Notary Public
MARK R. HUNT
Notary Public, State of New York
No. 24-4847012
Qualified in Kings County
Certificate filed in New York County
Commission Expires March 30, 1987

SCHEDULE OF
CASUALTY VALUES

Basic Rent Payment
Date

Percentage of
Facility Cost

| | |
|------------|-------------|
| 7/15/1986- | 107.6049555 |
| 1/15/1987 | 109.1933837 |
| 7/15/1987 | 110.6084740 |
| 1/15/1988- | 111.8224392 |
| 7/15/1988 | 112.8567913 |
| 1/15/1989 | 113.7244946 |
| 7/15/1989- | 114.4240262 |
| 1/15/1990 | 114.9410423 |
| 7/15/1990 | 115.2711035 |
| 1/15/1991- | 115.3989188 |
| 7/15/1991 | 115.3310307 |
| 1/15/1992 | 115.0666067 |
| 7/15/1992- | 114.5969010 |
| 1/15/1993 | 113.9067827 |
| 7/15/1993 | 112.9892910 |
| 1/15/1994- | 111.9135112 |
| 7/15/1994 | 110.7840614 |
| 1/15/1995 | 109.6023294 |
| 7/15/1995- | 108.3659127 |
| 1/15/1996 | 107.0722811 |
| 7/15/1996 | 105.7187766 |
| 1/15/1997 | 104.3026418 |
| 7/15/1997 | 102.8115819 |
| 1/15/1998 | 101.2416599 |
| 7/15/1998- | 99.6009135 |
| 1/15/1999 | 97.9130235 |
| 7/15/1999 | 96.1948761 |
| 1/15/2000- | 94.4031822 |
| 7/15/2000 | 92.5939062 |
| 1/15/2001 | 90.7073045 |
| 7/15/2001 | 88.8024498 |
| 1/15/2002 | 86.8162199 |
| 7/15/2002 | 84.8110345 |
| 1/15/2003- | 82.7201933 |
| 7/15/2003 | 80.6096991 |
| 1/15/2004 | 78.4090803 |
| 7/15/2004- | 76.2083317 |
| 1/15/2005 | 73.9260341 |
| 7/15/2005 | 71.6000789 |
| 1/15/2006- | 69.2002945 |
| 7/15/2006 | 66.7548942 |
| 1/15/2007 | 64.2320512 |
| 7/15/2007- | 61.6616049 |
| 1/15/2008 | 59.0099280 |
| 7/15/2008 | 56.3085653 |
| 1/15/2009 | 53.5220160 |
| 7/15/2009 | 50.7029087 |

SCHEDULE OF
CASUALTY VALUES

Basic Rent Payment
Date

Percentage of
Facility Cost

| | |
|--------------|--------------|
| 1/15/2010 | 47.9742970 |
| 7/15/2010 | 45.3238292 - |
| 1/15/2011 | 42.7762178 |
| 7/15/2011 | 40.3483146 |
| 1/15/2012 -- | 38.0698895 |
| 7/15/2012 | 35.7130812 |
| 1/15/2013 | 33.1250204 |
| 7/15/2013 - | 30.3311399 |
| 1/15/2014 | 27.3222754 |
| 7/15/2014 | 24.0766811 |
| 1/15/2015 - | 20.0000000 |

SCHEDULE OF
TERMINATION VALUES

Basic Rent
Payment Date

Percentage of
Facility Cost

| | |
|-------------|-------------|
| 7/15/1986- | 106.5743448 |
| 1/15/1987 | 108.1208554 |
| 7/15/1987 | 109.4923232 |
| 1/15/1988- | 110.6608916 |
| 7/15/1988 | 111.6480005 |
| 1/15/1989 | 112.4665392 |
| 7/15/1989- | 113.1149063 |
| 1/15/1990 | 113.5786771 |
| 7/15/1990 | 113.8533273 |
| 1/15/1991- | 113.9234780 |
| 7/15/1991 | 113.7955798 |
| 1/15/1992 | 113.4687050 |
| 7/15/1992- | 112.9340084 |
| 1/15/1993 | 112.1762559 |
| 7/15/1993 | 111.1883793 |
| 1/15/1994 | 110.0393517 |
| 7/15/1994 | 108.8336749 |
| 1/15/1995 | 107.5726155 |
| 7/15/1995- | 106.2536450 |
| 1/15/1996 | 104.8741019 |
| 7/15/1996 | 103.4311917 |
| 1/15/1997 | 101.9220149 |
| 7/15/1997 | 100.3341286 |
| 1/15/1998 | 98.6634421 |
| 7/15/1998- | 96.9178329 |
| 1/15/1999 | 95.1208149 |
| 7/15/1999 | 93.2891011 |
| 1/15/2000-- | 91.3792217 |
| 7/15/2000 | 89.4469533 |
| 1/15/2001 | 87.4323567 |
| 7/15/2001 | 85.3943013 |
| 1/15/2002 | 83.2694531 |
| 7/15/2002 | 81.1200114 |
| 1/15/2003- | 78.8790466 |
| 7/15/2003 | 76.6123229 |
| 1/15/2004 | 74.2491203 |
| 7/15/2004-- | 71.8791752 |
| 1/15/2005 | 69.4207995 |
| 7/15/2005 | 66.9116045 |
| 1/15/2006-- | 64.3211276 |
| 7/15/2006 | 61.6772788 |
| 1/15/2007 | 58.9479159 |
| 7/15/2007 | 56.1625499 |
| 1/15/2008 | 53.2872121 |
| 7/15/2008 | 50.3530915 |
| 1/15/2009 | 47.3243174 |
| 7/15/2009 | 44.2531335 |

SCHEDULE OF
TERMINATION VALUES

Basic Rent
Payment Date

Percentage of
Facility Cost

| | |
|-----------|------------|
| 1/15/2010 | 41.2621926 |
| 7/15/2010 | 38.3387259 |
| 1/15/2011 | 35.5070120 |
| 7/15/2011 | 32.7834511 |
| 1/15/2012 | 30.1973432 |
| 7/15/2012 | 27.5203378 |
| 1/15/2013 | 24.5990566 |
| 7/15/2013 | 21.4584028 |
| 1/15/2014 | 18.0886608 |
| 7/15/2014 | 14.4675112 |
| 1/15/2015 | 10.0000000 |

SCHEDULE OF
SPECIAL CASUALTY VALUES

| <u>Payment Date</u> | <u>Percentage of
Facility Cost</u> |
|---------------------|--|
| 15 JAN 1986 | 104.01753 |
| 15 FEB 1986 | 105.09092 |
| 15 MAR 1986 | 106.17077 |
| 15 APR 1986 | 107.24091 |
| 15 MAY 1986 | 108.26999 |
| 15 JUN 1986 | 109.33066 |
| 15 JUL 1986 | 110.94267 |
| 15 AUG 1986 | 107.54249 |
| 15 SEP 1986 | 108.59332 |
| 15 OCT 1986 | 109.59493 |
| 15 NOV 1986 | 110.62739 |
| 15 DEC 1986 | 111.66416 |
| 15 JAN 1987 | 112.65156 |
| 15 FEB 1987 | 109.13416 |
| 15 MAR 1987 | 110.15165 |
| 15 APR 1987 | 111.14945 |
| 15 MAY 1987 | 112.11763 |
| 15 JUN 1987 | 113.11223 |
| 15 JUL 1987 | 114.06522 |
| 15 AUG 1987 | 110.46662 |
| 15 SEP 1987 | 111.44470 |
| 15 OCT 1987 | 112.38104 |
| 15 NOV 1987 | 113.34349 |
| 15 DEC 1987 | 114.30957 |
| 15 JAN 1988 | 115.23379 |
| 15 FEB 1988 | 111.60594 |
| 15 MAR 1988 | 112.55449 |
| 15 APR 1988 | 113.48633 |
| 15 MAY 1988 | 114.39469 |
| 15 JUN 1988 | 115.32460 |
| 15 JUL 1988 | 116.22090 |
| 15 AUG 1988 | 112.56036 |
| 15 SEP 1988 | 113.47590 |
| 15 OCT 1988 | 114.35773 |
| 15 NOV 1988 | 115.26085 |
| 15 DEC 1988 | 116.16706 |
| 15 JAN 1989 | 117.03943 |
| 15 FEB 1989 | 113.35455 |
| 15 MAR 1989 | 114.24553 |
| 15 APR 1989 | 115.12310 |
| 15 MAY 1989 | 115.97536 |
| 15 JUN 1989 | 116.84836 |
| 15 JUL 1989 | 117.68780 |
| 15 AUG 1989 | 113.96915 |
| 15 SEP 1989 | 114.82604 |
| 15 OCT 1989 | 115.64926 |

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1

SCHEDULE OF
SPECIAL CASUALTY VALUES

| <u>Payment Date</u> | <u>Percentage of
Facility Cost</u> |
|---------------------|--|
| 15 NOV 1989 | 116.49294 |
| 15 DEC 1989 | 117.33916 |
| 15 JAN 1990 | 118.15157 |
| 15 FEB 1990 | 114.40541 |
| 15 MAR 1990 | 115.23454 |
| 15 APR 1990 | 116.04995 |
| 15 MAY 1990 | 116.83998 |
| 15 JUN 1990 | 117.64986 |
| 15 JUL 1990 | 118.42622 |
| 15 AUG 1990 | 114.64311 |
| 15 SEP 1990 | 115.43494 |
| 15 OCT 1990 | 116.19312 |
| 15 NOV 1990 | 116.97086 |
| 15 DEC 1990 | 117.75051 |
| 15 JAN 1991 | 118.49637 |
| 15 FEB 1991 | 114.68222 |
| 15 MAR 1991 | 115.44273 |
| 15 APR 1991 | 116.18916 |
| 15 MAY 1991 | 116.91415 |
| 15 JUN 1991 | 117.65603 |
| 15 JUL 1991 | 118.36847 |
| 15 AUG 1991 | 114.51795 |
| 15 SEP 1991 | 115.24178 |
| 15 OCT 1991 | 115.93603 |
| 15 NOV 1991 | 116.64692 |
| 15 DEC 1991 | 117.35911 |
| 15 JAN 1992 | 118.04160 |
| 15 FEB 1992 | 114.15989 |
| 15 MAR 1992 | 114.85224 |
| 15 APR 1992 | 115.53199 |
| 15 MAY 1992 | 116.18945 |
| 15 JUN 1992 | 116.86281 |
| 15 JUL 1992 | 117.50690 |
| 15 AUG 1992 | 113.58569 |
| 15 SEP 1992 | 114.23819 |
| 15 OCT 1992 | 114.86128 |
| 15 NOV 1992 | 115.49998 |
| 15 DEC 1992 | 116.13935 |
| 15 JAN 1993 | 116.74915 |
| 15 FEB 1993 | 112.79298 |
| 15 MAR 1993 | 113.41023 |
| 15 APR 1993 | 114.01455 |
| 15 MAY 1993 | 114.59662 |
| 15 JUN 1993 | 115.19348 |
| 15 JUL 1993 | 115.76127 |
| 15 AUG 1993 | 111.76188 |
| 15 SEP 1993 | 112.33551 |
| 15 OCT 1993 | 112.90181 |
| 15 NOV 1993 | 113.47187 |

SCHEDULE OF
SPECIAL CASUALTY VALUES

| <u>Payment Date</u> | <u>Percentage of
Facility Cost</u> |
|---------------------|--|
| 15 DEC-1993 | 114.04202 |
| 15 JAN 1994 | 114.61225 |
| 15 FEB 1994 | 110.60034 |
| 15 MAR-1994 | 111.16142 |
| 15 APR 1994 | 111.72258 |
| 15 MAY 1994 | 112.28383 |
| 15 JUN-1994 | 112.84515 |
| 15 JUL 1994 | 113.40657 |
| 15 AUG 1994 | 109.38543 |
| 15 SEP-1994 | 109.93727 |
| 15 OCT 1994 | 110.48920 |
| 15 NOV 1994 | 111.04121 |
| 15 DEC 1994 | 111.59332 |
| 15 JAN 1995 | 112.14551 |
| 15 FEB 1995 | 108.11471 |
| 15 MAR-1995 | 108.65689 |
| 15 APR 1995 | 109.19917 |
| 15 MAY 1995 | 109.74153 |
| 15 JUN 1995 | 110.28399 |
| 15 JUL 1995 | 110.82654 |
| 15 AUG 1995 | 106.78563 |
| 15 SEP 1995 | 107.31772 |
| 15 OCT 1995 | 107.84989 |
| 15 NOV 1995 | 108.38216 |
| 15 DEC 1995 | 108.91453 |
| 15 JAN 1996 | 109.44700 |
| 15 FEB 1996 | 105.39552 |
| 15 MAR 1996 | 105.91704 |
| 15 APR 1996 | 106.43865 |
| 15 MAY 1996 | 106.96036 |
| 15 JUN 1996 | 107.48217 |
| 15 JUL 1996 | 108.00409 |
| 15 AUG 1996 | 103.94155 |
| 15 SEP-1996 | 104.45202 |
| 15 OCT 1996 | 104.96259 |
| 15 NOV 1996 | 105.47326 |
| 15 DEC-1996 | 105.98403 |
| 15 JAN 1997 | 106.49491 |
| 15 FEB 1997 | 102.41925 |
| 15 MAR 1997 | 102.91659 |
| 15 APR 1997 | 103.41404 |
| 15 MAY 1997 | 103.91159 |
| 15 JUN 1997 | 104.40925 |
| 15 JUL 1997 | 104.90702 |
| 15 AUG 1997 | 100.81755 |
| 15 SEP 1997 | 101.30109 |
| 15 OCT 1997 | 101.78473 |
| 15 NOV 1997 | 102.26849 |
| 15 DEC 1997 | 102.75236 |

SCHEDULE OF
SPECIAL CASUALTY VALUES

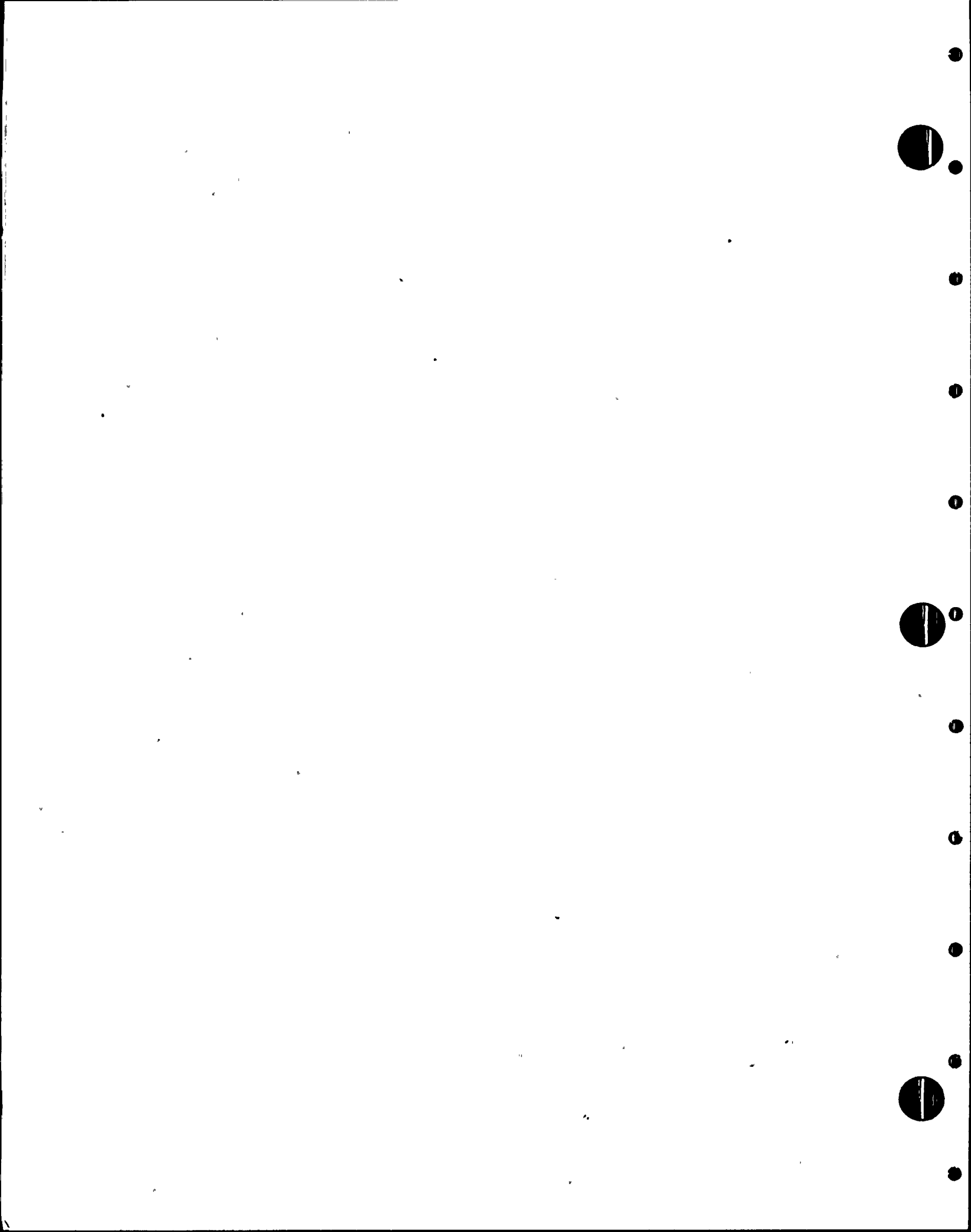
Page 4 of 8

| <u>Payment Date</u> | <u>Percentage of
Facility Cost</u> |
|---------------------|--|
| 15 JAN 1998 | 103.23634 |
| 15 FEB 1998 | 99.13234 |
| 15 MAR 1998 | 99.60135 |
| 15 APR 1998 | 100.07047 |
| 15 MAY 1998 | 100.53971 |
| 15 JUN 1998 | 101.00907 |
| 15 JUL 1998 | 101.49073 |
| 15 AUG 1998 | 97.36999 |
| 15 SEP 1998 | 97.82836 |
| 15 OCT 1998 | 98.29256 |
| 15 NOV 1998 | 98.75409 |
| 15 DEC 1998 | 99.21578 |
| 15 JAN 1999 | 99.69371 |
| 15 FEB 1999 | 95.55703 |
| 15 MAR 1999 | 96.00438 |
| 15 APR 1999 | 96.45771 |
| 15 MAY 1999 | 96.92548 |
| 15 JUN 1999 | 97.38502 |
| 15 JUL 1999 | 97.86200 |
| 15 AUG 1999 | 93.71026 |
| 15 SEP 1999 | 94.15195 |
| 15 OCT 1999 | 94.59361 |
| 15 NOV 1999 | 95.04455 |
| 15 DEC 1999 | 95.48966 |
| 15 JAN 2000 | 95.95212 |
| 15 FEB 2000 | 91.79759 |
| 15 MAR 2000 | 92.22771 |
| 15 APR 2000 | 92.66396 |
| 15 MAY 2000 | 93.11558 |
| 15 JUN 2000 | 93.55849 |
| 15 JUL 2000 | 94.01985 |
| 15 AUG 2000 | 89.84952 |
| 15 SEP 2000 | 90.27370 |
| 15 OCT 2000 | 90.70400 |
| 15 NOV 2000 | 91.13151 |
| 15 DEC 2000 | 91.55921 |
| 15 JAN 2001 | 92.00525 |
| 15 FEB 2001 | 87.83201 |
| 15 MAR 2001 | 88.24399 |
| 15 APR 2001 | 88.66225 |
| 15 MAY 2001 | 89.09686 |
| 15 JUN 2001 | 89.52228 |
| 15 JUL 2001 | 89.96720 |
| 15 AUG 2001 | 85.77728 |
| 15 SEP 2001 | 86.18301 |
| 15 OCT 2001 | 86.59504 |
| 15 NOV 2001 | 87.00421 |
| 15 DEC 2001 | 87.41358 |
| 15 JAN 2002 | 87.84235 |

SCHEDULE OF
SPECIAL CASUALTY VALUES

Payment DatePercentage of
Facility Cost

| | |
|-----------------|----------|
| 15 FEB 2002 | 83.64939 |
| 15 MAR 2002 -- | 84.04227 |
| 15 APR 2002 | 84.44159 |
| 15 MAY 2002 | 84.85830 |
| 15 JUN 2002 -- | 85.26529 |
| 15 JUL 2002 | 85.69291 |
| 15 AUG 2002 | 81.48237 |
| 15 SEP 2002 --- | 81.86868 |
| 15 OCT 2002 | 82.26145 |
| 15 NOV 2002 | 82.65130 |
| 15 DEC 2002 | 83.04137 |
| 15 JAN 2003 | 83.45194 |
| 15 FEB 2003 | 79.23823 |
| 15 MAR 2003 .. | 79.61100 |
| 15 APR 2003 | 79.99037 |
| 15 MAY 2003 | 80.38824 |
| 15 JUN 2003 | 80.77583 |
| 15 JUL 2003 | 81.18522 |
| 15 AUG 2003 | 76.95297 |
| 15 SEP 2003 - | 77.31883 |
| 15 OCT 2003 | 77.69133 |
| 15 NOV 2003 | 78.06085 |
| 15 DEC 2003 | 78.43059 |
| 15 JAN 2004 | 78.82202 |
| 15 FEB 2004 | 74.59114 |
| 15 MAR 2004 | 74.94416 |
| 15 APR 2004 | 75.30695 |
| 15 MAY 2004 | 75.68816 |
| 15 JUN 2004 -- | 76.05848 |
| 15 JUL 2004 | 76.45207 |
| 15 AUG 2004 | 72.19400 |
| 15 SEP 2004 --- | 72.53724 |
| 15 OCT 2004 | 72.90356 |
| 15 NOV 2004 | 73.25895 |
| 15 DEC 2004 -- | 73.61471 |
| 15 JAN 2005 | 73.99369 |
| 15 FEB 2005 | 69.72817 |
| 15 MAR 2005 -- | 70.05913 |
| 15 APR 2005 | 70.40050 |
| 15 MAY 2005 | 70.76130 |
| 15 JUN 2005 - | 71.11060 |
| 15 JUL 2005 | 71.48450 |
| 15 AUG 2005 | 67.20223 |
| 15 SEP 2005 - | 67.52292 |
| 15 OCT 2005 | 67.86802 |
| 15 NOV 2005 | 68.20157 |
| 15 DEC 2005 | 68.53552 |
| 15 JAN 2006 | 68.89402 |
| 15 FEB 2006 | 64.60396 |



SCHEDULE OF
SPECIAL CASUALTY VALUES

| <u>Payment Date</u> | <u>Percentage of
Facility Cost</u> |
|---------------------|--|
| 15 MAR 2006 | 64.91173 |
| 15 APR 2006 | 65.23051 |
| 15 MAY 2006 | 65.56983 |
| 15 JUN 2006 | 65.89700 |
| 15 JUL 2006 | 66.25017 |
| 15 AUG 2006 | 61.94249 |
| 15 SEP 2006 | 62.23948 |
| 15 OCT 2006 | 62.56226 |
| 15 NOV 2006 | 62.87284 |
| 15 DEC 2006 | 63.18385 |
| 15 JAN 2007 | 63.52081 |
| 15 FEB 2007 | 59.20496 |
| 15 MAR 2007 | 59.48837 |
| 15 APR 2007 | 59.78340 |
| 15 MAY 2007 | 60.10014 |
| 15 JUN 2007 | 60.40405 |
| 15 JUL 2007 | 60.73544 |
| 15 AUG 2007 | 56.40105 |
| 15 SEP 2007 | 56.67311 |
| 15 OCT 2007 | 56.97244 |
| 15 NOV 2007 | 57.25888 |
| 15 DEC 2007 | 57.54578 |
| 15 JAN 2008 | 57.86011 |
| 15 FEB 2008 | 53.51715 |
| 15 MAR 2008 | 53.77493 |
| 15 APR 2008 | 54.04500 |
| 15 MAY 2008 | 54.33801 |
| 15 JUN 2008 | 54.61748 |
| 15 JUL 2008 | 54.92599 |
| 15 AUG 2008 | 50.56349 |
| 15 SEP 2008 | 50.80936 |
| 15 OCT 2008 | 51.08403 |
| 15 NOV 2008 | 51.34511 |
| 15 DEC 2008 | 51.60667 |
| 15 JAN 2009 | 51.89721 |
| 15 FEB 2009 | 47.53171 |
| 15 MAR 2009 | 47.76486 |
| 15 APR 2009 | 48.01105 |
| 15 MAY 2009 | 48.28196 |
| 15 JUN 2009 | 48.53841 |
| 15 JUL 2009 | 48.82603 |
| 15 AUG 2009 | 44.49662 |
| 15 SEP 2009 | 44.74094 |
| 15 OCT 2009 | 45.01663 |
| 15 NOV 2009 | 45.27824 |
| 15 DEC 2009 | 45.54088 |
| 15 JAN 2010 | 45.83509 |
| 15 FEB 2010 | 41.51115 |
| 15 MAR 2010 | 41.76134 |

SCHEDULE OF
SPECIAL CASUALTY VALUES

| <u>Payment Date</u> | <u>Percentage of
Facility Cost</u> |
|---------------------|--|
| 15 APR 2010 | |
| 15 MAY 2010 | 42.02636 |
| 15 JUN 2010 | 42.31977 |
| 15 JUL 2010 | 42.59803 |
| 15 AUG 2010 | 42.91162 |
| 15 SEP 2010 | 38.60439 |
| 15 OCT 2010 | 38.87185 |
| 15 NOV 2010 | 39.17489 |
| 15 DEC 2010 | 39.46326 |
| 15 JAN 2011 | 39.75366 |
| 15 FEB 2011 | 40.07991 |
| 15 MAR 2011 | 35.78414 |
| 15 APR 2011 | 36.06358 |
| 15 MAY 2011 | 36.36036 |
| 15 JUN 2011 | 36.68953 |
| 15 JUL 2011 | 37.00289 |
| 15 AUG 2011 | 37.35635 |
| 15 SEP 2011 | 33.08489 |
| 15 OCT 2011 | 33.33932 |
| 15 NOV 2011 | 33.73414 |
| 15 DEC 2011 | 34.06374 |
| 15 JAN 2012 | 34.39663 |
| 15 FEB 2012 | 34.77024 |
| 15 MAR 2012 | 30.43678 |
| 15 APR 2012 | 30.72955 |
| 15 MAY 2012 | 31.04201 |
| 15 JUN 2012 | 31.38880 |
| 15 JUL 2012 | 31.71959 |
| 15 AUG 2012 | 32.09323 |
| 15 SEP 2012 | 27.68641 |
| 15 OCT 2012 | 27.95005 |
| 15 NOV 2012 | 28.25577 |
| 15 DEC 2012 | 28.54502 |
| 15 JAN 2013 | 28.83729 |
| 15 FEB 2013 | 29.17195 |
| 15 MAR 2013 | 24.72571 |
| 15 APR 2013 | 24.94946 |
| 15 MAY 2013 | 25.19297 |
| 15 JUN 2013 | 25.46961 |
| 15 JUL 2013 | 25.72943 |
| 15 AUG 2013 | 26.03130 |
| 15 SEP 2013 | 21.55186 |
| 15 OCT 2013 | 21.74203 |
| 15 NOV 2013 | 21.97346 |
| 15 DEC 2013 | 22.18755 |
| 15 JAN 2014 | 22.40377 |
| 15 FEB 2014 | 22.66156 |
| 15 MAR 2014 | 18.13751 |
| 15 APR 2014 | 18.28257 |
| | 18.44648 |

SCHEDULE OF
SPECIAL CASUALTY VALUES

Payment DatePercentage of
Facility Cost

15 MAY 2014
15 JUN 2014 ---
15 JUL 2014
15 AUG 2014
15 SEP 2014 ---
15 OCT 2014
15 NOV 2014
15 DEC 2014 ---
15 JAN 2015

18.64250
18.82094
19.04041
14.47760
14.58344
14.72956
14.85734
14.98627
10.00000



When Recorded, Return to: Gregg R. Neilsen
Snell & Wilmer
3100 Valley Bank Center
Phoenix, Arizona 85073

CERTAIN RIGHTS OF THE LESSOR UNDER THE FACILITY LEASE AS AMENDED BY THIS AMENDMENT NO. 1 THERETO HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, CHEMICAL BANK, AS INDENTURE TRUSTEE UNDER A TRUST INDENTURE, MORTGAGE, SECURITY AGREEMENT AND ASSIGNMENT OF RENTS DATED AS OF DECEMBER 16, 1985, AS AMENDED. THIS AMENDMENT NO. 1 HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. SEE SECTION 3(f) OF THIS AMENDMENT NO. 1 FOR INFORMATION CONCERNING THE RIGHTS OF HOLDERS OF VARIOUS COUNTERPARTS HEREOF.

THIS COUNTERPART IS NOT THE ORIGINAL COUNTERPART.

AMENDMENT NO. 1

Dated as of July 15, 1986

to

FACILITY LEASE

Dated as of December 16, 1985

between

THE FIRST NATIONAL BANK OF BOSTON
not in its individual capacity,
but solely as Owner Trustee under
a Trust Agreement, dated as of
December 16, 1985, with Burnham
Leasing Corporation

Lessor

and

PUBLIC SERVICE COMPANY OF NEW MEXICO,

Lessee

Original Facility Lease recorded December 31, 1985,
as Instrument No. 85-623268, re-recorded April 17,
1986, as Instrument No. 86-187558 and confirmed by
document recorded April 25, 1986, as Instrument
No. 86-203239, in Maricopa County, Arizona Recorder's
Office.

AMENDMENT NO. 1, dated as of July 15, 1986 (Amendment No. 1), to the Facility Lease dated as of December 16, 1985, between THE FIRST NATIONAL BANK OF BOSTON, a national banking association, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement, dated as of December 16, 1985, with Burnham Leasing Corporation (the Lessor), and PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation (the Lessee).

W I T N E S S E T H :

WHEREAS, the Lessee and the Lessor have heretofore entered into a Facility Lease dated as of December 16, 1985 (the Facility Lease); providing for the lease by the Lessor to the Lessee of the Undivided Interest and the Real Property Interest;

WHEREAS, Section 3(e) of the Facility Lease provides for an adjustment to Basic Rent and to the schedules of Casualty Values, Special Casualty Values and Termination Values in the event, among other things, that the Fixed Rate Note is issued; and

WHEREAS, the Fixed Rate Notes are being issued pursuant to Supplemental Indenture No. 1, dated as of July 15, 1986, to the Indenture;

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions.

For purposes hereof, capitalized terms used herein and not otherwise defined herein or in the recitals shall have the meanings assigned to such terms in Appendix A and Schedule 1 to the Facility Lease.

SECTION 2. Amendments.

(a) Section 3(a)(ii) of the Facility Lease is amended to read in its entirety as follows:

"(ii) (1) on July 15, 1986 an amount equal to 4.3683233% of the Facility Cost and (2) on January 15, 1987 and on each Basic Rent

Payment Date thereafter to and including January 15, 2015, an amount equal to 4.57322% of Facility Cost; and".

(b) Section 10(a) of the Facility Lease is amended to read in its entirety as follows:

"(a) Required Insurance. The Lessee will use its best efforts to cause the Operating Agent to carry and maintain insurance required under the ANPP Participation Agreement and will make all payments required of the Lessee under the ANPP Participation Agreement in respect of such insurance. The Lessee will at all times maintain, directly or through the Operating Agent, policies of casualty and liability insurance with respect to the Undivided Interest and the Real Property Interest in such amounts and with such coverage as shall be adequate in accordance with prudent utility practice. Any policies of insurance in respect of destruction, damage, loss, theft or other casualty to the Undivided Interest, the Real Property Interest, Unit 1 or any part thereof shall name the Lessor (and, to the extent practicable, the Owner Participant) as additional insured, as its interest (or their interests) may appear, and any policies with respect to nuclear liability insurance with respect to the Undivided Interest, the Real Property Interest, Unit 1, or any part thereof, shall include all Indemnitees as insureds through an omnibus definition of "insured" or through endorsement; provided, however, that if the Operating Agent, as trustee, shall become the loss payee under any policy of insurance constituting Project Insurance, then the Lessor and the Owner Participant shall be and be made beneficiaries of the trust arrangement under which the Operating Agent acts as trustee. The Lessee shall, on or before March 1 of each

year, commencing March 1, 1987, furnish to the Lessor and the Owner Participant (A) a report signed by the broker or brokers for the PVNGS insurance (or if insurance is placed directly by the Operating Agent, a certificate signed by the Operating Agent) (i) showing the insurance then maintained by the ANPP Participants with respect to PVNGS, (ii) stating that no premiums are then delinquent, and (iii) stating that the insurance maintained by the ANPP Participants with respect to PVNGS is in accordance with the terms of (1) the ANPP Participation Agreement and (2) this Section 10, (B) a report signed by the broker or brokers for the Lessee's insurance (or if insurance is placed directly by the Lessee, a certificate signed by the Lessee) showing the separate insurance, if any, then maintained by the Lessee with respect to its interest in PVNGS and stating that no premiums under such insurance are delinquent; (C) a certificate signed by the Lessee stating that the insurance maintained by the ANPP Participants and by the Lessee, identified on the reports to be delivered pursuant to clauses (A) and (B), is in accordance with prudent utility practice within the nuclear industry, the ANPP Participation Agreement and this Section 10; and (D) upon the request of the Lessor or the Owner Participant, copies (to the extent permitted by the issuers of such policies) of policies so maintained. Any report by an insurance broker with respect to clause (A)(iii)(1) may be made in reliance upon a schedule provided by the Lessee (a copy of which shall be attached) identifying the insurance (by coverage, limits, insureds and other pertinent details) required to be maintained under the ANPP Participation Agreement. Any report with respect to clause (A)(iii)(2) may be made in reliance upon a similar schedule provided by the Lessee (a copy of which shall be attached) identifying

the insurance required to be maintained under this Section 10. All insurance proceeds paid in respect of damage, destruction, loss, theft or other casualty to the Undivided Interest or the Real Property Interest shall be applied as provided in Section 9(g), (h) or (i), as the case may be, subject, however, to any priority allocations of such proceeds to decontamination and debris removal set forth in the insurance policies or required under Applicable Law. In the event that either the Operating Agent or the Lessee delivers a certificate pursuant to clause (A) or (B) of the foregoing, the Owner Participant shall be entitled to receive (if it so requests and if the insurer will issue the same) a report from any insurer listed in such certificate."

(c) Section 16(a)(v) of the Facility Lease is hereby amended to insert the words "may, if it shall so elect in its sole discretion," in lieu of the word "shall" in the parenthetical phrase first preceding clause A of Section 16(a)(v).

(d) Schedule 3 to the Facility Lease (Schedule of Casualty Values) is hereby replaced with Schedule 1 hereto.

(e) Schedule 4 to the Facility Lease (Schedule of Special Casualty Values) is hereby replaced with Schedule 2 hereto.

(f) Schedule 5 to the Facility Lease (Schedule of Termination Values) is hereby replaced with Schedule 3 hereto.

(g) Schedule 2 to the Facility Lease (Basic Rent Percentage) is hereby deleted in its entirety.

SECTION 3. Miscellaneous.

(a) Partial Prepayment of Rent. In accordance with the last sentence of Section 3(a) of the Facility Lease, the Lessee shall pay an amount equal to \$42,191.78 on July 17, 1986, such amount (i) being equal to the interest payment due on the Initial Series Note on such date and (ii) to be credited against Basic Rent due on January 15, 1987.

(b) Effective Date of Amendments. The amendments set forth in Section 2 hereof shall be and become effective upon the execution hereof by the parties hereto.

(c) Counterpart Execution. This Amendment No. 1 may be executed in any number of counterparts and by each of the parties hereto on separate counterparts; all such counterparts shall together constitute but one and the same instrument.

(d) Governing Law. This Amendment No. 1 has been negotiated and delivered in the State of New York and shall be governed by, and be construed in accordance with, the laws of the State of New York, except to the extent that pursuant to the law of the State of Arizona such law is mandatorily applicable hereto.

(e) Disclosure. Pursuant to Arizona Revised Statutes Section 33-401, the beneficiary of the Trust Agreement is Burnham Leasing Corporation, a Delaware corporation. The address of the beneficiary is 60 Broad Street, New York, New York 10004, Attention: Chief Financial Officer. A copy of the Trust Agreement is available for inspection at the offices of the Owner Trustee at 100 Federal Street, Boston, Massachusetts 02110, Attention of Corporate Trust Division.

(f) Amendment No. 1. The single executed original of this Amendment No. 1 marked "THIS COUNTERPART IS THE ORIGINAL COUNTERPART" and containing the receipt of the Indenture Trustee thereon shall be the "Original" of this Amendment No. 1. To the extent that this Amendment

No. 1 constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Amendment No. 1 may be created or continued through the transfer or possession of any counterpart other than the "Original".

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment No. 1 to Facility Lease to be duly executed in New York, New York by an officer thereunto duly authorized.

THE FIRST NATIONAL BANK OF
BOSTON,
not in its individual
capacity, but solely as
Owner Trustee under a Trust
Agreement, dated as of
December 16, 1985, with
Burnham Leasing Corporation


By K.D. Work
Authorized Officer

PUBLIC SERVICE COMPANY OF NEW
MEXICO,

By B. D. Lacey
Vice President and Corporate
Controller

State of New York)
) ss:
County of New York)

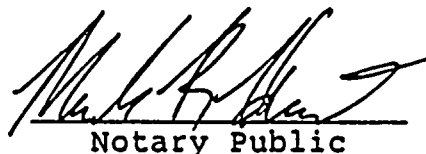
The foregoing instrument was acknowledged before me this 16th day of July, by B.D. LACKEY, the Vice President and Corporate Controller of PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation, on behalf of the corporation.


Notary Public

PETER LIN BRIGHTBILL
NOTARY PUBLIC, State of New York
NO. 31-4852758
Qualified in New York County
Commission Expires January 21, 1988

State of New York)
) ss:
County of New York)

The foregoing instrument was acknowledged before me this 16th day of July, by E.D. Woods, an Authorized Officer of THE FIRST NATIONAL BANK OF BOSTON, a national banking association, on behalf of the banking association as trustee under that certain Trust Agreement dated as of December 16, 1985 with Burnham Leasing Corporation.


Notary Public

MARK R. HUNT
Notary Public, State of New York
No. 24-4847012
Qualified in Kings County
Certificate filed in New York County
Commission Expires March 30, 1987

SCHEDULE 1
to
AMENDMENT NO. 1

SCHEDULE OF CASUALTY VALUES

| Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost |
|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| 7/15/1986 | 106.6269350 | 7/15/2005 | 72.4819062 |
| 1/15/1987 | 108.4620154 | 1/15/2006 | 70.1272653 |
| 7/15/1987 | 110.0191648 | 7/15/2006 | 67.7223143 |
| 1/15/1988 | 111.3308106 | 1/15/2007 | 65.2424137 |
| 7/15/1988 | 112.4699820 | 7/15/2007 | 62.7159973 |
| 1/15/1989 | 113.4394230 | 1/15/2008 | 60.1110508 |
| 7/15/1989 | 114.2371946 | 7/15/2008 | 57.4576292 |
| 1/15/1990 | 114.8476467 | 1/15/2009 | 54.7218716 |
| 7/15/1990 | 115.2657844 | 7/15/2009 | 51.9355999 |
| 1/15/1991 | 115.4747706 | 1/15/2010 | 49.0630858 |
| 7/15/1991 | 115.4811581 | 7/15/2010 | 46.1380045 |
| 1/15/1992 | 115.2837367 | 1/15/2011 | 43.1255891 |
| 7/15/1992 | 114.8727613 | 7/15/2011 | 40.2351879 |
| 1/15/1993 | 114.2315094 | | |
| 7/15/1993 | 113.3518165 | 1/15/2012 | 37.4545358 |
| 1/15/1994 | 114.2544464 | 7/15/2012 | 34.8021269 |
| 7/15/1994 | 116.2447321 | 1/15/2013 | 32.3125759 |
| 1/15/1995 | 117.5625418 | 7/15/2013 | 29.6407060 |
| 7/15/1995 | 116.1352724 | 1/15/2014 | 26.7123360 |
| 1/15/1996 | 113.7700741 | 7/15/2014 | 23.5329689 |
| 7/15/1996 | 111.0905234 | 1/15/2015 | 20.00000000 |
| 1/15/1997 | 108.5017094 | | |
| 7/15/1997 | 105.5182863 | | |
| 1/15/1998 | 102.6512304 | | |
| 7/15/1998 | 100.7617481 | | |
| 1/15/1999 | 98.6890884 | | |
| 7/15/1999 | 97.4270097 | | |
| 1/15/2000 | 95.2439805 | | |
| 7/15/2000 | 93.9169144 | | |
| 1/15/2001 | 91.6175245 | | |
| 7/15/2001 | 90.2230831 | | |
| 1/15/2002 | 87.8022117 | | |
| 7/15/2002 | 86.3380175 | | |
| 1/15/2003 | 83.7888657 | | |
| 7/15/2003 | 82.2508222 | | |
| 1/15/2004 | 79.5667924 | | |
| 7/15/2004 | 77.9527950 | | |
| 1/15/2005 | 75.1293462 | | |

6091.BURNHAM.2898.18:1

SCHEDULE 2
to
AMENDMENT NO. 1

SCHEDULE OF SPECIAL CASUALTY VALUES

| Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost |
|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| 12/30/1985 | 103.0588289 | 5/30/1989 | 116.4477567 |
| 1/30/1986 | 103.7923344 | 6/30/1989 | 117.3018730 |
| 2/30/1986 | 104.8971263 | 7/30/1989 | 113.6020990 |
| 3/30/1986 | 105.9917542 | 8/30/1989 | 114.4759270 |
| 4/30/1986 | 107.0426922 | 9/30/1989 | 115.3137944 |
| 5/30/1986 | 108.1278120 | 10/30/1989 | 116.1738092 |
| 6/30/1986 | 109.1610390 | 11/30/1989 | 117.0367257 |
| 7/30/1986 | 106.4046445 | 12/30/1989 | 117.8635975 |
| 8/30/1986 | 107.4943009 | 1/30/1990 | 114.1360496 |
| 9/30/1986 | 108.5322101 | 2/30/1990 | 114.9817059 |
| 10/30/1986 | 109.6035084 | | |
| 11/30/1986 | 110.6800137 | | |
| 12/30/1986 | 111.7037517 | | |
| 1/30/1987 | 108.1973982 | | |
| 2/30/1987 | 109.2430627 | | |
| 3/30/1987 | 110.2680052 | | |
| 4/30/1987 | 111.2613874 | | |
| 5/30/1987 | 112.2835284 | | |
| 6/30/1987 | 113.2612975 | | |
| 7/30/1987 | 109.6713452 | | |
| 8/30/1987 | 110.6691026 | | |
| 9/30/1987 | 111.6223008 | | |
| 10/30/1987 | 112.6037248 | | |
| 11/30/1987 | 113.5892757 | | |
| 12/30/1987 | 114.5301317 | | |
| 1/30/1988 | 110.9230965 | | |
| 2/30/1988 | 111.8909093 | | |
| 3/30/1988 | 112.8409945 | | |
| 4/30/1988 | 113.7658191 | | |
| 5/30/1988 | 114.7141103 | | |
| 6/30/1988 | 115.6262660 | | |
| 7/30/1988 | 111.9856774 | | |
| 8/30/1988 | 112.9194747 | | |
| 9/30/1988 | 113.8172844 | | |
| 10/30/1988 | 114.7381525 | | |
| 11/30/1988 | 115.6625315 | | |
| 12/30/1988 | 116.5508531 | | |
| 1/30/1989 | 112.8859043 | | |
| 2/30/1989 | 113.7950233 | | |
| 3/30/1989 | 114.6898951 | | |
| 4/30/1989 | 115.5575279 | | |

PUBLIC SERVICE COMPANY OF NEW MEXICO UNIT 1

| Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost |
|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| 12/30/2002 | 84.1549965 | 3/30/2007 | 60.8010191 | | |
| 1/30/2003 | 80.2852074 | 4/30/2007 | 61.1255136 | | |
| 2/30/2003 | 80.6651963 | 5/30/2007 | 61.4365804 | | |
| 3/30/2003 | 80.7182764 | 6/30/2007 | 61.7764532 | | |
| 4/30/2003 | 81.1219511 | 7/30/2007 | 57.4524084 | 6/30/2011 | 37.2438571 |
| 5/30/2003 | 81.5148273 | 8/30/2007 | 57.7307275 | 7/30/2011 | 32.9061843 |
| 6/30/2003 | 81.9306252 | 9/30/2007 | 58.0382460 | 8/30/2011 | 33.1276222 |
| 7/30/2003 | 78.5870581 | 10/30/2007 | 58.3319272 | 9/30/2011 | 33.3880555 |
| 8/30/2003 | 78.9602796 | 11/30/2007 | 58.6260648 | 10/30/2011 | 33.6315938 |
| 9/30/2003 | 78.4586946 | 12/30/2007 | 58.9497026 | 11/30/2011 | 33.8768170 |
| 10/30/2003 | 78.8331087 | 1/30/2008 | 54.6183102 | 12/30/2011 | 34.1616107 |
| 11/30/2003 | 79.2077209 | 2/30/2008 | 54.8827187 | 1/30/2012 | 29.8377510 |
| 12/30/2003 | 79.6055938 | 3/30/2008 | 55.1601300 | 2/30/2012 | 30.0727675 |
| 1/30/2004 | 75.7324981 | 4/30/2008 | 55.4614318 | 3/30/2012 | 30.3261358 |
| 2/30/2004 | 76.0917968 | 5/30/2008 | 55.7485590 | 4/30/2012 | 30.6131522 |
| 3/30/2004 | 76.1066169 | 6/30/2008 | 56.0661201 | 5/30/2012 | 30.8829984 |
| 4/30/2004 | 76.4909708 | 7/30/2008 | 51.7146639 | 6/30/2012 | 31.1950184 |
| 5/30/2004 | 76.8639177 | 8/30/2008 | 51.9672357 | 7/30/2012 | 26.8972285 |
| 6/30/2004 | 77.2610948 | 9/30/2008 | 52.2506558 | 8/30/2012 | 27.1582177 |
| 7/30/2004 | 73.9447211 | 10/30/2008 | 52.5194695 | 9/30/2012 | 27.4635357 |
| 8/30/2004 | 74.2969169 | 11/30/2008 | 52.7887736 | 10/30/2012 | 27.7513591 |
| 9/30/2004 | 73.7250314 | 12/30/2008 | 53.0892439 | 11/30/2012 | 28.0422598 |
| 10/30/2004 | 74.0785035 | 1/30/2009 | 48.7301015 | 12/30/2012 | 28.3781693 |
| 11/30/2004 | 74.4321905 | 2/30/2009 | 48.9680452 | 1/30/2013 | 23.9710573 |
| 12/30/2004 | 74.8104651 | 3/30/2009 | 49.2197313 | 2/30/2013 | 24.2071394 |
| 1/30/2005 | 70.9362855 | 4/30/2009 | 49.4966581 | 3/30/2013 | 24.4638829 |
| 2/30/2005 | 71.2738234 | 5/30/2009 | 49.7586230 | 4/30/2013 | 24.7568327 |
| 3/30/2005 | 71.2459504 | 6/30/2009 | 50.0527397 | 5/30/2013 | 25.0318253 |
| 4/30/2005 | 71.6099603 | 7/30/2009 | 45.6724792 | 6/30/2013 | 25.3523356 |
| 5/30/2005 | 71.9619216 | 8/30/2009 | 45.8979902 | 7/30/2013 | 20.8753173 |
| 6/30/2005 | 72.3394936 | 9/30/2009 | 46.1560906 | 8/30/2013 | 21.0756993 |
| 7/30/2005 | 68.0730056 | 10/30/2009 | 46.3987735 | 9/30/2013 | 21.3207056 |
| 8/30/2005 | 68.3991238 | 11/30/2009 | 46.6419836 | 10/30/2013 | 21.5471233 |
| 9/30/2005 | 68.7513806 | 12/30/2009 | 46.9181187 | 11/30/2013 | 21.7759750 |
| 10/30/2005 | 69.0912309 | 1/30/2010 | 42.5298259 | 12/30/2013 | 22.0497917 |
| 11/30/2005 | 69.4314766 | 2/30/2010 | 42.7399638 | 1/30/2014 | 17.5254847 |
| 12/30/2005 | 69.7981485 | 3/30/2010 | 42.9646252 | 2/30/2014 | 17.6779874 |
| 1/30/2006 | 65.5182775 | 4/30/2010 | 43.2159533 | 3/30/2014 | 17.8508931 |
| 2/30/2006 | 65.8318202 | 5/30/2010 | 43.4514896 | 4/30/2014 | 18.0586319 |
| 3/30/2006 | 66.1569719 | 6/30/2010 | 43.7209919 | 5/30/2014 | 18.2473113 |
| 4/30/2006 | 66.5035386 | 7/30/2010 | 39.3115246 | 6/30/2014 | 18.4804514 |
| 5/30/2006 | 66.8373860 | 8/30/2010 | 39.5089879 | 7/30/2014 | 13.9149576 |
| 6/30/2006 | 67.1984976 | 9/30/2010 | 39.7408968 | 8/30/2014 | 14.0257567 |
| 7/30/2006 | 62.9005129 | 10/30/2010 | 39.9565359 | 9/30/2014 | 14.1800593 |
| 8/30/2006 | 63.2033238 | 11/30/2010 | 40.1727495 | 10/30/2014 | 14.3146384 |
| 9/30/2006 | 63.5337717 | 12/30/2010 | 40.4237658 | 11/30/2014 | 14.4505026 |
| 10/30/2006 | 63.8511120 | 1/30/2011 | 36.0685335 | 1/ 15/2015 | 10.0000000 |
| 11/30/2006 | 64.1688770 | 2/30/2011 | 36.2725758 | | |
| 12/30/2006 | 64.5145639 | 3/30/2011 | 36.4924178 | | |
| 1/30/2007 | 60.2095553 | 4/30/2011 | 36.7415607 | | |
| 2/30/2007 | 60.4991358 | 5/30/2011 | 36.9741664 | | |

PUBLIC SERVICE COMPANY OF NEW MEXICO UNIT 1

| Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost |
|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| 3/30/1990 | 115.8127529 | 6/30/1994 | 118.7185007 | 9/30/1998 | 98.7191253 |
| 4/30/1990 | 116.6164370 | 7/30/1994 | 114.7053342 | 10/30/1998 | 99.1836346 |
| 5/30/1990 | 117.4417493 | 8/30/1994 | 115.2593247 | 11/30/1998 | 99.6482756 |
| 6/30/1990 | 118.2309505 | 9/30/1994 | 117.0587606 | 12/30/1998 | 100.1305252 |
| 7/30/1990 | 114.4650598 | 10/30/1994 | 117.6129279 | 1/30/1999 | 96.2683714 |
| 8/30/1990 | 115.2718567 | 11/30/1994 | 118.1671845 | 2/30/1999 | 96.7212981 |
| 9/30/1990 | 116.0426987 | 12/30/1994 | 119.9634413 | 3/30/1999 | 96.9133184 |
| 10/30/1990 | 116.8346756 | 1/30/1995 | 115.9405816 | 4/30/1999 | 97.3851756 |
| 11/30/1990 | 117.6288686 | 2/30/1995 | 116.4850345 | 5/30/1999 | 97.8483679 |
| 12/30/1990 | 118.3870062 | 3/30/1995 | 117.5872129 | 6/30/1999 | 98.3299062 |
| 1/30/1991 | 114.5894174 | 4/30/1995 | 117.7524901 | 7/30/1999 | 94.8909132 |
| 2/30/1991 | 115.3640914 | 5/30/1995 | 118.2972203 | 8/30/1999 | 95.3382772 |
| 3/30/1991 | 116.1237373 | 6/30/1995 | 118.4608819 | 9/30/1999 | 95.0840806 |
| 4/30/1991 | 116.8602001 | 7/30/1995 | 114.4272433 | 10/30/1999 | 95.5323608 |
| 5/30/1991 | 117.6150972 | 8/30/1995 | 114.9617173 | 11/30/1999 | 95.9807840 |
| 6/30/1991 | 118.3382255 | 9/30/1995 | 114.9557537 | 12/30/1999 | 96.4478272 |
| 7/30/1991 | 114.5027974 | 10/30/1995 | 115.4904197 | 1/30/2000 | 92.5846993 |
| 8/30/1991 | 115.2391186 | 11/30/1995 | 116.0251828 | 2/30/2000 | 93.0207655 |
| 9/30/1991 | 115.9438590 | 12/30/1995 | 116.0157395 | 3/30/2000 | 93.1798883 |
| 10/30/1991 | 116.6665461 | 1/30/1996 | 111.9723237 | 4/30/2000 | 93.6359865 |
| 11/30/1991 | 117.3907609 | 2/30/1996 | 112.4963634 | 5/30/2000 | 94.0829283 |
| 12/30/1991 | 118.0833047 | 3/30/1996 | 112.8154630 | 6/30/2000 | 94.5492687 |
| 1/30/1992 | 114.2162646 | 4/30/1996 | 112.7730131 | 7/30/2000 | 91.1324130 |
| 2/30/1992 | 114.9202294 | 5/30/1996 | 113.2973541 | 8/30/2000 | 91.5626405 |
| 3/30/1992 | 115.6107262 | 6/30/1996 | 113.2531361 | 9/30/2000 | 91.2511704 |
| 4/30/1992 | 116.2770454 | 7/30/1996 | 109.1992437 | 10/30/2000 | 91.6823733 |
| 5/30/1992 | 116.9607136 | 8/30/1996 | 109.7123720 | 11/30/2000 | 92.1137312 |
| 6/30/1992 | 117.6127239 | 9/30/1996 | 109.6335828 | 12/30/2000 | 92.5647764 |
| 7/30/1992 | 113.7043410 | 10/30/1996 | 110.1469197 | 1/30/2001 | 88.6994113 |
| 8/30/1992 | 114.3663954 | 11/30/1996 | 110.6603621 | 2/30/2001 | 89.1177331 |
| 9/30/1992 | 114.9970243 | 12/30/1996 | 110.5777674 | 3/30/2001 | 89.2434354 |
| 10/30/1992 | 115.6444469 | 1/30/1997 | 106.5121035 | 4/30/2001 | 89.6829422 |
| 11/30/1992 | 116.2926665 | 2/30/1997 | 107.0122704 | 5/30/2001 | 90.1127742 |
| 12/30/1992 | 116.9093610 | 3/30/1997 | 107.2543773 | 6/30/2001 | 90.5631159 |
| 1/30/1993 | 112.9649228 | 4/30/1997 | 107.1309959 | 7/30/2001 | 87.1690624 |
| 2/30/1993 | 113.5903921 | 5/30/1997 | 107.6314901 | 8/30/2001 | 87.5812494 |
| 3/30/1993 | 114.2020066 | 6/30/1997 | 107.5058970 | 9/30/2001 | 87.2100140 |
| 4/30/1993 | 114.7894113 | 7/30/1997 | 103.4261335 | 10/30/2001 | 87.6232475 |
| 5/30/1993 | 115.3929380 | 8/30/1997 | 103.9126619 | 11/30/2001 | 88.0366492 |
| 6/30/1993 | 115.9649496 | 9/30/1997 | 103.7441158 | 12/30/2001 | 88.4708653 |
| 7/30/1993 | 111.9749265 | 10/30/1997 | 104.2308709 | 1/30/2002 | 84.6032660 |
| 8/30/1993 | 112.5541938 | 11/30/1997 | 104.7177404 | 2/30/2002 | 85.0029110 |
| 9/30/1993 | 113.7975464 | 12/30/1997 | 104.5444217 | 3/30/2002 | 85.0933045 |
| 10/30/1993 | 114.3695393 | 1/30/1998 | 100.4521334 | 4/30/2002 | 85.5153514 |
| 11/30/1993 | 114.9416143 | 2/30/1998 | 100.9243217 | 5/30/2002 | 85.9271766 |
| 12/30/1993 | 116.7990391 | 3/30/1998 | 101.1115772 | 6/30/2002 | 86.3606848 |
| 1/30/1994 | 112.7942485 | 4/30/1998 | 100.9416046 | 7/30/2002 | 82.9915632 |
| 2/30/1994 | 113.3573574 | 5/30/1998 | 101.4147395 | 8/30/2002 | 83.3847667 |
| 3/30/1994 | 114.4969708 | 6/30/1998 | 101.9049255 | 9/30/2002 | 82.9496808 |
| 4/30/1994 | 116.3267919 | 7/30/1998 | 98.4546107 | 10/30/2002 | 83.3439963 |
| 5/30/1994 | 116.8901562 | 8/30/1998 | 98.9182646 | 11/30/2002 | 83.7384943 |

SCHEDULE 3
to
AMENDMENT NO. 1

SCHEDULE OF TERMINATION VALUES

| Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost |
|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| 7/15/1986 | 105.6802338 | 7/15/2005 | 67.9242911 |
| 1/15/1987 | 107.4753404 | 1/15/2006 | 65.3772083 |
| 7/15/1987 | 108.9908282 | 7/15/2006 | 62.7716897 |
| 1/15/1988 | 110.2590532 | 1/15/2007 | 60.0827526 |
| 7/15/1988 | 111.3529705 | 7/15/2007 | 57.3384734 |
| 1/15/1989 | 112.2752465 | 1/15/2008 | 54.5064650 |
| 7/15/1989 | 113.0238617 | 7/15/2008 | 51.6163938 |
| 1/15/1990 | 113.5830816 | 1/15/2009 | 48.6339944 |
| 7/15/1990 | 113.9478241 | 7/15/2009 | 45.5906667 |
| 1/15/1991 | 114.1011603 | 1/15/2010 | 42.4502425 |
| 7/15/1991 | 114.0495482 | 7/15/2010 | 39.2459388 |
| 1/15/1992 | 113.7916781 | 1/15/2011 | 35.9425111 |
| 7/15/1992 | 113.3177017 | 7/15/2011 | 32.7488097 |
| 1/15/1993 | 112.6107885 | 1/15/2012 | 29.6520508 |
| 7/15/1993 | 111.6626619 | | |
| 1/15/1994 | 112.4939685 | 7/15/2012 | 26.6701878 |
| 7/15/1994 | 114.4099193 | 1/15/2013 | 23.8372717 |
| 1/15/1995 | 115.6502554 | 7/15/2013 | 20.8075384 |
| 7/15/1995 | 114.1422412 | 1/15/2014 | 17.5061945 |
| 1/15/1996 | 111.6928886 | 7/15/2014 | 13.9381049 |
| 7/15/1996 | 108.9256303 | 1/15/2015 | 10.0000000 |
| 1/15/1997 | 106.2454052 | | |
| 7/15/1997 | 103.1667114 | | |
| 1/15/1998 | 100.2003619 | | |
| 7/15/1998 | 98.2073936 | | |
| 1/15/1999 | 96.0268782 | | |
| 7/15/1999 | 94.6523896 | | |
| 1/15/2000 | 92.3522041 | | |
| 7/15/2000 | 90.9030350 | | |
| 1/15/2001 | 88.4763863 | | |
| 7/15/2001 | 86.9493125 | | |
| 1/15/2002 | 84.3902087 | | |
| 7/15/2002 | 82.7819452 | | |
| 1/15/2003 | 80.0826409 | | |
| 7/15/2003 | 78.3881048 | | |
| 1/15/2004 | 75.5409746 | | |
| 7/15/2004 | 73.7569900 | | |
| 1/15/2005 | 70.7563765 | | |

When Recorded, Return to: Gregg R. Neilsen
Snell & Wilmer
3100 Valley Bank Center
Phoenix, Arizona 85073

CERTAIN RIGHTS OF THE LESSOR UNDER THE FACILITY LEASE AS AMENDED BY THIS AMENDMENT NO. 1 THERETO HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, CHEMICAL BANK, AS INDENTURE TRUSTEE UNDER A TRUST INDENTURE, MORTGAGE, SECURITY AGREEMENT AND ASSIGNMENT OF RENTS DATED AS OF DECEMBER 16, 1985, AS AMENDED. THIS AMENDMENT NO. 1 HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. SEE SECTION 3(f) OF THIS AMENDMENT NO. 1 FOR INFORMATION CONCERNING THE RIGHTS OF HOLDERS OF VARIOUS COUNTERPARTS HEREOF.

THIS COUNTERPART IS NOT THE ORIGINAL COUNTERPART.

AMENDMENT NO. 1

Dated as of July 15, 1986

to

FACILITY LEASE

Dated as of December 16, 1985

between

THE FIRST NATIONAL BANK OF BOSTON
not in its individual capacity,
but solely as Owner Trustee under
a Trust Agreement, dated as of
December 16, 1985, with MFS
Leasing Corp.

Lessor

and

PUBLIC SERVICE COMPANY OF NEW MEXICO,

Lessee

Original Facility Lease recorded December 31, 1985,
as Instrument No. 85-623275, re-recorded April 17,
1986, as Instrument No. 86-187561 and confirmed by
document recorded April 25, 1986, as Instrument
No. 86-203238, in Maricopa County, Arizona Recorder's
Office.

AMENDMENT NO. 1, dated as of July 15, 1986 (Amendment No. 1), to the Facility Lease dated as of December 16, 1985, between THE FIRST NATIONAL BANK OF BOSTON, a national banking association, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement, dated as of December 16, 1985, with MFS Leasing Corp. (the Lessor), and PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation (the Lessee).

W I T N E S S E T H :

WHEREAS, the Lessee and the Lessor have heretofore entered into a Facility Lease dated as of December 16, 1985 (the Facility Lease), providing for the lease by the Lessor to the Lessee of the Undivided Interest and the Real Property Interest;

WHEREAS, Section 3(e) of the Facility Lease provides for an adjustment to Basic Rent and to the schedules of Casualty Values, Special Casualty Values and Termination Values in the event, among other things, that the Fixed Rate Note is issued; and

WHEREAS, the Fixed Rate Notes are being issued pursuant to Supplemental Indenture No. 1, dated as of July 15, 1986, to the Indenture;

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions.

For purposes hereof, capitalized terms used herein and not otherwise defined herein or in the recitals shall have the meanings assigned to such terms in Appendix A and Schedule 1 to the Facility Lease.

SECTION 2. Amendments.

(a) Section 3(a)(ii) of the Facility Lease is amended to read in its entirety as follows:

"(ii) (1) on July 15, 1986 an amount equal to 4.28951% of the Facility Cost and (2) on January 15, 1987 and on each Basic Rent Payment Date thereafter to and including

January 15, 2015, an amount equal to 4.49093% of Facility Cost; and".

(b) Section 10(a) of the Facility Lease is amended to read in its entirety as follows:

"(a) Required Insurance. The Lessee will use its best efforts to cause the Operating Agent to carry and maintain insurance required under the ANPP Participation Agreement and will make all payments required of the Lessee under the ANPP Participation Agreement in respect of such insurance. The Lessee will at all times maintain, directly or through the Operating Agent, policies of casualty and liability insurance with respect to the Undivided Interest and the Real Property Interest in such amounts and with such coverage as shall be adequate in accordance with prudent utility practice. Any policies of insurance in respect of destruction, damage, loss, theft or other casualty to the Undivided Interest, the Real Property Interest, Unit 1 or any part thereof shall name the Lessor (and, to the extent practicable, the Owner Participant) as additional insured, as its interest (or their interests) may appear, and any policies with respect to nuclear liability insurance with respect to the Undivided Interest, the Real Property Interest, Unit 1, or any part thereof, shall include all Indemnitees as insureds through an omnibus definition of "insured" or through endorsement; provided, however, that if the Operating Agent, as trustee, shall become the loss payee under any policy of insurance constituting Project Insurance, then the Lessor and the Owner Participant shall be and be made beneficiaries of the trust arrangement under which the Operating Agent acts as trustee. The Lessee shall, on or before March 1 of each year, commencing March 1, 1987, furnish to the

Lessor and the Owner Participant (A) a report signed by the broker or brokers for the PVNGS insurance (or if insurance is placed directly by the Operating Agent, a certificate signed by the Operating Agent) (i) showing the insurance then maintained by the ANPP Participants with respect to PVNGS, (ii) stating that no premiums are then delinquent, and (iii) stating that the insurance maintained by the ANPP Participants with respect to PVNGS is in accordance with the terms of (1) the ANPP Participation Agreement and (2) this Section 10, (B) a report signed by the broker or brokers for the Lessee's insurance (or if insurance is placed directly by the Lessee, a certificate signed by the Lessee) showing the separate insurance, if any, then maintained by the Lessee with respect to its interest in PVNGS and stating that no premiums under such insurance are delinquent; (C) a certificate signed by the Lessee stating that the insurance maintained by the ANPP Participants and by the Lessee, identified on the reports to be delivered pursuant to clauses (A) and (B), is in accordance with prudent utility practice within the nuclear industry, the ANPP Participation Agreement and this Section 10; and (D) upon the request of the Lessor or the Owner Participant, copies (to the extent permitted by the issuers of such policies) of policies so maintained. Any report by an insurance broker with respect to clause (A)(iii)(1) may be made in reliance upon a schedule provided by the Lessee (a copy of which shall be attached) identifying the insurance (by coverage, limits, insureds and other pertinent details) required to be maintained under the ANPP Participation Agreement. Any report with respect to clause (A)(iii)(2) may be made in reliance upon a similar schedule provided by the Lessee (a copy of which shall be attached) identifying the insurance required to be maintained under

this Section 10. All insurance proceeds paid in respect of damage, destruction, loss, theft or other casualty to the Undivided Interest or the Real Property Interest shall be applied as provided in Section 9(g), (h) or (i), as the case may be, subject, however, to any priority allocations of such proceeds to decontamination and debris removal set forth in the insurance policies or required under Applicable Law. In the event that either the Operating Agent or the Lessee delivers a certificate pursuant to clause (A) or (B) of the foregoing, the Owner Participant shall be entitled to receive (if it so requests and if the insurer will issue the same) a report from any insurer listed in such certificate."

(c) Section 16(a)(v) of the Facility Lease is hereby amended to insert the words "may, if it shall so elect in its sole discretion," in lieu of the word "shall" in the parenthetical phrase first preceding clause A of Section 16(a)(v):

(d) Schedule 3 to the Facility Lease (Schedule of Casualty Values) is hereby replaced with Schedule 1 hereto.

(e) Schedule 4 to the Facility Lease (Schedule of Special Casualty Values) is hereby replaced with Schedule 2 hereto.

(f) Schedule 5 to the Facility Lease (Schedule of Termination Values) is hereby replaced with Schedule 3 hereto.

(g) Schedule 2 to the Facility Lease (Basic Rent Percentage) is hereby deleted in its entirety.

SECTION 3. Miscellaneous.

(a) Partial Prepayment of Rent. In accordance with the last sentence of Section 3(a) of the Facility Lease, the Lessee shall pay an amount equal to \$25,107.28 on July 17, 1986, such amount (i) being equal to the interest payment due on the Initial Series Note on such date and (ii) to be credited against Basic Rent due on January 15, 1987.

(b) Effective Date of Amendments. The amendments set forth in Section 2 hereof shall be and become effective upon the execution hereof by the parties hereto.

(c) Counterpart Execution. This Amendment No. 1 may be executed in any number of counterparts and by each of the parties hereto on separate counterparts; all such counterparts shall together constitute but one and the same instrument.

(d) Governing Law. This Amendment No. 1 has been negotiated and delivered in the State of New York and shall be governed by, and be construed in accordance with, the laws of the State of New York, except to the extent that pursuant to the law of the State of Arizona such law is mandatorily applicable hereto.

(e) Disclosure. Pursuant to Arizona Revised Statutes Section 33-401, the beneficiary of the Trust Agreement is MFS Leasing Corp., a Delaware corporation. The address of the beneficiary is One Mellon Bank Center, Suite 3030, Pittsburgh, Pennsylvania 15258, Attention: President. A copy of the Trust Agreement is available for inspection at the offices of the Owner Trustee at 100 Federal Street, Boston, Massachusetts 02110, Attention of Corporate Trust Division.

(f) Amendment No. 1. The single executed original of this Amendment No. 1 marked "THIS COUNTERPART IS THE ORIGINAL COUNTERPART" and containing the receipt of the Indenture Trustee thereon shall be the "Original" of this Amendment No. 1. To the extent that this Amendment



No. 1 constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Amendment No. 1 may be created or continued through the transfer or possession of any counterpart other than the "Original".

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment No. 1 to Facility Lease to be duly executed in New York, New York by an officer thereunto duly authorized.

THE FIRST NATIONAL BANK OF
BOSTON,
not in its individual
capacity, but solely as
Owner Trustee under a Trust
Agreement, dated as of
December 16, 1985, with MFS
Leasing Corp.

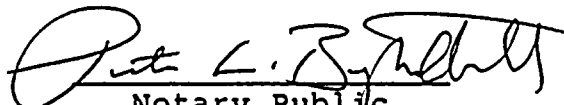
By K. D. W. Smith
Authorized Officer

PUBLIC SERVICE COMPANY OF NEW
MEXICO,

By B. D. Locke
Vice President and Corporate
Controller

State of New York)
) ss:
County of New York)

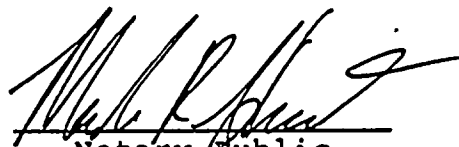
The foregoing instrument was acknowledged before me this 16th day of July, by B.D. LACKEY, the Vice President and Corporate Controller of PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation, on behalf of the corporation.


Notary Public

PETER LIN BRIGHTBILL
NOTARY PUBLIC, State of New York
NO. 31-4852758
Qualified in New York County
Commission Expires January 21, 1988

State of New York)
) ss:
County of New York)

The foregoing instrument was acknowledged before me this 16th day of July, by F.D. Woods, an Authorized Officer of THE FIRST NATIONAL BANK OF BOSTON, a national banking association, on behalf of the banking association as trustee under that certain Trust Agreement dated as of December 16, 1985 with MFS Leasing Corp..


Notary Public

MARK R. HUNT
Notary Public, State of New York
No. 24-4847012
Qualified in Kings County
Certificate filed in New York County
Commission Expires March 30, 1987

SCHEDULE 1
to
AMENDMENT NO. 1

SCHEDULE OF CASUALTY VALUES

| Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost |
|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| 7/15/1986 | 104.2264355 | 1/15/1990 | 90.4605270 |
| 1/15/1987 | 105.9359024 | 7/15/1990 | 96.0164129 |
| 7/15/1987 | 107.4246044 | 1/15/1999 | 95.1540768 |
| 1/15/1988 | 103.7211811 | 7/15/1999 | 93.4931039 |
| 7/15/1988 | 109.0202415 | 1/15/2000 | 91.7103918 |
| 1/15/1989 | 110.7771269 | 7/15/2000 | 89.9270346 |
| 7/15/1989 | 111.5594214 | 1/15/2001 | 83.1020110 |
| 1/15/1990 | 112.1662044 | 7/15/2001 | 86.2342041 |
| 7/15/1990 | 112.5979697 | 1/15/2002 | 84.3233539 |
| 1/15/1991 | 112.8148296 | 7/15/2002 | 82.3409519 |
| 7/15/1991 | 112.8430298 | 1/15/2003 | 80.3704352 |
| 1/15/1992 | 112.6029702 | 7/15/2003 | 78.3273459 |
| 7/15/1992 | 112.3208900 | 1/15/2004 | 76.2391906 |
| 1/15/1993 | 111.7464043 | 7/15/2004 | 74.1055736 |
| 7/15/1993 | 110.9483905 | 1/15/2005 | 71.9260710 |
| 1/15/1994 | 109.9152529 | 7/15/2005 | 69.7003612 |
| 7/15/1994 | 103.6981463 | 1/15/2006 | 67.4232322 |
| 1/15/1995 | 107.4256053 | 7/15/2006 | 65.1094569 |
| 7/15/1995 | 106.0951206 | 1/15/2007 | 62.7437243 |
| 1/15/1996 | 104.7040306 | 7/15/2007 | 60.3316476 |
| 7/15/1996 | 103.2495979 | 1/15/2008 | 57.8726403 |
| 1/15/1997 | 101.7239300 | 7/15/2008 | 55.3670511 |
| 7/15/1997 | 100.1200739 | 1/15/2009 | 52.8151600 |
| | | 7/15/2009 | 50.2172011 |
| | | 1/15/2010 | 47.5739142 |
| | | 7/15/2010 | 44.0556355 |
| | | 1/15/2011 | 42.1532692 |
| | | 7/15/2011 | 39.3776763 |
| | | 1/15/2012 | 36.5600422 |
| | | 7/15/2012 | 33.7016353 |
| | | 1/15/2013 | 30.8453725 |
| | | 7/15/2013 | 28.0904420 |
| | | 1/15/2014 | 25.4091983 |
| | | 7/15/2014 | 22.8337536 |
| | | 1/15/2015 | 19.9999999 |

SCHEDULE 2
to
AMENDMENT NO. 1

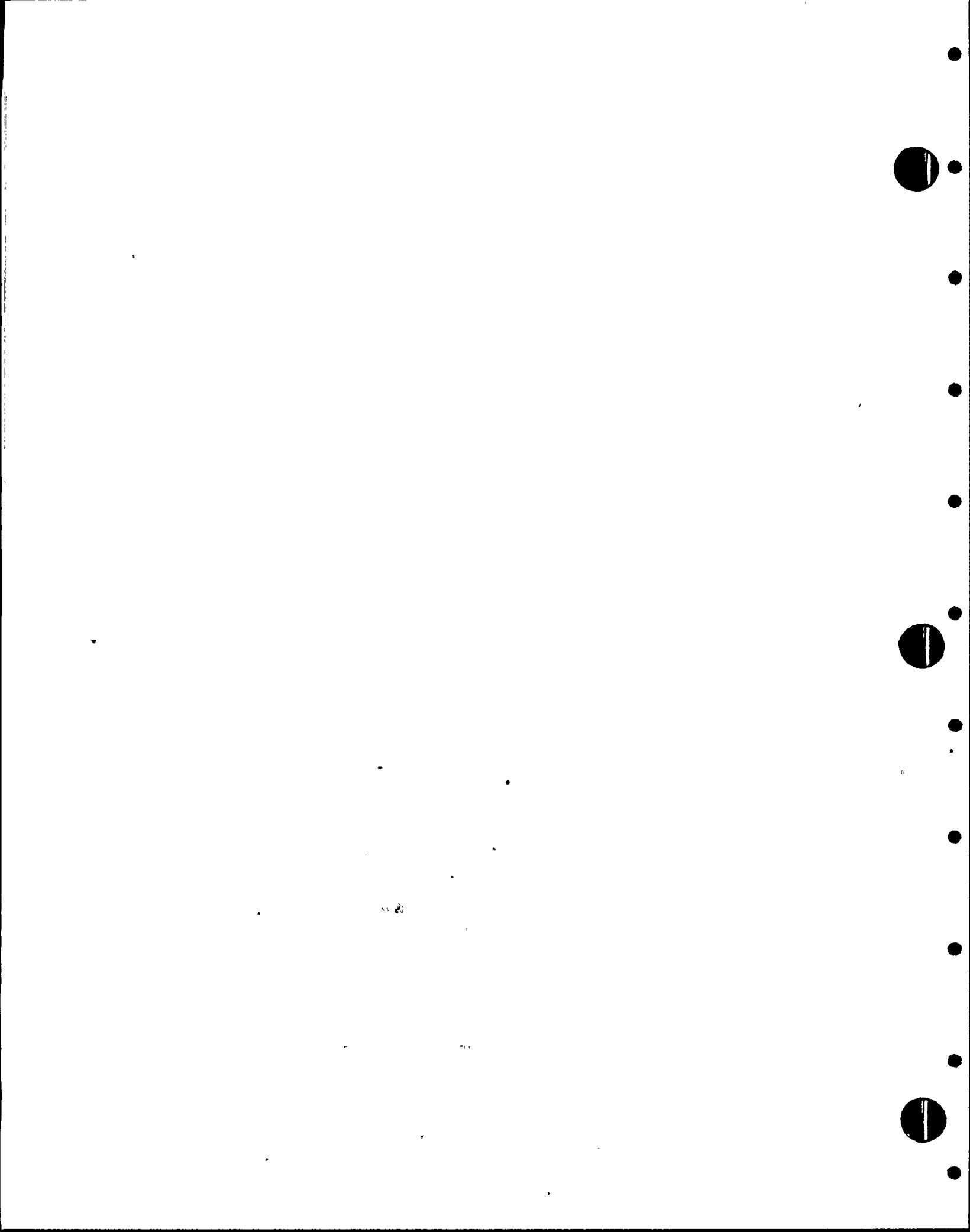
SCHEDULE OF SPECIAL CASUALTY VALUES

| Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost |
|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| 12/30/1985 | 101.6945161 | 1/30/1989 | 110.6270960 |
| 1/30/1986 | 102.3654933 | 2/30/1989 | 111.4917636 |
| 2/30/1986 | 103.3984898 | 3/30/1989 | 112.3591392 |
| 3/30/1986 | 104.4360954 | 4/30/1989 | 113.2095996 |
| 4/30/1986 | 105.4494156 | 5/30/1989 | 114.0626133 |
| 5/30/1986 | 106.4671206 | 6/30/1989 | 114.9102033 |
| 6/30/1986 | 107.4892033 | 7/30/1989 | 111.2620334 |
| 7/30/1986 | 104.7609797 | 8/30/1989 | 112.0903497 |
| 8/30/1986 | 105.7032651 | 9/30/1989 | 112.9362639 |
| 9/30/1986 | 106.0097097 | 10/30/1989 | 113.7571546 |
| 10/30/1986 | 107.8116740 | 11/30/1989 | 114.5803366 |
| 11/30/1986 | 103.8175762 | 12/30/1989 | 115.4058347 |
| 12/30/1986 | 109.8274592 | 1/30/1990 | 111.7201556 |
| 1/30/1987 | 106.3607154 | 2/30/1990 | 112.5248950 |
| 2/30/1987 | 107.3447165 | 3/30/1990 | 113.3318120 |
| 3/30/1987 | 108.3325037 | 4/30/1990 | 114.1215371 |
| 4/30/1987 | 109.2995993 | 5/30/1990 | 114.9133767 |
| 5/30/1987 | 110.2702968 | 6/30/1990 | 115.7072029 |
| 6/30/1987 | 111.2446407 | 7/30/1990 | 111.9096142 |
| 7/30/1987 | 107.7047101 | 8/30/1990 | 112.7620474 |
| 8/30/1987 | 103.6569924 | 9/30/1990 | 113.5363711 |
| 9/30/1987 | 109.6127712 | 10/30/1990 | 114.2934272 |
| 10/30/1987 | 110.5477095 | 11/30/1990 | 115.0522066 |
| 11/30/1987 | 111.4859556 | 12/30/1990 | 115.8127279 |
| 12/30/1987 | 112.4275454 | 1/30/1991 | 112.0615590 |
| 1/30/1988 | 109.0545977 | 2/30/1991 | 112.7999995 |
| 2/30/1988 | 109.7734439 | 3/30/1991 | 113.5400231 |
| 3/30/1988 | 110.6954055 | 4/30/1991 | 114.2648055 |
| 4/30/1988 | 111.6000090 | 5/30/1991 | 114.9910221 |
| 5/30/1988 | 112.5091706 | 6/30/1991 | 115.7106937 |
| 6/30/1988 | 113.4206035 | 7/30/1991 | 111.9365910 |
| 7/30/1988 | 109.0215532 | 8/30/1991 | 112.6437061 |
| 8/30/1988 | 110.7140000 | 9/30/1991 | 113.3521305 |
| 9/30/1988 | 111.6093947 | 10/30/1991 | 114.0452246 |
| 10/30/1988 | 112.4879762 | 11/30/1991 | 114.7394752 |
| 11/30/1988 | 113.3493599 | 12/30/1991 | 115.4349030 |
| 12/30/1988 | 114.2535762 | | |

SCHEDULE 2
to
AMENDMENT NO. 1

SCHEDULE OF SPECIAL CASUALTY VALUES

| Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost |
|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| 1/30/1992 | 111.6199496 | 11/30/1994 | 109.1699958 |
| 2/30/1992 | 112.2934968 | 12/30/1994 | 109.7063936 |
| 3/30/1992 | 112.9680762 | 1/30/1995 | 105.7467133 |
| 4/30/1992 | 113.6272227 | 2/30/1995 | 106.2734538 |
| 5/30/1992 | 114.2872448 | 3/30/1995 | 106.8001942 |
| 6/30/1992 | 114.9401519 | 4/30/1995 | 107.3269347 |
| 7/30/1992 | 111.0904109 | 5/30/1995 | 107.8536751 |
| 8/30/1992 | 111.7367306 | 6/30/1995 | 103.3004156 |
| 9/30/1992 | 112.3757752 | 7/30/1995 | 104.4102414 |
| 10/30/1992 | 112.9992978 | 8/30/1995 | 104.9274810 |
| 11/30/1992 | 113.6233923 | 9/30/1995 | 105.4441206 |
| 12/30/1992 | 114.2400650 | 10/30/1995 | 105.9607602 |
| 1/30/1993 | 110.3617919 | 11/30/1995 | 106.4773998 |
| 2/30/1993 | 110.9630922 | 12/30/1995 | 106.9940393 |
| 3/30/1993 | 111.5648104 | 1/30/1996 | 103.0141210 |
| 4/30/1993 | 112.1509112 | 2/30/1996 | 103.5202035 |
| 5/30/1993 | 112.7372645 | 3/30/1996 | 104.0262859 |
| 6/30/1993 | 113.3233720 | 4/30/1996 | 104.5323484 |
| 7/30/1993 | 109.3992357 | 5/30/1996 | 105.0324509 |
| 8/30/1993 | 109.9616727 | 6/30/1996 | 105.5445333 |
| 9/30/1993 | 110.5241964 | 7/30/1996 | 101.5532010 |
| 10/30/1993 | 111.0706667 | 8/30/1996 | 102.0483448 |
| 11/30/1993 | 111.6331370 | 9/30/1996 | 102.5435535 |
| 12/30/1993 | 112.1876073 | 10/30/1996 | 103.0389323 |
| 1/30/1994 | 109.2444390 | 11/30/1996 | 103.5339760 |
| 2/30/1994 | 109.7920758 | 12/30/1996 | 104.0290198 |
| 3/30/1994 | 109.3377124 | 1/30/1997 | 100.0261855 |
| 4/30/1994 | 109.0033494 | 2/30/1997 | 100.5031969 |
| 5/30/1994 | 110.4289362 | 3/30/1997 | 100.9902033 |
| 6/30/1994 | 110.9746220 | 4/30/1997 | 101.4722197 |
| 7/30/1994 | 107.0244048 | 5/30/1997 | 101.9542311 |
| 8/30/1994 | 107.5608026 | 6/30/1997 | 102.4362424 |
| 9/30/1994 | 103.0972003 | 7/30/1997 | 98.4200172 |
| 10/30/1994 | 108.6335981 | 8/30/1997 | 98.8833239 |
| | | 9/30/1997 | 99.3546305 |
| | | 10/30/1997 | 99.8249372 |
| | | 11/30/1997 | 100.2932439 |
| | | 12/30/1997 | 100.7615505 |



SCHEDULE 2
to
AMENDMENT NO. 1

SCHEDULE OF SPECIAL CASUALTY VALUES

| Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost |
|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| 1/30/1998 | 96.7312467 | 1/30/2001 | 85.3658075 |
| 2/30/1998 | 97.1051477 | 2/30/2001 | 85.7633489 |
| 3/30/1998 | 97.6390487 | 3/30/2001 | 86.1603944 |
| 4/30/1998 | 98.0933705 | 4/30/2001 | 86.5680396 |
| 5/30/1998 | 98.5476969 | 5/30/2001 | 86.9752933 |
| 6/30/1998 | 99.0020230 | 6/30/2001 | 87.3826559 |
| 7/30/1998 | 94.9591318 | 7/30/2001 | 83.2840532 |
| 8/30/1998 | 95.4016997 | 8/30/2001 | 83.6710350 |
| 9/30/1998 | 95.8442717 | 9/30/2001 | 84.0596218 |
| 10/30/1998 | 96.2951814 | 10/30/2001 | 84.4572753 |
| 11/30/1998 | 96.7461861 | 11/30/2001 | 84.8550407 |
| 12/30/1998 | 97.1972868 | 12/30/2001 | 85.2529186 |
| 1/30/1999 | 93.1443708 | 1/30/2002 | 81.1444220 |
| 2/30/1999 | 93.5784075 | 2/30/2002 | 81.5221770 |
| 3/30/1999 | 94.0124402 | 3/30/2002 | 81.8999360 |
| 4/30/1999 | 94.4550777 | 4/30/2002 | 82.2870428 |
| 5/30/1999 | 94.8978048 | 5/30/2002 | 82.6758642 |
| 6/30/1999 | 95.3406306 | 6/30/2002 | 83.0640013 |
| 7/30/1999 | 91.2790653 | 7/30/2002 | 78.9453265 |
| 8/30/1999 | 91.7043429 | 8/30/2002 | 79.3127764 |
| 9/30/1999 | 92.1296260 | 9/30/2002 | 79.6802304 |
| 10/30/1999 | 92.5637404 | 10/30/2002 | 80.0581173 |
| 11/30/1999 | 92.9979550 | 11/30/2002 | 80.4361219 |
| 12/30/1999 | 93.4322710 | 12/30/2002 | 80.8142434 |
| 1/30/2000 | 89.3610231 | 1/30/2003 | 76.6891201 |
| 2/30/2000 | 89.7781077 | 2/30/2003 | 77.0419268 |
| 3/30/2000 | 90.1943963 | 3/30/2003 | 77.3909540 |
| 4/30/2000 | 90.6197655 | 4/30/2003 | 77.7444523 |
| 5/30/2000 | 91.0452377 | 5/30/2003 | 78.1341694 |
| 6/30/2000 | 91.4708140 | 6/30/2003 | 78.5020036 |
| 7/30/2000 | 87.3912328 | 7/30/2003 | 74.3621353 |
| 8/30/2000 | 87.7982704 | 8/30/2003 | 74.7081207 |
| 9/30/2000 | 88.2053120 | 9/30/2003 | 75.0541095 |
| 10/30/2000 | 88.6216901 | 10/30/2003 | 75.4111257 |
| 11/30/2000 | 89.0331740 | 11/30/2003 | 75.7682659 |
| 12/30/2000 | 89.4547648 | 12/30/2003 | 76.1255315 |
| | | 1/30/2004 | 71.9746211 |
| | | 2/30/2004 | 72.3094200 |
| | | 3/30/2004 | 72.6442339 |
| | | 4/30/2004 | 72.9903345 |
| | | 5/30/2004 | 73.3366615 |
| | | 6/30/2004 | 73.6820453 |
| | | 7/30/2004 | 69.5202011 |
| | | 8/30/2004 | 69.8441140 |
| | | 9/30/2004 | 70.1674305 |
| | | 10/30/2004 | 70.5024015 |

SCHEDULE 2
to
AMENDMENT NO. 1

SCHEDULE OF SPECIAL CASUALTY VALUES

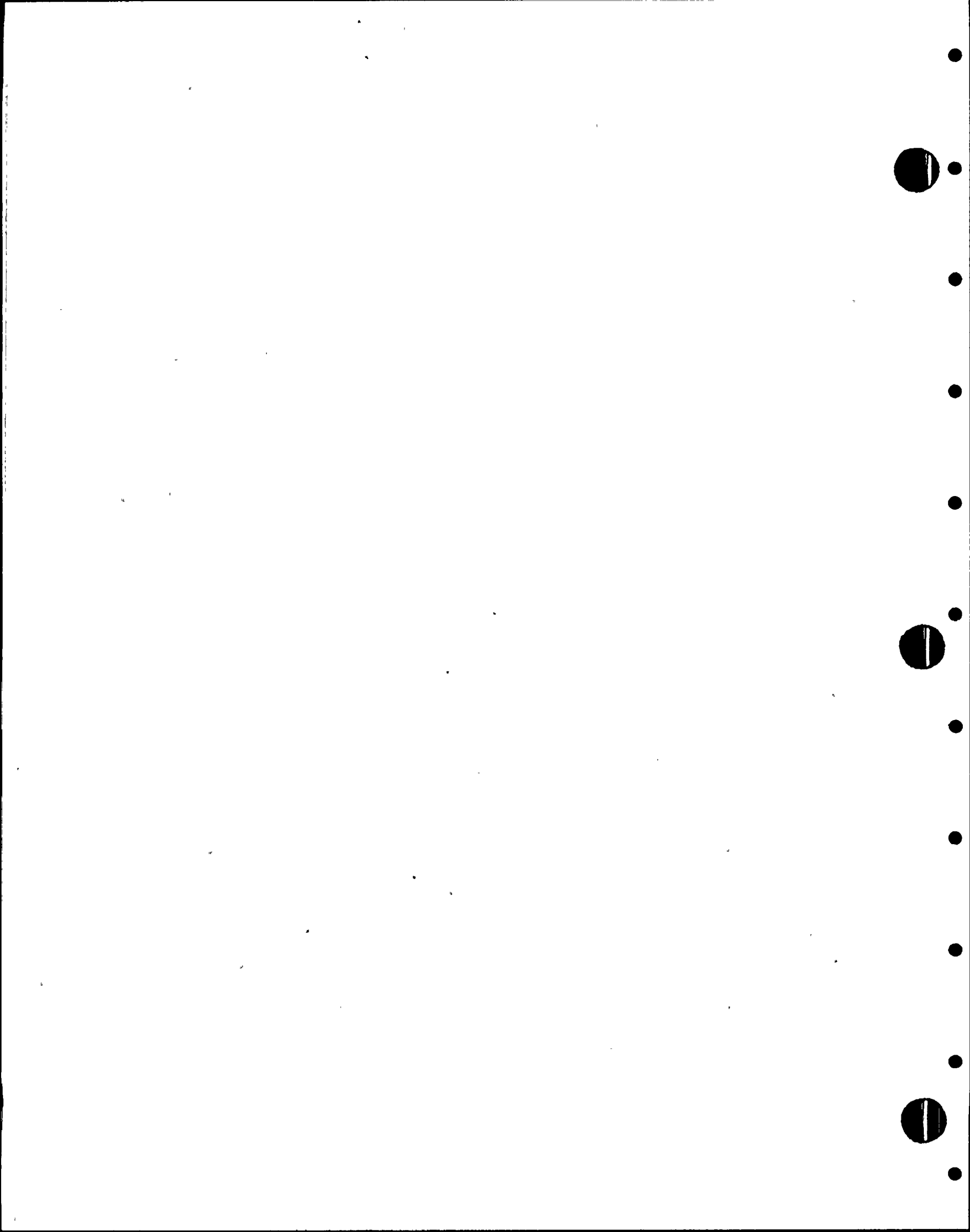
| Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost |
|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| 11/30/2004 | 70.0375030 | 1/30/2009 | 50.3269505 |
| 12/30/2004 | 71.1727365 | 2/30/2009 | 50.5604792 |
| 1/30/2005 | 66.9908093 | 3/30/2009 | 50.7940104 |
| 2/30/2005 | 67.3103099 | 4/30/2009 | 51.0416707 |
| 3/30/2005 | 67.6218149 | 5/30/2009 | 51.2095033 |
| 4/30/2005 | 67.9453007 | 6/30/2009 | 51.5374360 |
| 5/30/2005 | 69.2639203 | 7/30/2009 | 47.2724747 |
| 6/30/2005 | 69.5926752 | 8/30/2009 | 47.4917373 |
| 7/30/2005 | 64.4067712 | 9/30/2009 | 47.7110022 |
| 8/30/2005 | 64.7061433 | 10/30/2009 | 47.9447994 |
| 9/30/2005 | 65.0055187 | 11/30/2009 | 48.1787571 |
| 10/30/2005 | 65.3172104 | 12/30/2009 | 48.4128772 |
| 11/30/2005 | 65.6290394 | 1/30/2010 | 44.1333005 |
| 12/30/2005 | 65.9410073 | 2/30/2010 | 44.3379772 |
| 1/30/2006 | 61.7427006 | 3/30/2010 | 44.5425762 |
| 2/30/2006 | 62.0296924 | 4/30/2010 | 44.7621130 |
| 3/30/2006 | 62.3165991 | 5/30/2010 | 44.9818146 |
| 4/30/2006 | 62.6161666 | 6/30/2010 | 45.2016927 |
| 5/30/2006 | 62.9153750 | 7/30/2010 | 40.9073013 |
| 6/30/2006 | 63.2157259 | 8/30/2010 | 41.0968262 |
| 7/30/2006 | 59.6040573 | 9/30/2010 | 41.2063350 |
| 8/30/2006 | 59.2709317 | 10/30/2010 | 41.4912343 |
| 9/30/2006 | 59.5520484 | 11/30/2010 | 41.6962847 |
| 10/30/2006 | 59.0401599 | 12/30/2010 | 41.9015061 |
| 11/30/2006 | 60.1274160 | 1/30/2011 | 37.5918337 |
| 12/30/2006 | 60.4143101 | 2/30/2011 | 37.7659738 |
| 1/30/2007 | 56.1909632 | 3/30/2011 | 37.9399155 |
| 2/30/2007 | 56.4519032 | 4/30/2011 | 33.1297400 |
| 3/30/2007 | 56.7123459 | 5/30/2011 | 33.3197380 |
| 4/30/2007 | 56.9871677 | 6/30/2011 | 33.5099114 |
| 5/30/2007 | 57.2616378 | 7/30/2011 | 34.1845345 |
| 6/30/2007 | 57.5362579 | 8/30/2011 | 34.3426696 |
| 7/30/2007 | 53.2990497 | 9/30/2011 | 34.5000062 |
| 8/30/2007 | 53.5664695 | 10/30/2011 | 34.6751657 |
| 9/30/2007 | 53.7923917 | 11/30/2011 | 34.8497034 |
| 10/30/2007 | 54.0530669 | 12/30/2011 | 35.0244213 |
| 11/30/2007 | 54.3163944 | 1/30/2012 | 30.6826923 |
| 12/30/2007 | 54.5778759 | 2/30/2012 | 30.8246749 |
| | | 3/30/2012 | 30.9664596 |
| | | 4/30/2012 | 31.1249171 |
| | | 5/30/2012 | 31.2035534 |
| | | 6/30/2012 | 31.4423345 |
| | | 7/30/2012 | 27.0342793 |
| | | 8/30/2012 | 27.2092710 |
| | | 9/30/2012 | 27.3342654 |
| | | 10/30/2012 | 27.4763985 |
| | | 11/30/2012 | 27.6187194 |

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SCHEDULE 2
to
AMENDMENT NO. 1

SCHEDULE OF SPECIAL CASUALTY VALUES

| Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost |
|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| 1/30/2012 | 23.3860926 | | |
| 2/30/2012 | 23.4923191 | | |
| 3/30/2012 | 23.6015545 | | |
| 4/30/2012 | 23.7269109 | | |
| 5/30/2012 | 23.8524578 | | |
| 6/30/2012 | 23.9791996 | | |
| 7/30/2012 | 19.5935021 | | |
| 8/30/2012 | 19.6093224 | | |
| 9/30/2012 | 19.7053750 | | |
| 10/30/2012 | 19.8997491 | | |
| 11/30/2012 | 20.0144363 | | |
| 12/30/2012 | 20.1294399 | | |
| 1/30/2013 | 15.7530978 | | |
| 2/30/2013 | 15.8533333 | | |
| 3/30/2013 | 15.9543965 | | |
| 4/30/2013 | 16.0745481 | | |
| 5/30/2013 | 16.1954470 | | |
| 6/30/2013 | 16.3171012 | | |
| 7/30/2013 | 11.9406442 | | |
| 8/30/2013 | 12.0553599 | | |
| 9/30/2013 | 12.1630650 | | |
| 10/30/2013 | 12.2910632 | | |
| 11/30/2013 | 12.4219033 | | |
| 12/30/2013 | 12.5531037 | | |
| 1/30/2014 | 8.1547900 | | |
| 2/30/2014 | 8.2409349 | | |
| 3/30/2014 | 8.3200577 | | |
| 4/30/2014 | 8.4357260 | | |
| 5/30/2014 | 8.5465773 | | |
| 6/30/2014 | 8.6576243 | | |
| 7/30/2014 | 4.2091087 | | |
| 8/30/2014 | 4.2519822 | | |
| 9/30/2014 | 4.2953224 | | |
| 10/30/2014 | 4.3598195 | | |
| 11/30/2014 | 4.4250186 | | |
| 12/30/2014 | 4.4909274 | | |
| 1/30/2015 | 2.2454370 | | |
| 2/30/2015 | 0.00000000 | | |



SCHEDULE 3
to
AMENDMENT NO. 1

SCHEDULE OF TERMINATION VALUES

| Basic
Rent
Payment
Date | Percentage
of Facility
Cost | Basic
Rent
Payment
Date | Percentage
of Facility
Cost |
|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| 7/15/1986 | 104.2266353 | 7/15/2009 | 50.2173011 |
| 1/15/1987 | 105.9359024 | 1/15/2010 | 47.5739142 |
| 7/15/1987 | 107.4246844 | 7/15/2010 | 44.0356353 |
| 1/15/1988 | 109.7211811 | 1/15/2011 | 42.1532692 |
| 7/15/1988 | 109.0222415 | 7/15/2011 | 39.3776763 |
| 1/15/1989 | 110.7771249 | 1/15/2012 | 34.5600422 |
| 7/15/1989 | 111.5594214 | 7/15/2012 | 33.7016359 |
| 1/15/1990 | 112.1662044 | 1/15/2013 | 30.8433725 |
| 7/15/1990 | 112.5379697 | 7/15/2013 | 20.0984420 |
| 1/15/1991 | 112.8140276 | 1/15/2014 | 25.4091983 |
| 7/15/1991 | 112.0430293 | 7/15/2014 | 22.0337536 |
| 1/15/1992 | 112.6829702 | 1/15/2015 | 19.9999999 |
| 7/15/1992 | 112.3203930 | | |
| 1/15/1993 | 111.7464043 | | |
| 7/15/1993 | 110.9483505 | | |
| 1/15/1994 | 109.9152529 | | |
| 7/15/1994 | 103.6501463 | | |
| 1/15/1995 | 107.4256053 | | |
| 7/15/1995 | 106.0951206 | | |
| 1/15/1996 | 104.7040036 | | |
| 7/15/1996 | 103.2495979 | | |
| 1/15/1997 | 101.7209230 | | |
| 7/15/1997 | 100.1200739 | | |
| 1/15/1998 | 98.4605273 | | |
| 7/15/1998 | 96.0166129 | | |
| 1/15/1999 | 95.1543763 | | |
| 7/15/1999 | 93.4531059 | | |
| 1/15/2000 | 91.7103910 | | |
| 7/15/2000 | 89.9273346 | | |
| 1/15/2001 | 88.1020110 | | |
| 7/15/2001 | 86.2342041 | | |
| 1/15/2002 | 84.3233539 | | |
| 7/15/2002 | 82.3689519 | | |
| 1/15/2003 | 80.3704352 | | |
| 7/15/2003 | 78.3273459 | | |
| 1/15/2004 | 76.2391906 | | |
| 7/15/2004 | 74.1055726 | | |
| 1/15/2005 | 71.9260710 | | |
| 7/15/2005 | 69.7003612 | | |
| 1/15/2006 | 67.4202322 | | |
| 7/15/2006 | 65.1094549 | | |
| 1/15/2007 | 62.7439243 | | |
| 7/15/2007 | 60.3316476 | | |
| 1/15/2008 | 57.8726408 | | |
| 7/15/2008 | 55.3670511 | | |
| 1/15/2009 | 52.8151680 | | |

When Recorded, Return to: Greg R. Nielson
SNELL & WILMER
3100 Valley Bank Center
Phoenix, Arizona 85073

SUPPLEMENTAL INDENTURE NO. 1

dated as of July 15, 1986

To

TRUST INDENTURE, MORTGAGE, SECURITY AGREEMENT AND
ASSIGNMENT OF RENTS

Dated as of December 16, 1985

between,

THE FIRST NATIONAL BANK OF BOSTON, not
in its individual capacity, but solely
as Owner Trustee under a Trust
Agreement dated as of December 16,
1985 with Chrysler Financial
Corporation

and

CHEMICAL BANK,
as Indenture Trustee

Original Indenture recorded December 31, 1985, as
Instrument No. 85-623284, re-recorded April 17, 1986,
as Instrument No. 86-187564, and confirmed by docu-
ment recorded April 25, 1986, as Instrument No.
86-203242, all in Maricopa County, Arizona Recorder's
Office.

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SUPPLEMENTAL INDENTURE No. 1 dated as of July 15, 1986 to Trust Indenture, Mortgage, Security Agreement and Assignment Of Rents dated as of December 16, 1985, between THE FIRST NATIONAL BANK OF BOSTON, a national banking association (FNB), not in its individual capacity, but solely as trustee (the Owner Trustee) under a Trust Agreement dated as of December 16, 1985 between FNB, whose address is 100 Federal Street, Boston, Massachusetts 02110, with Chrysler Financial Corporation, and CHEMICAL BANK, a New York banking corporation (the Indenture Trustee), whose address is 55 Water Street, New York, New York 10041.

W I T N E S S E T H:

WHEREAS, the Owner Trustee and the Indenture Trustee have entered into a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985 (the Indenture) pursuant to which the Owner Trustee has issued the Initial Series Note;

WHEREAS, Section 3.5(1) of the Indenture provides, among other things, that the Initial Series Note may be refunded with Additional Notes;

WHEREAS, Section 3.5(4) of the Indenture provides, among other things, that the Owner Trustee and the Indenture Trustee may enter into indentures supplemental to the Indenture for, among other things, the purpose of establishing the terms, conditions and designations of Additional Notes;

WHEREAS, the Owner Trustee desires to issue Additional Notes to effect a refunding of the Initial Series Note and to enter into this Supplemental Indenture No. 1 to establish the terms, conditions and designations of such Additional Notes;

WHEREAS, Section 10.1 of the Indenture provides that, without the consent of Holders of the Notes Outstanding, the Indenture Trustee may, with the written consent of the Owner Trustee, from time to time and at any time execute a supplement to the Indenture for the purposes set forth in said Section 10.1; and

WHEREAS, the Owner Trustee desires to make the amendments to the Indenture set forth in Section 3 of this Supplemental Indenture No. 1;

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions.

For purposes hereof, capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in Appendix A to the Indenture; provided, however, that, for all purposes of the Indenture, to the extent different from Appendix A thereto, the definitions of Deemed Loss Event, Event of Loss and Final Shutdown shall have the respective meanings set forth in or appended to the Facility Lease as amended from time to time in accordance with its terms and the terms of the Indenture.

SECTION 2. Terms, Conditions and Designations of the Additional Notes.

(a) The Fixed Rate Notes.

There is hereby created and established a separate series of Notes of the Owner Trustee designated "Nonrecourse Promissory Notes, Fixed Rate Series" herein referred to as the Fixed Rate Notes. The Fixed Rate Notes shall be payable as to principal and bear interest on the principal amount thereof as follows:

| <u>Fixed Rate Note
Due</u> | <u>Interest
Rate</u> | <u>Principal
Amount</u> |
|--------------------------------|--------------------------|-----------------------------|
| July 15, 1991 | 8.300% | \$13,622,000 |
| July 15, 1996 | 9.125% | \$20,851,000 |
| January 15, 2012 | 10.300% | \$95,177,000 |
| | | <u>\$129,650,000</u> |

Each Fixed Rate Note shall bear interest on the principal amount thereof from time to time Outstanding from the date thereof until paid at the rate of interest set forth therein. The principal amount of each Fixed Rate Note shall be payable as set forth in Schedule 1 attached thereto. Installments of interest on and principal of (and premium, if any, on) each Fixed Rate Note shall be due and payable on the payment dates specified in Schedule 1 attached thereto. The Fixed Rate Note due July 15, 1991 shall be substantially in the form of Exhibit A-1 to this Supplemental Indenture No. 1. The Fixed Rate Note due July 15, 1996 shall be substantially in the form of Exhibit A-2 to this Supplemental Indenture No. 1. The Fixed Rate Note due January 15, 2012 shall be substantially in the form of Exhibit A-3 to this Supplemental Indenture No. 1.

(b) Certain Adjustments to Amortization Schedules.

The schedule of principal amortization attached to each Fixed Rate Note may be adjusted at the discretion of the Owner Trustee at one time prior to July 15, 1988; provided, however, that no such adjustment shall be made by the Owner Trustee which will increase or reduce the average life of such Fixed Rate Note (calculated in accordance with generally accepted financial practice from the date of initial issuance) by more than six months; provided, however, such adjustment may be made only in connection with an adjustment to Basic Rent pursuant to Section 3(d) of the Facility Lease. If the Owner Trustee shall elect to make the foregoing adjustment, the Owner Trustee shall deliver to the Trustee and to the Lessee at least 60 days prior to the first payment date (specified on the schedule to such Fixed Rate Note) proposed to be affected by such adjustment, a certificate of the Owner Trustee (x) stating that the Owner Trustee has elected to make such adjustment, (y) setting forth the revised schedule of principal amortization for such Fixed Rate Note and (z) attaching calculations showing that the average life of such Fixed Rate Note will not be reduced or increased except as permitted by this paragraph (b). The Trustee may rely on such Owner Trustee certificate and shall

have no duty with respect to the calculations referred to in the foregoing clause (z).

SECTION 3. Amendments.

(a) Amendment to Section 3.5(1).

The proviso to paragraph (1) of Section 3.5 of the Indenture is hereby amended to insert "(if applicable)" immediately following the reference to the "Participation Agreement" appearing in such proviso.

(b) Amendment to Section 3.5(2).

The first sentence of paragraph (2) of Section 3.5 of the Indenture is hereby amended to insert the phrase "not less than 2 Business Days nor more than 30 Business Days" in lieu of the phrase "not less than 10 nor more than 30 days."

(c) Amendment to Section 10.2.

Section 10.2 is hereby amended to insert at the end thereof the following sentence:

"Notwithstanding the foregoing, the Indenture Trustee shall, upon receipt of a written instruction from the Lessee and the Owner Trustee, consent to an amendment of the definitions of "Deemed Loss Event", "Event of Loss", and "Final Shutdown" contained in or appended to the Facility Lease."

SECTION 4. Miscellaneous.

(a) Dating of Supplemental Indenture.

Although this Supplemental Indenture No. 1 is dated for convenience and for the purpose of reference as of the date mentioned, the actual date or dates of execution by the Owner Trustee and the Indenture Trustee are as indicated by their respective acknowledgements hereto annexed.

(b) Counterpart Execution.

This Supplemental Indenture No. 1 may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument.

(c) Execution as Supplemental Indenture.

This Supplemental Indenture No. 1 is executed and shall be construed as an indenture supplemental to the Indenture and, as provided in the Indenture, this Supplemental Indenture No. 1 forms a part thereof.

(d) Disclosure.

Pursuant to Arizona Revised Statutes Section 33-401, the beneficiary of the Trust Agreement is Chrysler Financial Corporation, a Michigan corporation. The address of the beneficiary is Greenwich Office Park I, Greenwich, Connecticut 06836, Attention: Leveraged Leasing. A copy of the Trust Agreement is available for inspection at the offices of the Owner Trustee at 100 Federal Street, Boston, Massachusetts 02110, Attention of Corporate Trust Division.

IN WITNESS WHEREOF, the Owner Trustee and the Indenture Trustee have each caused this Supplemental Indenture No. 1 to be duly executed by their respective officers thereunto duly authorized, all as of the date first set forth above.

THE FIRST NATIONAL BANK OF
BOSTON, not in its individual
capacity, but solely as Owner
Trustee under the Trust
Agreement dated as of
December 16, 1985, with
Chrysler Financial Corporation

By

K.D. Woods

Authorized Officer

CHEMICAL BANK,

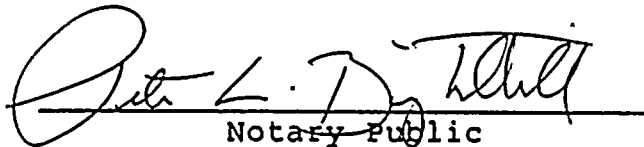
By

B. L. L.

Vice President

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 16th day of July, before me personally came K.D. Woods, to me known, who, being by me duly sworn, did acknowledge, depose and say that he resides at Boston, Massachusetts; that he is an Authorized Officer of THE FIRST NATIONAL BANK OF BOSTON, a national banking association, described in and which executed the foregoing instrument; that he knows the seal of said association; that the seal affixed to said instrument is such seal; that it was so affixed by authority of the by-laws of said association; and that he signed his name thereto on behalf of said association by like order.


Notary Public

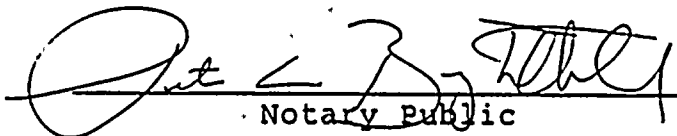
[NOTARIAL SEAL]

Term Expires:

PETER LIN BRIGHTBILL
NOTARY PUBLIC, State of New York
NO. 31-4852758
Qualified in New York County
Commission Expires January 21, 1988

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 16th day of July, before me personally came T.J. FOLEY, to me known, who, being by me duly sworn, did acknowledge, depose and say that he resides at Bethpage, New York; that he is a Vice President of CHEMICAL BANK, a New York banking corporation, described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such seal; that it was so affixed by authority of the board of directors of said corporation; and that he signed his name thereto on behalf of said corporation by like order.


Notary Public

[NOTARIAL SEAL]

Term Expires:
PETER LIN BRIGHTBILL
NOTARY PUBLIC, State of New York
NO. 31-4852758
Qualified in New York County
Commission Expires January 21, 1986

EXHIBIT A-1
TO AMENDMENT
NO. 1

FORM OF FIXED RATE NOTE
(DUE JULY 15, 1991)

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED,
SOLD OR OFFERED FOR SALE IN VIOLATION OF SUCH ACT

NONRECOURSE PROMISSORY NOTE, FIXED RATE SERIES
(DUE JULY 15, 1991)

Issued at: New York, New York

Issue Date: July 17, 1986

THE FIRST NATIONAL BANK OF BOSTON, not in its individual capacity, but solely as owner trustee (Owner Trustee) under a Trust Agreement dated as of December 16, 1985 with Chrysler Financial Corporation (the Owner Participant), hereby promises to pay to FIRST PV FUNDING CORPORATION, or registered assigns, the principal sum of Thirteen Million Six Hundred and Twenty-Two Thousand Dollars (\$13,622,000) on July 15, 1991, together with interest (computed on the basis of a 360-day year of twelve 30-day months) on the aggregate amount of such principal sum remaining unpaid from time to time from the date of this Fixed Rate Note until due and payable, in arrears, at the rate of 8.3% per annum. Payments of principal installments of this Fixed Rate Note shall be made in the "principal amount payable" and on the "payment dates" specified in Schedule 1 hereto. Payments of accrued interest on this Fixed Rate Note shall be made on the "payment dates" specified in Schedule 1 hereto.

Capitalized terms used in this Fixed Rate Note which are not otherwise defined herein shall have the meanings ascribed thereto in the Indenture (as hereinafter defined).

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Interest on any overdue principal and premium, if any, and (to the extent permitted by applicable law) any overdue interest shall be paid, on demand, from the due date thereof at the rate per annum equal to 9.3% (computed on the basis of a 360-day year of twelve 30-day months) for the period during which any such principal, premium or interest shall be overdue.

In the event any date on which a payment is due under this Fixed Rate Note is not a Business Day, then payment thereof may be made on the next succeeding Business Day with the same force and effect as if made on the date on which such payment was due.

All payments of principal, premium, if any, and interest to be made by the Owner Trustee hereunder and under the Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985, as at any time heretofore or hereafter amended or supplemented in accordance with the provisions thereof (the Indenture), between the Owner Trustee and Chemical Bank, as Trustee (the Indenture Trustee), shall be made only from the Lease Indenture Estate and the Trust Estate and the Indenture Trustee shall have no obligation for the payment thereof except to the extent that the Indenture Trustee shall have sufficient income or proceeds from the Lease Indenture Estate to make such payments in accordance with the terms of Article V of the Indenture. The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that such Holder will look solely to the Trust Estate and the income and proceeds from the Lease Indenture Estate to the extent available for distribution to the Holder hereof as above provided, and that neither the Owner Participant nor, except as expressly provided in the Indenture, the Owner Trustee nor the Indenture Trustee is or shall be personally liable to the Holder hereof for any amounts payable under this Fixed Rate Note or for any performance to be rendered under the Indenture or any other Transaction Document or for any liability thereunder; provided, however, that in the event the Lessee shall assume all the obligations of the Owner Trustee hereunder and under the Indenture pursuant to Section 3.9(b) of the Indenture, then all the payments

to be made under this Note shall be made only from payments made by the Lessee under this Note in accordance with the Assumption Agreement referred to in said Section 3.9(b) and the Holder of this Note agrees that on such event it will look solely to the Lessee for such payment.

Principal, premium, if any, and interest shall be payable, in the manner provided in the Indenture, on presentment of this Fixed Rate Note at the Indenture Trustee's Office, or as otherwise provided in the Indenture.

In the manner and to the extent provided in the Indenture, Schedule 1 hereto may be adjusted once at the discretion of the Owner Trustee prior to July 15, 1988, in connection with an adjustment to Basic Rent under Section 3(d) of the Facility Lease.

The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that each payment received by it hereunder shall be applied in the manner set forth in Section 3.11 of the Indenture. The Holder of this Fixed Rate Note agrees, by its acceptance hereof, that it will duly note by appropriate means all payments of principal or interest made hereon and that it will not in any event transfer or otherwise dispose of this Fixed Rate Note unless and until all such notations have been duly made.

This Fixed Rate Note is one of the Fixed Rate Notes referred to in the Indenture. The Indenture permits the issuance of additional series of Notes, as provided in Section 3.5 of the Indenture, and the several series may be for varying aggregate principal amounts and may have different maturity dates, interest rates, redemption provisions and other terms. The properties of the Owner Trustee included in the Lease Indenture Estate are pledged to the Indenture Trustee to the extent provided in the Indenture as security for the payment of the principal of and premium, if any, and interest on this Fixed Rate Note and all other Notes issued and outstanding from time to time under the Indenture. Reference is hereby made to the Indenture

for a statement of the rights of the Holders of, and the nature and extent of the security for, this Fixed Rate Note and of the rights of, and the nature and extent of the security for, the Holders of the other Notes and of certain rights of the Owner Trustee, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions the Holder hereof agrees by its acceptance of this Fixed Rate Note.

This Fixed Rate Note is not subject to prepayment in whole or in part.

In case an Indenture Event of Default shall occur and be continuing, the unpaid balance of the principal of this Fixed Rate Note and any other Notes, together with all accrued but unpaid interest thereon, may, subject to certain rights of the Owner Trustee or the Owner Participant contained or referred to in the Indenture, be declared or may become due and payable in the manner and with the effect provided in the Indenture. Upon such declaration there shall also be due and payable as a special premium on this Fixed Rate Note an amount equal to a ratable portion of the fees and expenses then payable to the Collateral Trust Trustee, as certified to the Indenture Trustee by the Collateral Trust Trustee.

The lien upon the Lease Indenture Estate is subject to being legally discharged prior to the maturity of this Fixed Rate Note upon the deposit with the Indenture Trustee of cash or certain securities sufficient to pay this Fixed Rate Note when due or an assumption of the obligation of the Owner Trustee under this Fixed Rate Note and the Indenture, in each case in accordance with the terms of the Indenture.

There shall be maintained at the Indenture Trustee's Office a register for the purpose of registering transfers and exchanges of Notes in the manner provided in the Indenture. The transfer of this Fixed Rate Note is registrable, as provided in the Indenture, upon surrender of this Fixed Rate Note for registration of transfer duly accompanied by a written instrument of

transfer duly executed by or on behalf of the registered Holder hereof, together with the amount of any applicable transfer taxes. Prior to due presentment for registration of transfer of this Fixed Rate Note, the Owner Trustee and the Indenture Trustee may treat the person in whose name this Fixed Rate Note is registered as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Fixed Rate Note and for all other purposes whatsoever, whether or not this Fixed Rate Note be overdue, and neither the Owner Trustee nor the Indenture Trustee shall be affected by notice to the contrary.

This Fixed Rate Note shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Owner Trustee has caused this Fixed Rate Note to be duly executed as of the date hereof.

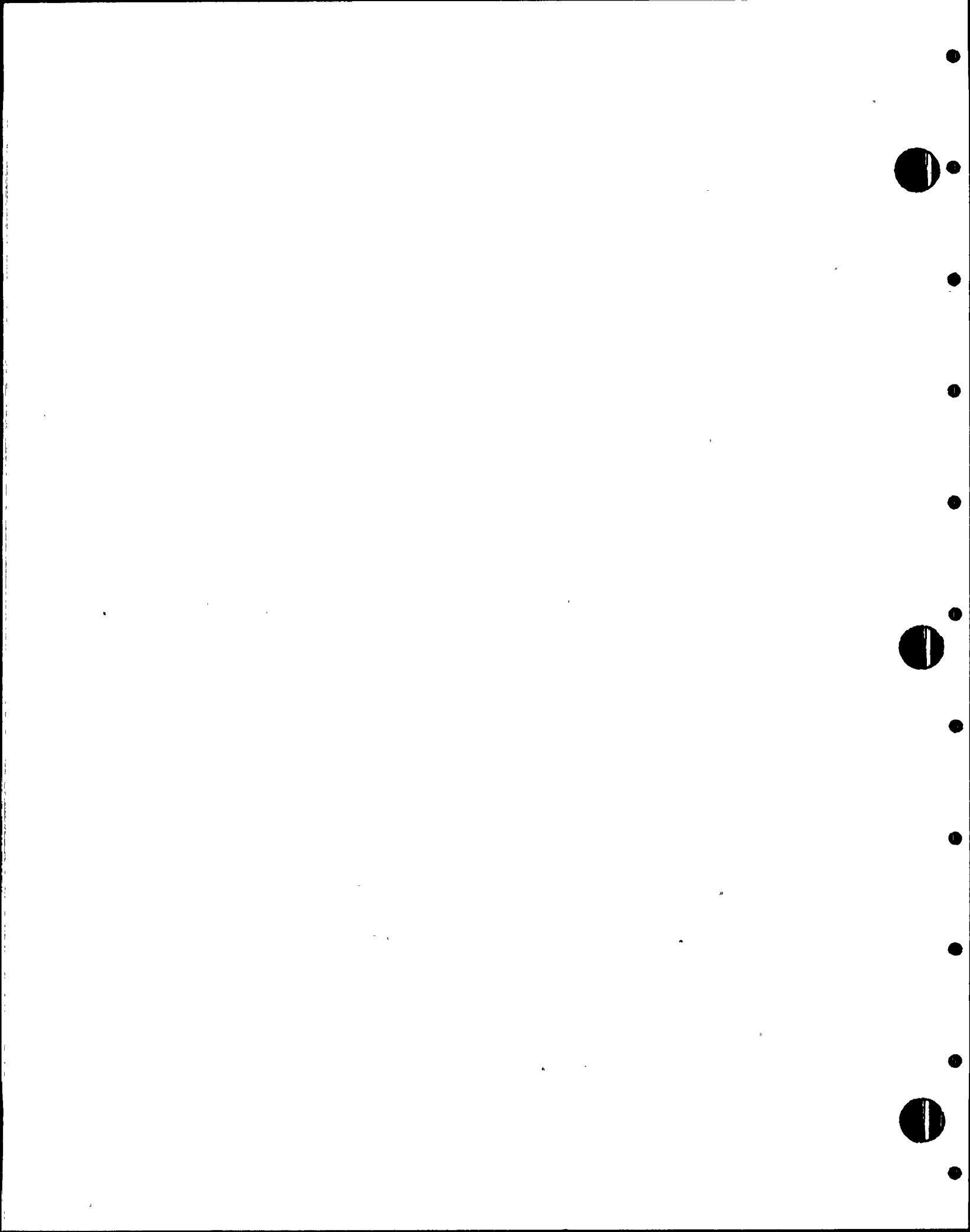
THE FIRST NATIONAL BANK OF
BOSTON, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement dated as of December 16, 1985 with Chrysler Financial Corporation

By _____
Authorized Officer

This Note is one of the series of Notes referred to therein and in the within-mentioned Indenture.

CHEMICAL BANK,
as Indenture Trustee

By _____
Authorized Officer



SCHEDULE 1
TO THE FIXED RATE NOTE
(DUE JULY 15, 1991)

Schedule of Principal Amortization

\$13,622,000 Principal Amount

| <u>Payment
Date</u> | <u>Principal
Amount Payable</u> | <u>Principal
Amount Paid</u> |
|-------------------------|-------------------------------------|----------------------------------|
| January 15, 1987 | \$1,127,000 | \$ |
| July 15, 1987 | 1,173,000 | |
| January 15, 1988 | 1,222,000 | |
| July 15, 1988 | 1,273,000 | |
| January 15, 1989 | 1,326,000 | |
| July 15, 1989 | 1,381,000 | |
| January 15, 1990 | 1,438,000 | |
| July 15, 1990 | 1,498,000 | |
| January 15, 1991 | 1,560,000 | |
| July 15, 1991 | 1,624,000 | |
| Principal Amount | <u>\$13,622,000</u> | |

ASSIGNMENT

Date: July 17, 1986

For value received, the undersigned hereby sells, assigns and transfers to CHEMICAL BANK, as Trustee pursuant to the Collateral Trust Indenture dated as of December 16, 1985, as amended and supplemented, among the undersigned, Public Service Company of New Mexico and said Trustee, without recourse, the Fixed Rate Note to which this Assignment is annexed and all rights thereunder.

FIRST PV FUNDING CORPORATION

By _____
President

EXHIBIT A-2
TO AMENDMENT
NO. 1

FORM OF FIXED RATE NOTE
(DUE JULY 15, 1996)

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED,
SOLD OR OFFERED FOR SALE IN VIOLATION OF SUCH ACT

NONRECOURSE PROMISSORY NOTE, FIXED RATE SERIES
(DUE JULY 15, 1996)

Issued at: New York, New York

Issue Date: July 17, 1986

THE FIRST NATIONAL BANK OF BOSTON, not in its individual capacity, but solely as owner trustee (Owner Trustee) under a Trust Agreement dated as of December 16, 1985 with Chrysler Financial Corporation (the Owner Participant), hereby promises to pay to FIRST PV FUNDING CORPORATION, or registered assigns, the principal sum of Twenty Million Eight Hundred and Fifty-One Thousand Dollars (\$20,851,000) on July 15, 1996, together with interest (computed on the basis of a 360-day year of twelve 30-day months) on the aggregate amount of such principal sum remaining unpaid from time to time from the date of this Fixed Rate Note until due and payable, in arrears, at the rate of 9.125% per annum. Payments of principal installments of this Fixed Rate Note shall be made in the "principal amount payable" and on the "payment dates" specified in Schedule 1 hereto. Payments of accrued interest on this Fixed Rate Note shall be made on the "payment dates" specified in Schedule 1 hereto.

Capitalized terms used in this Fixed Rate Note which are not otherwise defined herein shall have the meanings ascribed thereto in the Indenture (as hereinafter defined).

Interest on any overdue principal and premium, if any, and (to the extent permitted by applicable law) any overdue interest shall be paid, on demand, from the due date thereof at the rate per annum equal to 10.125% (computed on the basis of a 360-day year of twelve 30-day months) for the period during which any such principal, premium or interest shall be overdue.

In the event any date on which a payment is due under this Fixed Rate Note is not a Business Day, then payment thereof may be made on the next succeeding Business Day with the same force and effect as if made on the date on which such payment was due.

All payments of principal, premium, if any, and interest to be made by the Owner Trustee hereunder and under the Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985, as at any time heretofore or hereafter amended or supplemented in accordance with the provisions thereof (the Indenture), between the Owner Trustee and Chemical Bank, as Trustee (the Indenture Trustee), shall be made only from the Lease Indenture Estate and the Trust Estate and the Indenture Trustee shall have no obligation for the payment thereof except to the extent that the Indenture Trustee shall have sufficient income or proceeds from the Lease Indenture Estate to make such payments in accordance with the terms of Article V of the Indenture. The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that such Holder will look solely to the Trust Estate and the income and proceeds from the Lease Indenture Estate to the extent available for distribution to the Holder hereof as above provided, and that neither the Owner Participant nor, except as expressly provided in the Indenture, the Owner Trustee nor the Indenture Trustee is or shall be personally liable to the Holder hereof for any amounts payable under this Fixed Rate Note or for any performance to be rendered under the Indenture or any other Transaction Document or for any liability thereunder; provided, however, that in the event the Lessee shall assume all the obligations of the Owner Trustee hereunder and under the Indenture pursuant to



Section 3.9(b) of the Indenture, then all the payments to be made under this Note shall be made only from payments made by the Lessee under this Note in accordance with the Assumption Agreement referred to in said Section 3.9(b) and the Holder of this Note agrees that on such event it will look solely to the Lessee for such payment.

Principal, premium, if any, and interest shall be payable, in the manner provided in the Indenture, on presentment of this Fixed Rate Note at the Indenture Trustee's Office, or as otherwise provided in the Indenture.

In the manner and to the extent provided in the Indenture, Schedule 1 hereto may be adjusted once at the discretion of the Owner Trustee prior to July 15, 1988, in connection with an adjustment to Basic Rent under Section 3(d) of the Facility Lease.

The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that each payment received by it hereunder shall be applied in the manner set forth in Section 3.11 of the Indenture. The Holder of this Fixed Rate Note agrees, by its acceptance hereof, that it will duly note by appropriate means all payments of principal or interest made hereon and that it will not in any event transfer or otherwise dispose of this Fixed Rate Note unless and until all such notations have been duly made.

This Fixed Rate Note is one of the Fixed Rate Notes referred to in the Indenture. The Indenture permits the issuance of additional series of Notes, as provided in Section 3.5 of the Indenture, and the several series may be for varying aggregate principal amounts and may have different maturity dates, interest rates, redemption provisions and other terms. The properties of the Owner Trustee included in the Lease Indenture Estate are pledged to the Indenture Trustee to the extent provided in the Indenture as security for the payment of the principal of and premium, if any, and interest on this Fixed Rate Note and all other Notes issued and outstanding from time to time under the

Indenture. Reference is hereby made to the Indenture for a statement of the rights of the Holders of, and the nature and extent of the security for, this Fixed Rate Note and of the rights of, and the nature and extent of the security for, the Holders of the other Notes and of certain rights of the Owner Trustee, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions the Holder hereof agrees by its acceptance of this Fixed Rate Note.

This Fixed Rate Note may be prepaid in whole or in part at any time by the Owner Trustee as follows: upon the giving of not less than 30 days' notice as provided in the Indenture and at the following prepayment prices (expressed as a percentage of the unpaid principal amount hereof), together with interest accrued to the date fixed for prepayment: 109.125% of its principal amount, such percentage to decline by 1.304 on July 15, 1987 and on each second anniversary thereof and by 1.303 on July 15, 1988 and on each second anniversary thereof until such date as such percentage shall be 100%, and 100% thereafter; provided, however, that no such prepayment shall be made prior to July 15, 1991, directly or indirectly, as a part of, or in anticipation of, any refunding operation involving the incurrence of indebtedness by the Owner Trustee, the Lessee or any Affiliate of either thereof if such indebtedness has an effective interest cost to the Owner Trustee, the Lessee or such Affiliate, as the case may be (computed in accordance with generally accepted accounting practice) of less than 9.125% per annum. This Fixed Rate Note is not otherwise subject to prepayment in whole or in part.

In case an Indenture Event of Default shall occur and be continuing, the unpaid balance of the principal of this Fixed Rate Note and any other Notes, together with all accrued but unpaid interest thereon, may, subject to certain rights of the Owner Trustee or the Owner Participant contained or referred to in the Indenture, be declared or may become due and payable in the manner and with the effect provided in the Indenture. Upon such declaration there shall also be

due and payable as a special premium on this Fixed Rate Note an amount equal to a ratable portion of the fees and expenses then payable to the Collateral Trust Trustee, as certified to the Indenture Trustee by the Collateral Trust Trustee.

The lien upon the Lease Indenture Estate is subject to being legally discharged prior to the maturity of this Fixed Rate Note upon the deposit with the Indenture Trustee of cash or certain securities sufficient to pay this Fixed Rate Note when due or an assumption of the obligation of the Owner Trustee under this Fixed Rate Note and the Indenture, in each case in accordance with the terms of the Indenture.

There shall be maintained at the Indenture Trustee's Office a register for the purpose of registering transfers and exchanges of Notes in the manner provided in the Indenture. The transfer of this Fixed Rate Note is registrable, as provided in the Indenture, upon surrender of this Fixed Rate Note for registration of transfer duly accompanied by a written instrument of transfer duly executed by or on behalf of the registered Holder hereof, together with the amount of any applicable transfer taxes. Prior to due presentment for registration of transfer of this Fixed Rate Note, the Owner Trustee and the Indenture Trustee may treat the person in whose name this Fixed Rate Note is registered as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Fixed Rate Note and for all other purposes whatsoever, whether or not this Fixed Rate Note be overdue, and neither the Owner Trustee nor the Indenture Trustee shall be affected by notice to the contrary.

This Fixed Rate Note shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Owner Trustee has caused this Fixed Rate Note to be duly executed as of the date hereof.

THE FIRST NATIONAL BANK OF
BOSTON, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement dated as of December 16, 1985 with Chrysler Financial Corporation

By _____
Authorized Officer

This Note is one of the series of Notes referred to therein and in the within-mentioned Indenture.

CHEMICAL BANK,
as Indenture Trustee

By _____
Authorized Officer

SCHEDULE 1
TO THE FIXED RATE NOTE
(DUE JULY 15, 1996)

Schedule of Principal Amortization

\$20,851,000 Principal Amount

| <u>Payment
Date</u> | <u>Principal
Amount Payable</u> | <u>Principal
Amount Paid</u> |
|-------------------------|-------------------------------------|----------------------------------|
| January 15, 1992 | \$1,692,000 | \$ |
| July 15, 1992 | 1,769,000 | |
| January 15, 1993 | 1,850,000 | |
| July 15, 1993 | 1,934,000 | |
| January 15, 1994 | 2,022,000 | |
| July 15, 1994 | 2,115,000 | |
| January 15, 1995 | 2,211,000 | |
| July 15, 1995 | 2,312,000 | |
| January 15, 1996 | 2,418,000 | |
| July 15, 1996 | 2,528,000 | |
| Principal Amount | <u>\$20,851,000</u> | |

ASSIGNMENT

Date: July 17, 1986

For value received, the undersigned hereby sells, assigns and transfers to CHEMICAL BANK, as Trustee pursuant to the Collateral Trust Indenture dated as of December 16, 1985, as amended and supplemented, among the undersigned, Public Service Company of New Mexico and said Trustee, without recourse, the Fixed Rate Note to which this Assignment is annexed and all rights thereunder.

FIRST PV FUNDING CORPORATION

By _____
President



EXHIBIT A-3
TO AMENDMENT
NO. 1

FORM OF FIXED RATE NOTE
(DUE JANUARY 15, 2012)

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED,
SOLD OR OFFERED FOR SALE IN VIOLATION OF SUCH ACT

NONRECOURSE PROMISSORY NOTE, FIXED RATE SERIES
(DUE JANUARY 15, 2012)

Issued at: New York, New York

Issue Date: July 17, 1986

THE FIRST NATIONAL BANK OF BOSTON, not in its individual capacity, but solely as owner trustee (Owner Trustee) under a Trust Agreement dated as of December 16, 1985 with Chrysler Financial Corporation (the Owner Participant), hereby promises to pay to FIRST PV FUNDING CORPORATION, or registered assigns, the principal sum of Ninety-Five Million One Hundred and Seventy-Seven Thousand Dollars (\$95,177,000) on January 15, 2012, together with interest (computed on the basis of a 360-day year of twelve 30-day months) on the aggregate amount of such principal sum remaining unpaid from time to time from the date of this Fixed Rate Note until due and payable, in arrears, at the rate of 10.3% per annum. Payments of principal installments of this Fixed Rate Note shall be made in the "principal amount payable" and on the "payment dates" specified in Schedule 1 hereto. Payments of accrued interest on this Fixed Rate Note shall be made on the "payment dates" specified in Schedule 1 hereto.

Capitalized terms used in this Fixed Rate Note which are not otherwise defined herein shall have the meanings ascribed thereto in the Indenture (as hereinafter defined).

Interest on any overdue principal and premium, if any, and (to the extent permitted by applicable law) any overdue interest shall be paid, on demand, from the due date thereof at the rate per annum equal to 11.3% (computed on the basis of a 360-day year of twelve 30-day months) for the period during which any such principal, premium or interest shall be overdue.

In the event any date on which a payment is due under this Fixed Rate Note is not a Business Day, then payment thereof may be made on the next succeeding Business Day with the same force and effect as if made on the date on which such payment was due.

All payments of principal, premium, if any, and interest to be made by the Owner Trustee hereunder and under the Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985, as at any time heretofore or hereafter amended or supplemented in accordance with the provisions thereof (the Indenture), between the Owner Trustee and Chemical Bank, as Trustee (the Indenture Trustee), shall be made only from the Lease Indenture Estate and the Trust Estate and the Indenture Trustee shall have no obligation for the payment thereof except to the extent that the Indenture Trustee shall have sufficient income or proceeds from the Lease Indenture Estate to make such payments in accordance with the terms of Article V of the Indenture. The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that such Holder will look solely to the Trust Estate and the income and proceeds from the Lease Indenture Estate to the extent available for distribution to the Holder hereof as above provided, and that neither the Owner Participant nor, except as expressly provided in the Indenture, the Owner Trustee nor the Indenture Trustee is or shall be personally liable to the Holder hereof for any amounts payable under this Fixed Rate Note or for any performance to be rendered under the Indenture or any other Transaction Document or for any liability thereunder; provided, however, that in the event the Lessee shall assume all the obligations of the Owner Trustee hereunder and under the Indenture pursuant to Section 3.9(b) of the Indenture, then all the payments

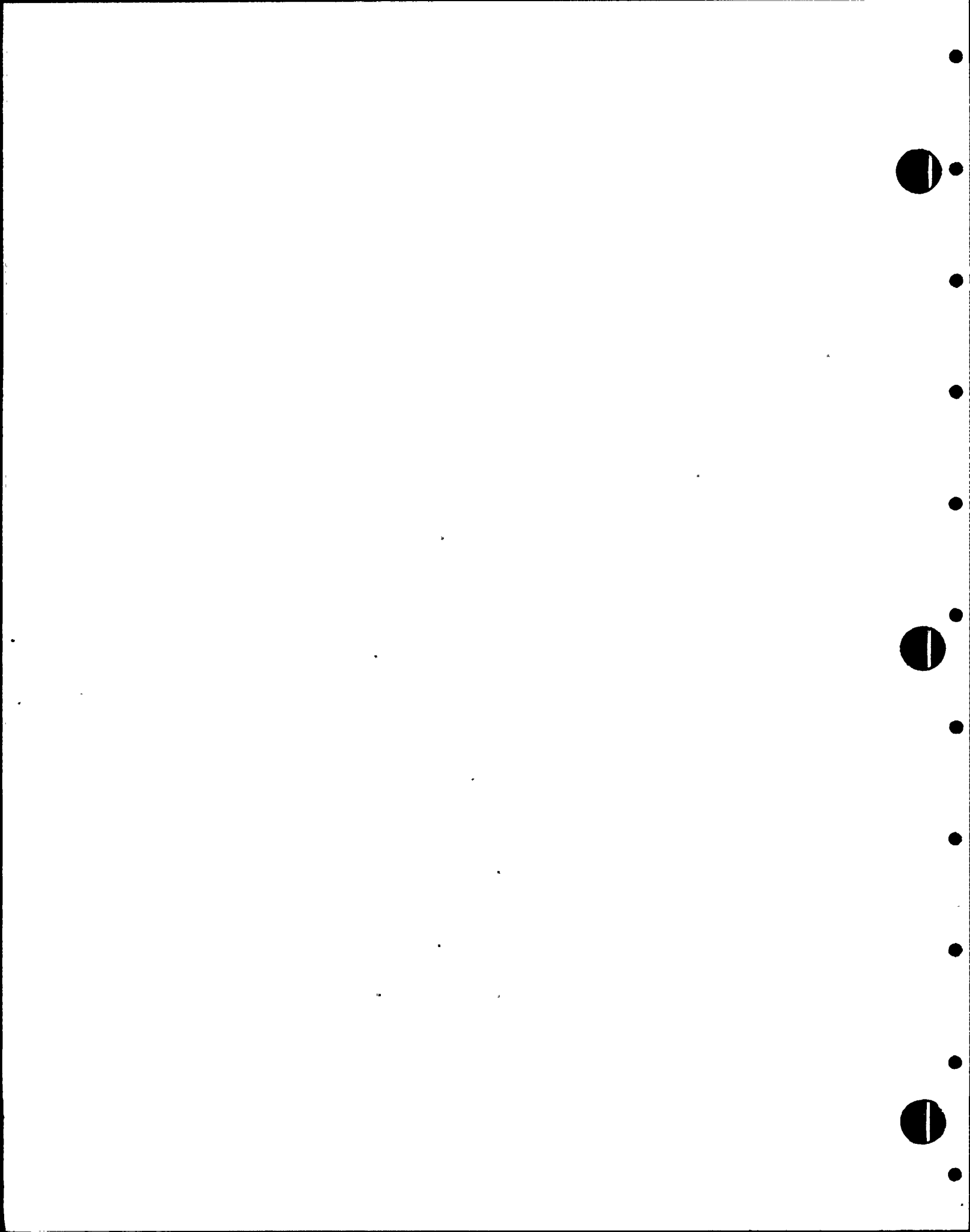
to be made under this Note shall be made only from payments made by the Lessee under this Note in accordance with the Assumption Agreement referred to in said Section 3.9(b) and the Holder of this Note agrees that on such event it will look solely to the Lessee for such payment.

Principal, premium, if any, and interest shall be payable, in the manner provided in the Indenture, on presentment of this Fixed Rate Note at the Indenture Trustee's Office, or as otherwise provided in the Indenture.

In the manner and to the extent provided in the Indenture, Schedule 1 hereto may be adjusted once at the discretion of the Owner Trustee prior to July 15, 1988, in connection with an adjustment to Basic Rent under Section 3(d) of the Facility Lease.

The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that each payment received by it hereunder shall be applied in the manner set forth in Section 3.11 of the Indenture. The Holder of this Fixed Rate Note agrees, by its acceptance hereof, that it will duly note by appropriate means all payments of principal or interest made hereon and that it will not in any event transfer or otherwise dispose of this Fixed Rate Note unless and until all such notations have been duly made.

This Fixed Rate Note is one of the Fixed Rate Notes referred to in the Indenture. The Indenture permits the issuance of additional series of Notes, as provided in Section 3.5 of the Indenture, and the several series may be for varying aggregate principal amounts and may have different maturity dates, interest rates, redemption provisions and other terms. The properties of the Owner Trustee included in the Lease Indenture Estate are pledged to the Indenture Trustee to the extent provided in the Indenture as security for the payment of the principal of and premium, if any, and interest on this Fixed Rate Note and all other Notes issued and outstanding from time to time under the Indenture. Reference is hereby made to the Indenture



for a statement of the rights of the Holders of, and the nature and extent of the security for, this Fixed Rate Note and of the rights of, and the nature and extent of the security for, the Holders of the other Notes and of certain rights of the Owner Trustee, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions the Holder hereof agrees by its acceptance of this Fixed Rate Note.

This Fixed Rate Note is subject to prepayment in whole as contemplated by Section 5.2 of the Indenture and in the circumstances therein described. In addition, this Fixed Rate Note may be prepaid in whole or in part at any time by the Owner Trustee as follows: upon the giving of not less than 30 days' notice as provided in the Indenture and at the following prepayment prices (expressed as a percentage of the unpaid principal amount hereof), together with interest accrued to the date fixed for prepayment: 110.3% of its principal amount, such percentage to decline by .412 on July 15, 1987 and each anniversary thereof, until such date as such percentage shall be 100%, and 100% thereafter; provided, however, that no such prepayment shall be made prior to July 15, 1991, directly or indirectly, as a part of, or in anticipation of, any refunding operation involving the incurrence of indebtedness by the Owner Trustee, the Lessee or any Affiliate of either thereof if such indebtedness has an effective interest cost to the Owner Trustee, the Lessee or such Affiliate, as the case may be (computed in accordance with generally accepted accounting practice) of less than 10.3% per annum. This Fixed Rate Note is not otherwise subject to prepayment in whole or in part.

In case an Indenture Event of Default shall occur and be continuing, the unpaid balance of the principal of this Fixed Rate Note and any other Notes, together with all accrued but unpaid interest thereon, may, subject to certain rights of the Owner Trustee or the Owner Participant contained or referred to in the Indenture, be declared or may become due and payable in the manner and with the effect provided in the Indenture. Upon such declaration there shall also be

due and payable as a special premium on this Fixed Rate Note an amount equal to a ratable portion of the fees and expenses then payable to the Collateral Trust Trustee, as certified to the Indenture Trustee by the Collateral Trust Trustee.

The lien upon the Lease Indenture Estate is subject to being legally discharged prior to the maturity of this Fixed Rate Note upon the deposit with the Indenture Trustee of cash or certain securities sufficient to pay this Fixed Rate Note when due or an assumption of the obligation of the Owner Trustee under this Fixed Rate Note and the Indenture, in each case in accordance with the terms of the Indenture.

There shall be maintained at the Indenture Trustee's Office a register for the purpose of registering transfers and exchanges of Notes in the manner provided in the Indenture. The transfer of this Fixed Rate Note is registrable, as provided in the Indenture, upon surrender of this Fixed Rate Note for registration of transfer duly accompanied by a written instrument of transfer duly executed by or on behalf of the registered Holder hereof, together with the amount of any applicable transfer taxes. Prior to due presentment for registration of transfer of this Fixed Rate Note, the Owner Trustee and the Indenture Trustee may treat the person in whose name this Fixed Rate Note is registered as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Fixed Rate Note and for all other purposes whatsoever, whether or not this Fixed Rate Note be overdue, and neither the Owner Trustee nor the Indenture Trustee shall be affected by notice to the contrary.

This Fixed Rate Note shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Owner Trustee has caused this Fixed Rate Note to be duly executed as of the date hereof.

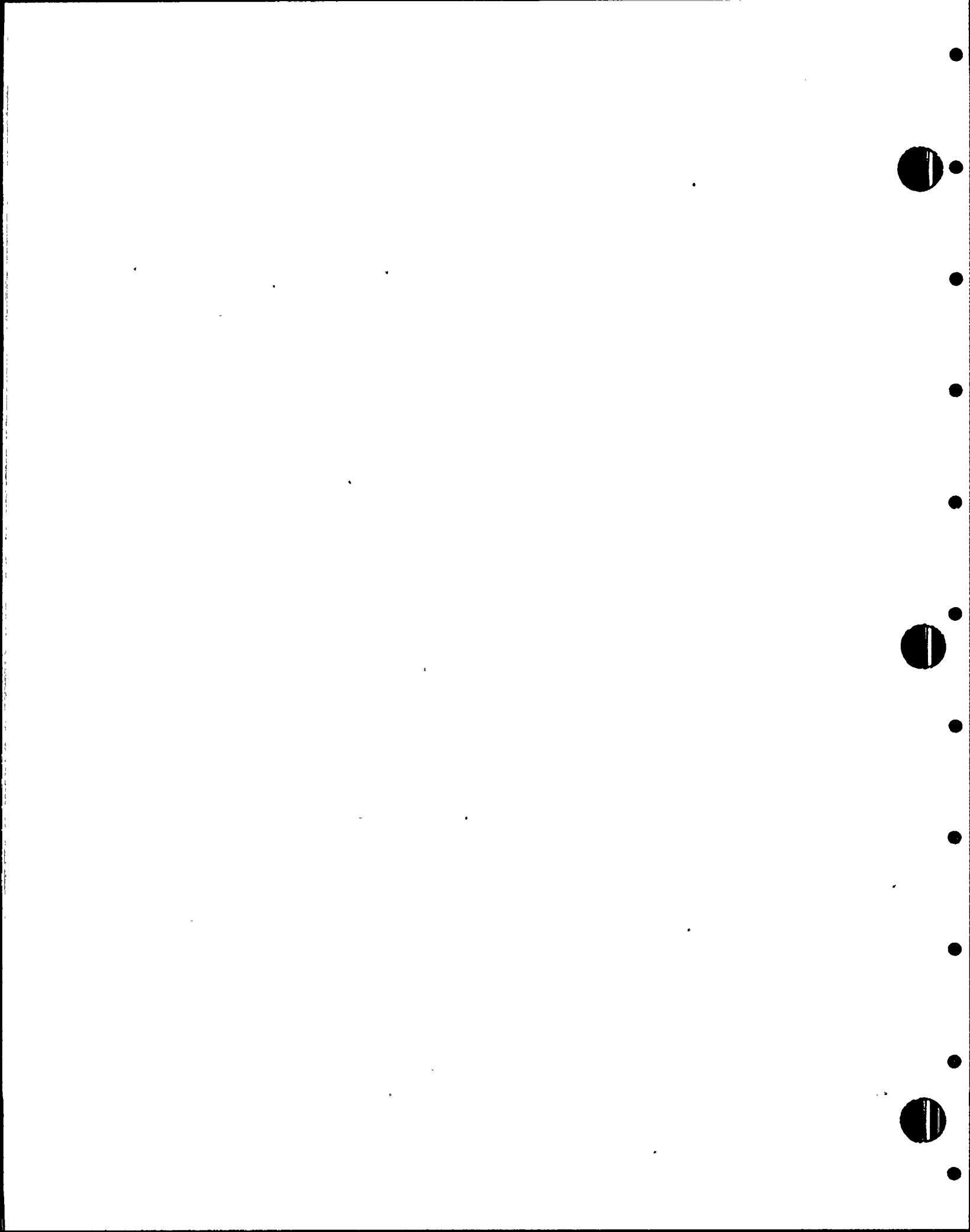
THE FIRST NATIONAL BANK OF
BOSTON, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement dated as of December 16, 1985 with Chrysler Financial Corporation

By _____
Authorized Officer

This Note is one of the series of Notes referred to therein and in the within-mentioned Indenture.

CHEMICAL BANK,
as Indenture Trustee

By _____
Authorized Officer



SCHEDULE 1
TO THE FIXED RATE NOTE
(DUE JANUARY 15, 2012)

Schedule of Principal Amortization

\$95,177,000 Principal Amount

| <u>Payment
Date</u> | <u>Principal
Amount Payable</u> | <u>Principal
Amount Paid</u> |
|-------------------------|-------------------------------------|----------------------------------|
| January 15, 1997 | \$2,643,000 | \$ |
| July 15, 1997 | 2,779,000 | |
| January 15, 1998 | 2,922,000 | |
| July 15, 1998 | 2,181,000 | |
| January 15, 1999 | 2,260,000 | |
| July 15, 1999 | 1,233,000 | |
| January 15, 2000 | 2,377,000 | |
| July 15, 2000 | 1,301,000 | |
| January 15, 2001 | 2,510,000 | |
| July 15, 2001 | 1,373,000 | |
| January 15, 2002 | 2,650,000 | |
| July 15, 2002 | 1,448,000 | |
| January 15, 2003 | 2,798,000 | |
| July 15, 2003 | 1,528,000 | |
| January 15, 2004 | 3,331,000 | |
| July 15, 2004 | 2,119,000 | |
| January 15, 2005 | 2,612,000 | |
| July 15, 2005 | 2,232,000 | |
| January 15, 2006 | 2,755,000 | |
| July 15, 2006 | 2,355,000 | |
| January 15, 2007 | 2,908,000 | |
| July 15, 2007 | 2,485,000 | |
| January 15, 2008 | 3,069,000 | |
| July 15, 2008 | 2,622,000 | |
| January 15, 2009 | 3,534,000 | |
| July 15, 2009 | 5,734,000 | |
| January 15, 2010 | 6,030,000 | |
| July 15, 2010 | 6,340,000 | |

SCHEDULE 1
TO THE FIXED RATE NOTE
(DUE JANUARY 15, 2012)

Schedule of Principal Amortization
(Continued)

| <u>Payment
Date</u> | <u>Principal
Amount Payable</u> | <u>Principal
Amount Paid</u> |
|-------------------------|-------------------------------------|----------------------------------|
| January 15, 2011 | \$6,667,000 | |
| July 15, 2011 | 7,010,000 | |
| January 15, 2012 | 3,371,000 | |
| Principal Amount | <u>\$95,177,000</u> | |

ASSIGNMENT

Date: July 17, 1986

For value received, the undersigned hereby sells, assigns and transfers to CHEMICAL BANK, as Trustee pursuant to the Collateral Trust Indenture dated as of December 16, 1985, as amended and supplemented, among the undersigned, Public Service Company of New Mexico and said Trustee, without recourse, the Fixed Rate Note to which this Assignment is annexed and all rights thereunder.

FIRST PV FUNDING CORPORATION

By _____
President

When Recorded, Return to: Greg R. Nielson
SNELL & WILMER
3100 Valley Bank Center
Phoenix, Arizona 85073

SUPPLEMENTAL INDENTURE NO. 1

dated as of July 15, 1986

To

TRUST INDENTURE, MORTGAGE, SECURITY AGREEMENT AND
ASSIGNMENT OF RENTS

Dated as of December 16, 1985

between

THE FIRST NATIONAL BANK OF BOSTON, not
in its individual capacity, but solely
as Owner Trustee under a Trust
Agreement dated as of December 16,
1985 with Burnham Leasing
Corporation

and

CHEMICAL BANK,
as Indenture Trustee

Original Indenture recorded December 31, 1985, as
Instrument No. 85-623270, re-recorded April 17, 1986,
as Instrument No. 86-187559, and confirmed by docu-
ment recorded April 25, 1986, as Instrument No.
86-203241, all in Maricopa County, Arizona Recorder's
Office.

6091.BURNHAM.2898.10:1

SUPPLEMENTAL INDENTURE No. 1 dated as of July 15, 1986 to Trust Indenture, Mortgage, Security Agreement and Assignment Of Rents dated as of December 16, 1985, between THE FIRST NATIONAL BANK OF BOSTON, a national banking association (FNB), not in its individual capacity, but solely as trustee (the Owner Trustee) under a Trust Agreement dated as of December 16, 1985 between FNB, whose address is 100 Federal Street, Boston, Massachusetts 02110, with Burnham Leasing Corporation, and CHEMICAL BANK, a New York banking corporation (the Indenture Trustee), whose address is 55 Water Street, New York, New York 10041.

W I T N E S S E T H:

WHEREAS, the Owner Trustee and the Indenture Trustee have entered into a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985 (the Indenture) pursuant to which the Owner Trustee has issued the Initial Series Note;

WHEREAS, Section 3.5(1) of the Indenture provides, among other things, that the Initial Series Note may be refunded with Additional Notes;

WHEREAS, Section 3.5(4) of the Indenture provides, among other things, that the Owner Trustee and the Indenture Trustee may enter into indentures supplemental to the Indenture for, among other things, the purpose of establishing the terms, conditions and designations of Additional Notes;

WHEREAS, the Owner Trustee desires to issue Additional Notes to effect a refunding of the Initial Series Note and to enter into this Supplemental Indenture No. 1 to establish the terms, conditions and designations of such Additional Notes;

WHEREAS, Section 10.1 of the Indenture provides that, without the consent of Holders of the Notes Outstanding, the Indenture Trustee may, with the written consent of the Owner Trustee, from time to time and at any time execute a supplement to the Indenture for the purposes set forth in said Section 10.1; and

WHEREAS, the Owner Trustee desires to make the amendments to the Indenture set forth in Section 3 of this Supplemental Indenture No. 1;

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions.

For purposes hereof, capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in Appendix A to the Indenture; provided, however, that, for all purposes of the Indenture, to the extent different from Appendix A thereto, the definitions of Deemed Loss Event, Event of Loss and Final Shutdown shall have the respective meanings set forth in or appended to the Facility Lease as amended from time to time in accordance with its terms and the terms of the Indenture.

SECTION 2. Terms, Conditions and Designations of the Additional Notes.

(a) The Fixed Rate Notes.

There is hereby created and established a separate series of Notes of the Owner Trustee designated "Nonrecourse Promissory Notes, Fixed Rate Series" herein referred to as the Fixed Rate Notes. The Fixed Rate Notes shall be payable as to principal and bear interest on the principal amount thereof as follows:

| <u>Fixed Rate Note
Due</u> | <u>Interest
Rate</u> | <u>Principal
Amount</u> |
|--------------------------------|--------------------------|-----------------------------|
| July 15, 1991 | 8.300% | \$7,017,000 |
| July 15, 1996 | 9.125% | \$12,496,000 |
| January 15, 2013 | 10.300% | \$58,031,000 |
| | | <u>\$77,544,000</u> |

Each Fixed Rate Note shall bear interest on the principal amount thereof from time to time Outstanding from the date thereof until paid at the rate of interest set forth therein. The principal amount of each Fixed Rate Note shall be payable as set forth in Schedule 1 attached thereto. Installments of interest on and principal of (and premium, if any, on) each Fixed Rate Note shall be due and payable on the payment dates specified in Schedule 1 attached thereto. The Fixed Rate Note due July 15, 1991 shall be substantially in the form of Exhibit A-1 to this Supplemental Indenture No. 1. The Fixed Rate Note due July 15, 1996 shall be substantially in the form of Exhibit A-2 to this Supplemental Indenture No. 1. The Fixed Rate Note due January 15, 2013 shall be substantially in the form of Exhibit A-3 to this Supplemental Indenture No. 1.

(b) Certain Adjustments to Amortization Schedules.

The schedule of principal amortization attached to each Fixed Rate Note may be adjusted at the discretion of the Owner Trustee at one time prior to July 15, 1988; provided, however, that no such adjustment shall be made by the Owner Trustee which will increase or reduce the average life of such Fixed Rate Note (calculated in accordance with generally accepted financial practice from the date of initial issuance) by more than six months; provided, however, such adjustment may be made only in connection with an adjustment to Basic Rent pursuant to Section 3(d) of the Facility Lease. If the Owner Trustee shall elect to make the foregoing adjustment, the Owner Trustee shall deliver to the Trustee and to the Lessee at least 60 days prior to the first payment date (specified on the schedule to such Fixed Rate Note) proposed to be affected by such adjustment, a certificate of the Owner Trustee (x) stating that the Owner Trustee has elected to make such adjustment, (y) setting forth the revised schedule of principal amortization for such Fixed Rate Note and (z) attaching calculations showing that the average life of such Fixed Rate Note will not be reduced or increased except as permitted by this paragraph (b). The Trustee may rely on such Owner Trustee certificate and shall

have no duty with respect to the calculations referred to in the foregoing clause (z).

SECTION 3. Amendments.

(a) Amendment to Section 3.5(1).

The proviso to paragraph (1) of Section 3.5 of the Indenture is hereby amended to insert "(if applicable)" immediately following the reference to the "Participation Agreement" appearing in such proviso.

(b) Amendment to Section 3.5(2).

The first sentence of paragraph (2) of Section 3.5 of the Indenture is hereby amended to insert the phrase "not less than 2 Business Days nor more than 30 Business Days" in lieu of the phrase "not less than 10 nor more than 30 days."

(c) Amendment to Section 10.2.

Section 10.2 is hereby amended to insert at the end thereof the following sentence:

"Notwithstanding the foregoing, the Indenture Trustee shall, upon receipt of a written instruction from the Lessee and the Owner Trustee, consent to an amendment of the definitions of "Deemed Loss Event", "Event of Loss" and "Final Shutdown" contained in or appended to the Facility Lease."

SECTION 4. Miscellaneous.

(a) Dating of Supplemental Indenture.

Although this Supplemental Indenture No. 1 is dated for convenience and for the purpose of reference as of the date mentioned, the actual date or dates of execution by the Owner Trustee and the Indenture Trustee are as indicated by their respective acknowledgements hereto annexed.

(b) Counterpart Execution.

This Supplemental Indenture No. 1 may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument.

(c) Execution as Supplemental Indenture.

This Supplemental Indenture No. 1 is executed and shall be construed as an indenture supplemental to the Indenture and, as provided in the Indenture, this Supplemental Indenture No. 1 forms a part thereof.

(d) Disclosure.

Pursuant to Arizona Revised Statutes Section 33-401, the beneficiary of the Trust Agreement is Burnham Leasing Corporation, a Delaware corporation. The address of the beneficiary is 60 Broad Street, New York, New York 10004, Attention: Chief Financial Officer. A copy of the Trust Agreement is available for inspection at the offices of the Owner Trustee at 100 Federal Street, Boston, Massachusetts 02110, Attention of Corporate Trust Division.

IN WITNESS WHEREOF, the Owner Trustee and the Indenture Trustee have each caused this Supplemental Indenture No. 1 to be duly executed by their respective officers thereunto duly authorized, all as of the date first set forth above.

THE FIRST NATIONAL BANK OF
BOSTON, not in its individual
capacity, but solely as Owner
Trustee under the Trust
Agreement dated as of
December 16, 1985, with Burnham
Leasing Corporation

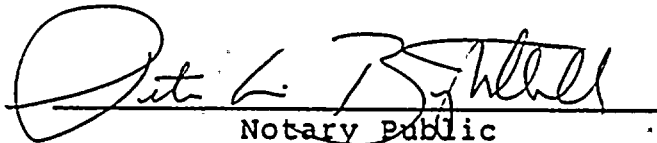
By K. D. Woods
Authorized Officer

CHEMICAL BANK,

By [Signature]
Vice President

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 16th day of July, before me personally came K.D. Woods, to me known, who, being by me duly sworn, did acknowledge, depose and say that he resides at Boston, Massachusetts; that he is an Authorized Officer of THE FIRST NATIONAL BANK OF BOSTON, a national banking association, described in and which executed the foregoing instrument; that he knows the seal of said association; that the seal affixed to said instrument is such seal; that it was so affixed by authority of the by-laws of said association; and that he signed his name thereto on behalf of said association by like order.


Notary Public

[NOTARIAL SEAL]

Term Expires:

PETER LIN BRIGHTBILL
NOTARY PUBLIC, State of New York
NO. 31-4852758
Qualified in New York County
Commission Expires January 21, 1988

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 16th day of July, before me personally came T.J. FOLEY, to me known, who, being by me duly sworn, did acknowledge, depose and say that he resides at Bethpage, New York; that he is a Vice President of CHEMICAL BANK, a New York banking corporation, described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such seal; that it was so affixed by authority of the board of directors of said corporation; and that he signed his name thereto on behalf of said corporation by like order.


Notary Public

[NOTARIAL SEAL]

Term Expires:
PETER LIN BRIGHTBILL
NOTARY PUBLIC, State of New York
NO. 31-4852758
Qualified in New York County
Commission Expires January 21, 1988

EXHIBIT A-1
TO AMENDMENT
NO. 1

FORM OF FIXED RATE NOTE
(DUE JULY 15, 1991)

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED,
SOLD OR OFFERED FOR SALE IN VIOLATION OF SUCH ACT

NONRECOURSE PROMISSORY NOTE, FIXED RATE SERIES
(DUE JULY 15, 1991)

Issued at: New York, New York

Issue Date: July 17, 1986

THE FIRST NATIONAL BANK OF BOSTON, not in its individual capacity, but solely as owner trustee (Owner Trustee) under a Trust Agreement dated as of December 16, 1985 with Burnham Leasing Corporation (the Owner Participant), hereby promises to pay to FIRST PV FUNDING CORPORATION, or registered assigns, the principal sum of Seven Million Seventeen Thousand Dollars (\$7,017,000) on July 15, 1991, together with interest (computed on the basis of a 360-day year of twelve 30-day months) on the aggregate amount of such principal sum remaining unpaid from time to time from the date of this Fixed Rate Note until due and payable, in arrears, at the rate of 8.3% per annum. Payments of principal installments of this Fixed Rate Note shall be made in the "principal amount payable" and on the "payment dates" specified in Schedule 1 hereto. Payments of accrued interest on this Fixed Rate Note shall be made on the "payment dates" specified in Schedule 1 hereto.

Capitalized terms used in this Fixed Rate Note which are not otherwise defined herein shall have the meanings ascribed thereto in the Indenture (as hereinafter defined).

Interest on any overdue principal and premium, if any, and (to the extent permitted by applicable law) any overdue interest shall be paid, on demand, from the due date thereof at the rate per annum equal to 9.3% (computed on the basis of a 360-day year of twelve 30-day months) for the period during which any such principal, premium or interest shall be overdue.

In the event any date on which a payment is due under this Fixed Rate Note is not a Business Day, then payment thereof may be made on the next succeeding Business Day with the same force and effect as if made on the date on which such payment was due.

All payments of principal, premium, if any, and interest to be made by the Owner Trustee hereunder and under the Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985, as at any time heretofore or hereafter amended or supplemented in accordance with the provisions thereof (the Indenture), between the Owner Trustee and Chemical Bank, as Trustee (the Indenture Trustee), shall be made only from the Lease Indenture Estate and the Trust Estate and the Indenture Trustee shall have no obligation for the payment thereof except to the extent that the Indenture Trustee shall have sufficient income or proceeds from the Lease Indenture Estate to make such payments in accordance with the terms of Article V of the Indenture. The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that such Holder will look solely to the Trust Estate and the income and proceeds from the Lease Indenture Estate to the extent available for distribution to the Holder hereof as above provided, and that neither the Owner Participant nor, except as expressly provided in the Indenture, the Owner Trustee nor the Indenture Trustee is or shall be personally liable to the Holder hereof for any amounts payable under this Fixed Rate Note or for any performance to be rendered under the Indenture or any other Transaction Document or for any liability thereunder; provided, however, that in the event the Lessee shall assume all the obligations of the Owner Trustee hereunder and under the Indenture pursuant to Section 3.9(b) of the Indenture, then all the payments

to be made under this Note shall be made only from payments made by the Lessee under this Note in accordance with the Assumption Agreement referred to in said Section 3.9(b) and the Holder of this Note agrees that on such event it will look solely to the Lessee for such payment.

Principal, premium, if any, and interest shall be payable, in the manner provided in the Indenture, on presentment of this Fixed Rate Note at the Indenture Trustee's Office, or as otherwise provided in the Indenture.

In the manner and to the extent provided in the Indenture, Schedule 1 hereto may be adjusted once at the discretion of the Owner Trustee prior to July 15, 1988, in connection with an adjustment to Basic Rent under Section 3(d) of the Facility Lease.

The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that each payment received by it hereunder shall be applied in the manner set forth in Section 3.11 of the Indenture. The Holder of this Fixed Rate Note agrees, by its acceptance hereof, that it will duly note by appropriate means all payments of principal or interest made hereon and that it will not in any event transfer or otherwise dispose of this Fixed Rate Note unless and until all such notations have been duly made.

This Fixed Rate Note is one of the Fixed Rate Notes referred to in the Indenture. The Indenture permits the issuance of additional series of Notes, as provided in Section 3.5 of the Indenture, and the several series may be for varying aggregate principal amounts and may have different maturity dates, interest rates, redemption provisions and other terms. The properties of the Owner Trustee included in the Lease Indenture Estate are pledged to the Indenture Trustee to the extent provided in the Indenture as security for the payment of the principal of and premium, if any, and interest on this Fixed Rate Note and all other Notes issued and outstanding from time to time under the Indenture. Reference is hereby made to the Indenture

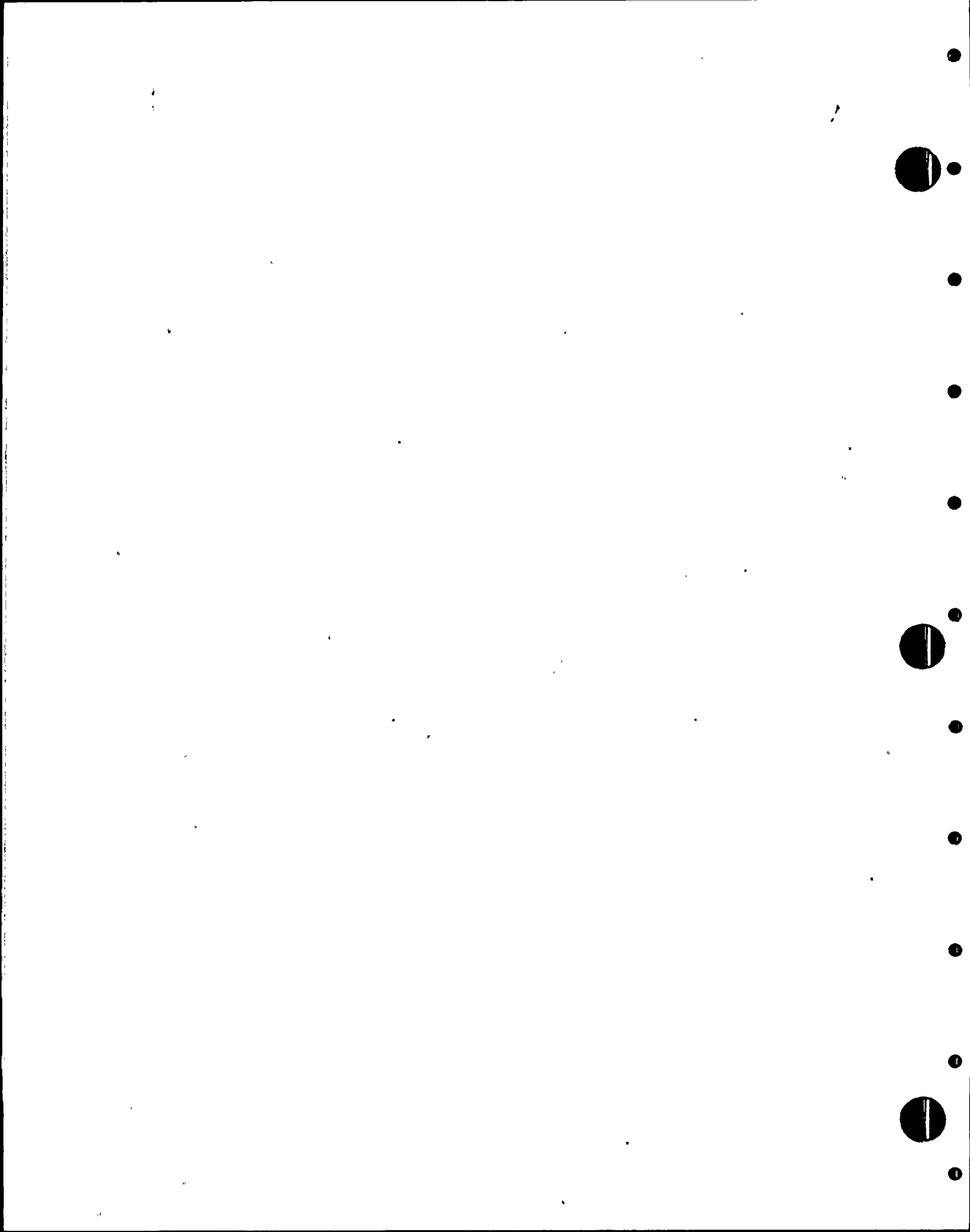
for a statement of the rights of the Holders of, and the nature and extent of the security for, this Fixed Rate Note and of the rights of, and the nature and extent of the security for, the Holders of the other Notes and of certain rights of the Owner Trustee, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions the Holder hereof agrees by its acceptance of this Fixed Rate Note.

This Fixed Rate Note is not subject to prepayment in whole or in part.

In case an Indenture Event of Default shall occur and be continuing, the unpaid balance of the principal of this Fixed Rate Note and any other Notes, together with all accrued but unpaid interest thereon, may, subject to certain rights of the Owner Trustee or the Owner Participant contained or referred to in the Indenture, be declared or may become due and payable in the manner and with the effect provided in the Indenture. Upon such declaration there shall also be due and payable as a special premium on this Fixed Rate Note an amount equal to a ratable portion of the fees and expenses then payable to the Collateral Trust Trustee, as certified to the Indenture Trustee by the Collateral Trust Trustee.

The lien upon the Lease Indenture Estate is subject to being legally discharged prior to the maturity of this Fixed Rate Note upon the deposit with the Indenture Trustee of cash or certain securities sufficient to pay this Fixed Rate Note when due or an assumption of the obligation of the Owner Trustee under this Fixed Rate Note and the Indenture, in each case in accordance with the terms of the Indenture.

There shall be maintained at the Indenture Trustee's Office a register for the purpose of registering transfers and exchanges of Notes in the manner provided in the Indenture. The transfer of this Fixed Rate Note is registrable, as provided in the Indenture, upon surrender of this Fixed Rate Note for registration of transfer duly accompanied by a written instrument of



transfer duly executed by or on behalf of the registered Holder hereof, together with the amount of any applicable transfer taxes. Prior to due presentment for registration of transfer of this Fixed Rate Note, the Owner Trustee and the Indenture Trustee may treat the person in whose name this Fixed Rate Note is registered as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Fixed Rate Note and for all other purposes whatsoever, whether or not this Fixed Rate Note be overdue, and neither the Owner Trustee nor the Indenture Trustee shall be affected by notice to the contrary.

This Fixed Rate Note shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Owner Trustee has caused this Fixed Rate Note to be duly executed as of the date hereof.

THE FIRST NATIONAL BANK OF
BOSTON, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement dated as of December 16, 1985 with Burnham Leasing Corporation

By _____
Authorized Officer

This Note is one of the series of Notes referred to therein and in the within-mentioned Indenture.

CHEMICAL BANK,
as Indenture Trustee

By _____
Authorized Officer

SCHEDULE 1
TO THE FIXED RATE NOTE
(DUE JULY 15, 1991)

Schedule of Principal Amortization

\$7,017,000 Principal Amount

| <u>Payment
Date</u> | <u>Principal
Amount Payable</u> | <u>Principal
Amount Paid</u> |
|-------------------------|-------------------------------------|----------------------------------|
| January 15, 1987 | \$ 0 | \$ |
| July 15, 1987 | 232,000 | |
| January 15, 1988 | 732,000 | |
| July 15, 1988 | 763,000 | |
| January 15, 1989 | 794,000 | |
| July 15, 1989 | 827,000 | |
| January 15, 1990 | 862,000 | |
| July 15, 1990 | 898,000 | |
| January 15, 1991 | 935,000 | |
| July 15, 1991 | <u>974,000</u> | |
| Principal Amount | <u>\$7,017,000</u> | |

ASSIGNMENT

Date: July 17, 1986

For value received, the undersigned hereby sells, assigns and transfers to CHEMICAL BANK, as Trustee pursuant to the Collateral Trust Indenture dated as of December 16, 1985, as amended and supplemented, among the undersigned, Public Service Company of New Mexico and said Trustee, without recourse, the Fixed Rate Note to which this Assignment is annexed and all rights thereunder.

FIRST PV FUNDING CORPORATION

By _____
President

EXHIBIT A-2
TO AMENDMENT
NO. 1

FORM OF FIXED RATE NOTE
(DUE JULY 15, 1996)

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED,
SOLD OR OFFERED FOR SALE IN VIOLATION OF SUCH ACT

NONRECOURSE PROMISSORY NOTE, FIXED RATE SERIES
(DUE JULY 15, 1996)

Issued at: New York, New York

Issue Date: July 17, 1986

THE FIRST NATIONAL BANK OF BOSTON, not in its individual capacity, but solely as owner trustee (Owner Trustee) under a Trust Agreement dated as of December 16, 1985 with Burnham Leasing Corporation (the Owner Participant), hereby promises to pay to FIRST PV FUNDING CORPORATION, or registered assigns, the principal sum of Twelve Million Four Hundred and Ninety-Six Thousand Dollars (\$12,496,000) on July 15, 1996, together with interest (computed on the basis of a 360-day year of twelve 30-day months) on the aggregate amount of such principal sum remaining unpaid from time to time from the date of this Fixed Rate Note until due and payable, in arrears, at the rate of 9.125% per annum. Payments of principal installments of this Fixed Rate Note shall be made in the "principal amount payable" and on the "payment dates" specified in Schedule 1 hereto. Payments of accrued interest on this Fixed Rate Note shall be made on the "payment dates" specified in Schedule 1 hereto.

Capitalized terms used in this Fixed Rate Note which are not otherwise defined herein shall have the meanings ascribed thereto in the Indenture (as hereinafter defined).

Interest on any overdue principal and premium, if any, and (to the extent permitted by applicable law) any overdue interest shall be paid, on demand, from the due date thereof at the rate per annum equal to 10.125% (computed on the basis of a 360-day year of twelve 30-day months) for the period during which any such principal, premium or interest shall be overdue.

In the event any date on which a payment is due under this Fixed Rate Note is not a Business Day, then payment thereof may be made on the next succeeding Business Day with the same force and effect as if made on the date on which such payment was due.

All payments of principal, premium, if any, and interest to be made by the Owner Trustee hereunder and under the Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985, as at any time heretofore or hereafter amended or supplemented in accordance with the provisions thereof (the Indenture), between the Owner Trustee and Chemical Bank, as Trustee (the Indenture Trustee), shall be made only from the Lease Indenture Estate and the Trust Estate and the Indenture Trustee shall have no obligation for the payment thereof except to the extent that the Indenture Trustee shall have sufficient income or proceeds from the Lease Indenture Estate to make such payments in accordance with the terms of Article V of the Indenture. The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that such Holder will look solely to the Trust Estate and the income and proceeds from the Lease Indenture Estate to the extent available for distribution to the Holder hereof as above provided, and that neither the Owner Participant nor, except as expressly provided in the Indenture, the Owner Trustee nor the Indenture Trustee is or shall be personally liable to the Holder hereof for any amounts payable under this Fixed Rate Note or for any performance to be rendered under the Indenture or any other Transaction Document or for any liability thereunder; provided, however, that in the event the Lessee shall assume all the obligations of the Owner Trustee hereunder and under the Indenture pursuant to

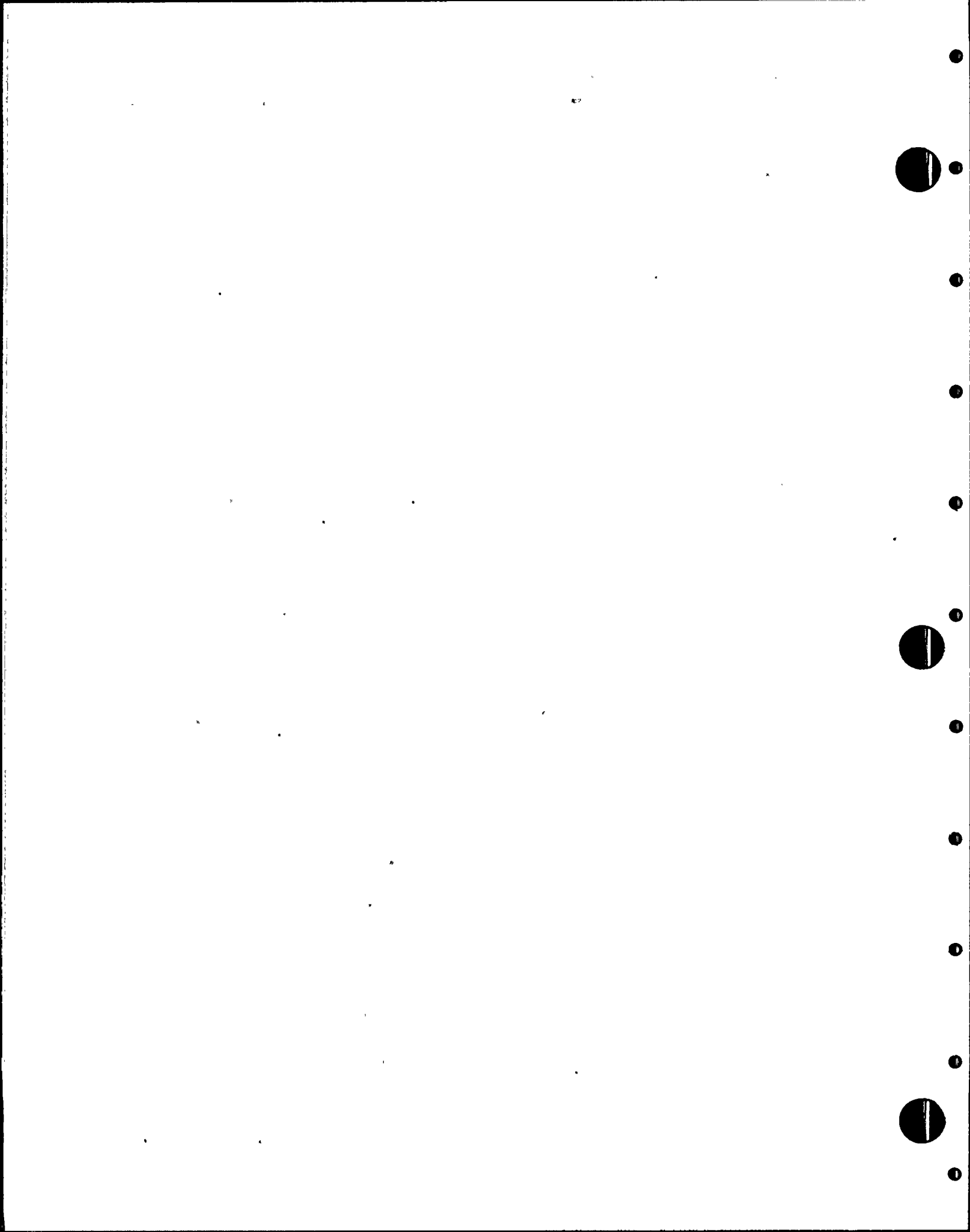
Section 3.9(b) of the Indenture, then all the payments to be made under this Note shall be made only from payments made by the Lessee under this Note in accordance with the Assumption Agreement referred to in said Section 3.9(b) and the Holder of this Note agrees that on such event it will look solely to the Lessee for such payment.

Principal, premium, if any, and interest shall be payable, in the manner provided in the Indenture, on presentment of this Fixed Rate Note at the Indenture Trustee's Office, or as otherwise provided in the Indenture.

In the manner and to the extent provided in the Indenture, Schedule 1 hereto may be adjusted once at the discretion of the Owner Trustee prior to July 15, 1988, in connection with an adjustment to Basic Rent under Section 3(d) of the Facility Lease.

The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that each payment received by it hereunder shall be applied in the manner set forth in Section 3.11 of the Indenture. The Holder of this Fixed Rate Note agrees, by its acceptance hereof, that it will duly note by appropriate means all payments of principal or interest made hereon and that it will not in any event transfer or otherwise dispose of this Fixed Rate Note unless and until all such notations have been duly made.

This Fixed Rate Note is one of the Fixed Rate Notes referred to in the Indenture. The Indenture permits the issuance of additional series of Notes, as provided in Section 3.5 of the Indenture, and the several series may be for varying aggregate principal amounts and may have different maturity dates, interest rates, redemption provisions and other terms. The properties of the Owner Trustee included in the Lease Indenture Estate are pledged to the Indenture Trustee to the extent provided in the Indenture as security for the payment of the principal of and premium, if any, and interest on this Fixed Rate Note and all other Notes issued and outstanding from time to time under the



Indenture. Reference is hereby made to the Indenture for a statement of the rights of the Holders of, and the nature and extent of the security for, this Fixed Rate Note and of the rights of, and the nature and extent of the security for, the Holders of the other Notes and of certain rights of the Owner Trustee, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions the Holder hereof agrees by its acceptance of this Fixed Rate Note.

This Fixed Rate Note may be prepaid in whole or in part at any time by the Owner Trustee as follows: upon the giving of not less than 30 days' notice as provided in the Indenture and at the following prepayment prices (expressed as a percentage of the unpaid principal amount hereof), together with interest accrued to the date fixed for prepayment: 109.125% of its principal amount, such percentage to decline by 1.304 on July 15, 1987 and on each second anniversary thereof and by 1.303 on July 15, 1988 and on each second anniversary thereof until such date as such percentage shall be 100%, and 100% thereafter; provided, however, that no such prepayment shall be made prior to July 15, 1991, directly or indirectly, as a part of, or in anticipation of, any refunding operation involving the incurrence of indebtedness by the Owner Trustee, the Lessee or any Affiliate of either thereof if such indebtedness has an effective interest cost to the Owner Trustee, the Lessee or such Affiliate, as the case may be (computed in accordance with generally accepted accounting practice) of less than 9.125% per annum. This Fixed Rate Note is not otherwise subject to prepayment in whole or in part.

In case an Indenture Event of Default shall occur and be continuing, the unpaid balance of the principal of this Fixed Rate Note and any other Notes, together with all accrued but unpaid interest thereon, may, subject to certain rights of the Owner Trustee or the Owner Participant contained or referred to in the Indenture, be declared or may become due and payable in the manner and with the effect provided in the Indenture. Upon such declaration there shall also be

due and payable as a special premium on this Fixed Rate Note an amount equal to a ratable portion of the fees and expenses then payable to the Collateral Trust Trustee, as certified to the Indenture Trustee by the Collateral Trust Trustee.

The lien upon the Lease Indenture Estate is subject to being legally discharged prior to the maturity of this Fixed Rate Note upon the deposit with the Indenture Trustee of cash or certain securities sufficient to pay this Fixed Rate Note when due or an assumption of the obligation of the Owner Trustee under this Fixed Rate Note and the Indenture, in each case in accordance with the terms of the Indenture.

There shall be maintained at the Indenture Trustee's Office a register for the purpose of registering transfers and exchanges of Notes in the manner provided in the Indenture. The transfer of this Fixed Rate Note is registrable, as provided in the Indenture, upon surrender of this Fixed Rate Note for registration of transfer duly accompanied by a written instrument of transfer duly executed by or on behalf of the registered Holder hereof, together with the amount of any applicable transfer taxes. Prior to due presentment for registration of transfer of this Fixed Rate Note, the Owner Trustee and the Indenture Trustee may treat the person in whose name this Fixed Rate Note is registered as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Fixed Rate Note and for all other purposes whatsoever, whether or not this Fixed Rate Note be overdue, and neither the Owner Trustee nor the Indenture Trustee shall be affected by notice to the contrary.

This Fixed Rate Note shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Owner Trustee has caused this Fixed Rate Note to be duly executed as of the date hereof.

THE FIRST NATIONAL BANK OF
BOSTON, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement dated as of December 16, 1985 with Burnham Leasing Corporation

By _____
Authorized Officer

This Note is one of the series of Notes referred to therein and in the within-mentioned Indenture.

CHEMICAL BANK,
as Indenture Trustee

By _____
Authorized Officer

SCHEDULE 1
TO THE FIXED RATE NOTE
(DUE JULY 15, 1996)

Schedule of Principal Amortization

\$12,496,000 Principal Amount

| <u>Payment
Date</u> | <u>Principal
Amount Payable</u> | <u>Principal
Amount Paid</u> |
|-------------------------|-------------------------------------|----------------------------------|
| January 15, 1992 | \$1,014,000 | \$ |
| July 15, 1992 | 1,060,000 | |
| January 15, 1993 | 1,109,000 | |
| July 15, 1993 | 1,159,000 | |
| January 15, 1994 | 1,212,000 | |
| July 15, 1994 | 1,267,000 | |
| January 15, 1995 | 1,325,000 | |
| July 15, 1995 | 1,386,000 | |
| January 15, 1996 | 1,449,000 | |
| July 15, 1996 | <u>1,515,000</u> | |
| Principal Amount | <u>\$12,496,000</u> | |

ASSIGNMENT

Date: July 17, 1986

For value received, the undersigned hereby sells, assigns and transfers to CHEMICAL BANK, as Trustee pursuant to the Collateral Trust Indenture dated as of December 16, 1985, as amended and supplemented, among the undersigned, Public Service Company of New Mexico and said Trustee, without recourse, the Fixed Rate Note to which this Assignment is annexed and all rights thereunder.

FIRST PV FUNDING CORPORATION

By _____
President

EXHIBIT A-3
TO AMENDMENT
NO. 1

FORM OF FIXED RATE NOTE
(DUE JANUARY 15, 2013)

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED,
SOLD OR OFFERED FOR SALE IN VIOLATION OF SUCH ACT

NONRECOURSE PROMISSORY NOTE, FIXED RATE SERIES
(DUE JANUARY 15, 2013)

Issued at: New York, New York

Issue Date: July 17, 1986

THE FIRST NATIONAL BANK OF BOSTON, not in its individual capacity, but solely as owner trustee (Owner Trustee) under a Trust Agreement dated as of December 16, 1985 with Burnham Leasing Corporation (the Owner Participant), hereby promises to pay to FIRST PV FUNDING CORPORATION, or registered assigns, the principal sum of Fifty-Eight Million Thirty-One Thousand Dollars (\$58,031,000) on January 15, 2013, together with interest (computed on the basis of a 360-day year of twelve 30-day months) on the aggregate amount of such principal sum remaining unpaid from time to time from the date of this Fixed Rate Note until due and payable, in arrears, at the rate of 10.3% per annum. Payments of principal installments of this Fixed Rate Note shall be made in the "principal amount payable" and on the "payment dates" specified in Schedule 1 hereto. Payments of accrued interest on this Fixed Rate Note shall be made on the "payment dates" specified in Schedule 1 hereto.

Capitalized terms used in this Fixed Rate Note which are not otherwise defined herein shall have the meanings ascribed thereto in the Indenture (as hereinafter defined).

Interest on any overdue principal and premium, if any, and (to the extent permitted by applicable law) any overdue interest shall be paid, on demand, from the due date thereof at the rate per annum equal to 11.3% (computed on the basis of a 360-day year of twelve 30-day months) for the period during which any such principal, premium or interest shall be overdue.

In the event any date on which a payment is due under this Fixed Rate Note is not a Business Day, then payment thereof may be made on the next succeeding Business Day with the same force and effect as if made on the date on which such payment was due.

All payments of principal, premium, if any, and interest to be made by the Owner Trustee hereunder and under the Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985, as at any time heretofore or hereafter amended or supplemented in accordance with the provisions thereof (the Indenture), between the Owner Trustee and Chemical Bank, as Trustee (the Indenture Trustee), shall be made only from the Lease Indenture Estate and the Trust Estate and the Indenture Trustee shall have no obligation for the payment thereof except to the extent that the Indenture Trustee shall have sufficient income or proceeds from the Lease Indenture Estate to make such payments in accordance with the terms of Article V of the Indenture. The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that such Holder will look solely to the Trust Estate and the income and proceeds from the Lease Indenture Estate to the extent available for distribution to the Holder hereof as above provided, and that neither the Owner Participant nor, except as expressly provided in the Indenture, the Owner Trustee nor the Indenture Trustee is or shall be personally liable to the Holder hereof for any amounts payable under this Fixed Rate Note or for any performance to be rendered under the Indenture or any other Transaction Document or for any liability thereunder; provided, however, that in the event the Lessee shall assume all the obligations of the Owner Trustee hereunder and under the Indenture pursuant to Section 3.9(b) of the Indenture, then all the payments

to be made under this Note shall be made only from payments made by the Lessee under this Note in accordance with the Assumption Agreement referred to in said Section 3.9(b) and the Holder of this Note agrees that on such event it will look solely to the Lessee for such payment.

Principal, premium, if any, and interest shall be payable, in the manner provided in the Indenture, on presentment of this Fixed Rate Note at the Indenture Trustee's Office, or as otherwise provided in the Indenture.

In the manner and to the extent provided in the Indenture, Schedule 1 hereto may be adjusted once at the discretion of the Owner Trustee prior to July 15, 1988, in connection with an adjustment to Basic Rent under Section 3(d) of the Facility Lease.

The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that each payment received by it hereunder shall be applied in the manner set forth in Section 3.11 of the Indenture. The Holder of this Fixed Rate Note agrees, by its acceptance hereof, that it will duly note by appropriate means all payments of principal or interest made hereon and that it will not in any event transfer or otherwise dispose of this Fixed Rate Note unless and until all such notations have been duly made.

This Fixed Rate Note is one of the Fixed Rate Notes referred to in the Indenture. The Indenture permits the issuance of additional series of Notes, as provided in Section 3.5 of the Indenture, and the several series may be for varying aggregate principal amounts and may have different maturity dates, interest rates, redemption provisions and other terms. The properties of the Owner Trustee included in the Lease Indenture Estate are pledged to the Indenture Trustee to the extent provided in the Indenture as security for the payment of the principal of and premium, if any, and interest on this Fixed Rate Note and all other Notes issued and outstanding from time to time under the Indenture. Reference is hereby made to the Indenture

for a statement of the rights of the Holders of, and the nature and extent of the security for, this Fixed Rate Note and of the rights of, and the nature and extent of the security for, the Holders of the other Notes and of certain rights of the Owner Trustee, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions the Holder hereof agrees by its acceptance of this Fixed Rate Note.

This Fixed Rate Note is subject to prepayment in whole as contemplated by Section 5.2 of the Indenture and in the circumstances therein described. In addition, this Fixed Rate Note may be prepaid in whole or in part at any time by the Owner Trustee as follows: upon the giving of not less than 30 days' notice as provided in the Indenture and at the following prepayment prices (expressed as a percentage of the unpaid principal amount hereof), together with interest accrued to the date fixed for prepayment: 110.3% of its principal amount, such percentage to decline by .412 on July 15, 1987 and each anniversary thereof, until such date as such percentage shall be 100%, and 100% thereafter; provided, however, that no such prepayment shall be made prior to July 15, 1991, directly or indirectly, as a part of, or in anticipation of, any refunding operation involving the incurrence of indebtedness by the Owner Trustee, the Lessee or any Affiliate of either thereof if such indebtedness has an effective interest cost to the Owner Trustee, the Lessee or such Affiliate, as the case may be (computed in accordance with generally accepted accounting practice) of less than 10.3% per annum. This Fixed Rate Note is not otherwise subject to prepayment in whole or in part.

In case an Indenture Event of Default shall occur and be continuing, the unpaid balance of the principal of this Fixed Rate Note and any other Notes, together with all accrued but unpaid interest thereon, may, subject to certain rights of the Owner Trustee or the Owner Participant contained or referred to in the Indenture, be declared or may become due and payable in the manner and with the effect provided in the Indenture. Upon such declaration there shall also be

due and payable as a special premium on this Fixed Rate Note an amount equal to a ratable portion of the fees and expenses then payable to the Collateral Trust Trustee, as certified to the Indenture Trustee by the Collateral Trust Trustee.

The lien upon the Lease Indenture Estate is subject to being legally discharged prior to the maturity of this Fixed Rate Note upon the deposit with the Indenture Trustee of cash or certain securities sufficient to pay this Fixed Rate Note when due or an assumption of the obligation of the Owner Trustee under this Fixed Rate Note and the Indenture, in each case in accordance with the terms of the Indenture.

There shall be maintained at the Indenture Trustee's Office a register for the purpose of registering transfers and exchanges of Notes in the manner provided in the Indenture. The transfer of this Fixed Rate Note is registrable, as provided in the Indenture, upon surrender of this Fixed Rate Note for registration of transfer duly accompanied by a written instrument of transfer duly executed by or on behalf of the registered Holder hereof, together with the amount of any applicable transfer taxes. Prior to due presentment for registration of transfer of this Fixed Rate Note, the Owner Trustee and the Indenture Trustee may treat the person in whose name this Fixed Rate Note is registered as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Fixed Rate Note and for all other purposes whatsoever, whether or not this Fixed Rate Note be overdue, and neither the Owner Trustee nor the Indenture Trustee shall be affected by notice to the contrary.

This Fixed Rate Note shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Owner Trustee has caused this Fixed Rate Note to be duly executed as of the date hereof.

THE FIRST NATIONAL BANK OF
BOSTON, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement dated as of December 16, 1985 with Burnham Leasing Corporation

By _____
Authorized Officer

This Note is one of the series of Notes referred to therein and in the within-mentioned Indenture.

CHEMICAL BANK,
as Indenture Trustee

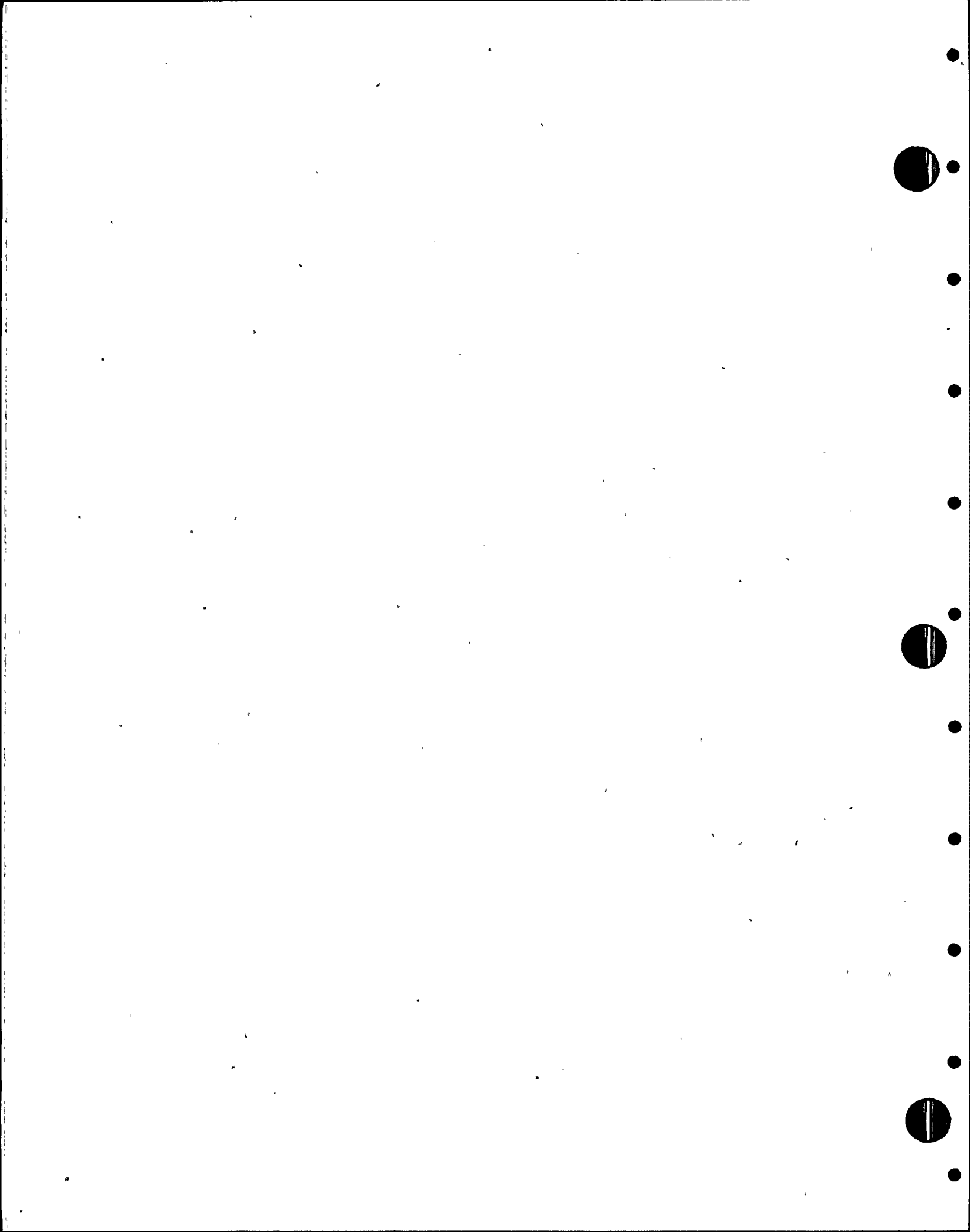
By _____
Authorized Officer

SCHEDULE 1
TO THE FIXED RATE NOTE
(DUE JANUARY 15, 2013)

Schedule of Principal Amortization

\$58,031,000 Principal Amount

| <u>Payment
Date</u> | <u>Principal
Amount Payable</u> | <u>Principal
Amount Paid</u> |
|-------------------------|-------------------------------------|----------------------------------|
| January 15, 1997 | \$1,584,000 | \$ |
| July 15, 1997 | 1,666,000 | |
| January 15, 1998 | 1,751,000 | |
| July 15, 1998 | 1,078,000 | |
| January 15, 1999 | 1,337,000 | |
| July 15, 1999 | 739,000 | |
| January 15, 2000 | 1,411,000 | |
| July 15, 2000 | 779,000 | |
| January 15, 2001 | 1,490,000 | |
| July 15, 2001 | 822,000 | |
| January 15, 2002 | 1,573,000 | |
| July 15, 2002 | 867,000 | |
| January 15, 2003 | 1,661,000 | |
| July 15, 2003 | 915,000 | |
| January 15, 2004 | 1,754,000 | |
| July 15, 2004 | 965,000 | |
| January 15, 2005 | 1,851,000 | |
| July 15, 2005 | 1,587,000 | |
| January 15, 2006 | 1,626,000 | |
| July 15, 2006 | 1,417,000 | |
| January 15, 2007 | 1,715,000 | |
| July 15, 2007 | 1,495,000 | |
| January 15, 2008 | 1,810,000 | |
| July 15, 2008 | 1,577,000 | |
| January 15, 2009 | 1,910,000 | |
| July 15, 2009 | 1,664,000 | |
| January 15, 2010 | 2,016,000 | |
| July 15, 2010 | 1,782,000 | |



SCHEDULE 1
TO THE FIXED RATE NOTE
(DUE JANUARY 15, 2013)

Schedule of Principal Amortization
(Continued)

| <u>Payment
Date</u> | <u>Principal
Amount Payable</u> | <u>Principal
Amount Paid</u> |
|-------------------------|-------------------------------------|----------------------------------|
| January 15, 2011 | \$3,687,000 | |
| July 15, 2011 | 3,877,000 | |
| January 15, 2012 | 4,077,000 | |
| July 15, 2012 | 4,287,000 | |
| January 15, 2013 | <u>1,261,000</u> | |
| Principal Amount | <u><u>\$58,031,000</u></u> | |

ASSIGNMENT

Date: July 17, 1986

For value received, the undersigned hereby sells, assigns and transfers to CHEMICAL BANK, as Trustee pursuant to the Collateral Trust Indenture dated as of December 16, 1985, as amended and supplemented, among the undersigned, Public Service Company of New Mexico and said Trustee, without recourse, the Fixed Rate Note to which this Assignment is annexed and all rights thereunder.

FIRST PV FUNDING CORPORATION

By _____
President

When Recorded, Return to: Greg R. Nielson
SNELL & WILMER
3100 Valley Bank Center
Phoenix, Arizona 85073

SUPPLEMENTAL INDENTURE NO. 1

dated as of July 15, 1986

To

TRUST INDENTURE, MORTGAGE, SECURITY AGREEMENT AND
ASSIGNMENT OF RENTS

Dated as of December 16, 1985

between

THE FIRST NATIONAL BANK OF BOSTON, not
in its individual capacity, but solely
as Owner Trustee under a Trust
Agreement dated as of December 16,
1985 with MFS Leasing Corp.

and

CHEMICAL BANK,
as Indenture Trustee

Original Indenture recorded December 31, 1985, as
Instrument No. 85-623277, re-recorded April 17, 1986,
as Instrument No. 86-187562, and confirmed by docu-
ment recorded April 25, 1986, as Instrument No.
86-203240, all in Maricopa County, Arizona Recorder's
Office.

SUPPLEMENTAL INDENTURE No. 1 dated as of July 15, 1986 to Trust Indenture, Mortgage, Security Agreement and Assignment Of Rents dated as of December 16, 1985, between THE FIRST NATIONAL BANK OF BOSTON, a national banking association (FNB), not in its individual capacity, but solely as trustee (the Owner Trustee) under a Trust Agreement dated as of December 16, 1985 between FNB, whose address is 100 Federal Street, Boston, Massachusetts 02110, with MFS Leasing Corp., and CHEMICAL BANK, a New York banking corporation (the Indenture Trustee), whose address is 55 Water Street, New York, New York 10041.

W I T N E S S E T H:

WHEREAS, the Owner Trustee and the Indenture Trustee have entered into a Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985 (the Indenture) pursuant to which the Owner Trustee has issued the Initial Series Note;

WHEREAS, Section 3.5(1) of the Indenture provides, among other things, that the Initial Series Note may be refunded with Additional Notes;

WHEREAS, Section 3.5(4) of the Indenture provides, among other things, that the Owner Trustee and the Indenture Trustee may enter into indentures supplemental to the Indenture for, among other things, the purpose of establishing the terms, conditions and designations of Additional Notes;

WHEREAS, the Owner Trustee desires to issue Additional Notes to effect a refunding of the Initial Series Note and to enter into this Supplemental Indenture No. 1 to establish the terms, conditions and designations of such Additional Notes;

WHEREAS, Section 10.1 of the Indenture provides that, without the consent of Holders of the Notes Outstanding, the Indenture Trustee may, with the written consent of the Owner Trustee, from time to time and at any time execute a supplement to the Indenture for the purposes set forth in said Section 10.1; and

WHEREAS, the Owner Trustee desires to make the amendments to the Indenture set forth in Section 3 of this Supplemental Indenture No. 1;

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions.

For purposes hereof, capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in Appendix A to the Indenture; provided, however, that, for all purposes of the Indenture, to the extent different from Appendix A thereto, the definitions of Deemed Loss Event, Event of Loss and Final Shutdown shall have the respective meanings set forth in or appended to the Facility Lease as amended from time to time in accordance with its terms and the terms of the Indenture.

SECTION 2. Terms, Conditions and Designations of the Additional Notes.

(a) The Fixed Rate Notes.

There is hereby created and established a separate series of Notes of the Owner Trustee designated "Nonrecourse Promissory Notes, Fixed Rate Series" herein referred to as the Fixed Rate Notes. The Fixed Rate Notes shall be payable as to principal and bear interest on the principal amount thereof as follows:

| <u>Fixed Rate Note
Due</u> | <u>Interest
Rate</u> | <u>Principal
Amount</u> |
|--------------------------------|--------------------------|-----------------------------|
| July 15, 1991 | 8.300% | \$4,693,000 |
| July 15, 1996 | 9.125% | \$7,185,000 |
| January 15, 2014 | 10.300% | \$34,605,000 |
| | | <u>\$46,483,000</u> |

Each Fixed Rate Note shall bear interest on the principal amount thereof from time to time Outstanding from the date thereof until paid at the rate of interest set forth therein. The principal amount of each Fixed Rate Note shall be payable as set forth in Schedule 1 attached thereto. Installments of interest on and principal of (and premium, if any, on) each Fixed Rate Note shall be due and payable on the payment dates specified in Schedule 1 attached thereto. The Fixed Rate Note due July 15, 1991 shall be substantially in the form of Exhibit A-1 to this Supplemental Indenture No. 1. The Fixed Rate Note due July 15, 1996 shall be substantially in the form of Exhibit A-2 to this Supplemental Indenture No. 1. The Fixed Rate Note due January 15, 2014 shall be substantially in the form of Exhibit A-3 to this Supplemental Indenture No. 1.

(b) Certain Adjustments to Amortization Schedules.

The schedule of principal amortization attached to each Fixed Rate Note may be adjusted at the discretion of the Owner Trustee at one time prior to July 15, 1988; provided, however, that no such adjustment shall be made by the Owner Trustee which will increase or reduce the average life of such Fixed Rate Note (calculated in accordance with generally accepted financial practice from the date of initial issuance) by more than six months; provided, however, such adjustment may be made only in connection with an adjustment to Basic Rent pursuant to Section 3(d) of the Facility Lease. If the Owner Trustee shall elect to make the foregoing adjustment, the Owner Trustee shall deliver to the Trustee and to the Lessee at least 60 days prior to the first payment date (specified on the schedule to such Fixed Rate Note) proposed to be affected by such adjustment, a certificate of the Owner Trustee (x) stating that the Owner Trustee has elected to make such adjustment, (y) setting forth the revised schedule of principal amortization for such Fixed Rate Note and (z) attaching calculations showing that the average life of such Fixed Rate Note will not be reduced or increased except as permitted by this paragraph (b). The Trustee may rely on such Owner Trustee certificate and shall

have no duty with respect to the calculations referred to in the foregoing clause (2).

SECTION 3. Amendments.

(a) Amendment to Section 3.5(1).

The proviso to paragraph (1) of Section 3.5 of the Indenture is hereby amended to insert "(if applicable)" immediately following the reference to the "Participation Agreement" appearing in such proviso.

(b) Amendment to Section 3.5(2).

The first sentence of paragraph (2) of Section 3.5 of the Indenture is hereby amended to insert the phrase "not less than 2 Business Days nor more than 30 Business Days" in lieu of the phrase "not less than 10 nor more than 30 days."

(c) Amendment to Section 10.2.

Section 10.2 is hereby amended to insert at the end thereof the following sentence:

"Notwithstanding the foregoing, the Indenture Trustee shall, upon receipt of a written instruction from the Lessee and the Owner Trustee, consent to an amendment of the definitions of "Deemed Loss Event", "Event of Loss" and "Final Shutdown" contained in or appended to the Facility Lease."

SECTION 4. Miscellaneous.

(a) Dating of Supplemental Indenture.

Although this Supplemental Indenture No. 1 is dated for convenience and for the purpose of reference as of the date mentioned, the actual date or dates of execution by the Owner Trustee and the Indenture Trustee are as indicated by their respective acknowledgements hereto annexed.

(b) Counterpart Execution.

This Supplemental Indenture No. 1 may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute but one and the same instrument.

(c) Execution as Supplemental Indenture.

This Supplemental Indenture No. 1 is executed and shall be construed as an indenture supplemental to the Indenture and, as provided in the Indenture, this Supplemental Indenture No. 1 forms a part thereof.

(d) Disclosure.

Pursuant to Arizona Revised Statutes Section 33-401, the beneficiary of the Trust Agreement is MFS Leasing Corp., a Delaware corporation. The address of the beneficiary is One Mellon Bank Center, Suite 3030, Pittsburgh, Pennsylvania 15258, Attention: President. A copy of the Trust Agreement is available for inspection at the offices of the Owner Trustee at 100 Federal Street, Boston, Massachusetts 02110, Attention of Corporate Trust Division.

IN WITNESS WHEREOF, the Owner Trustee and the Indenture Trustee have each caused this Supplemental Indenture No. 1 to be duly executed by their respective officers thereunto duly authorized, all as of the date first set forth above.

THE FIRST NATIONAL BANK OF
BOSTON, not in its individual
capacity, but solely as Owner
Trustee under the Trust
Agreement, dated as of
December 16, 1985, with MFS
Leasing Corp.

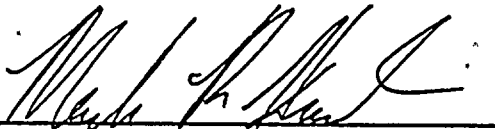
By K.D. Woods
Authorized Officer

CHEMICAL BANK,

By [Signature]
Vice President

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On the 16th day of July, before me personally came K.D. Woods, to me known, who, being by me duly sworn, did acknowledge, depose and say that he resides at Boston, Massachusetts; that he is an Authorized Officer of THE FIRST NATIONAL BANK OF BOSTON, a national banking association, described in and which executed the foregoing instrument; that he knows the seal of said association; that the seal affixed to said instrument is such seal; that it was so affixed by authority of the by-laws of said association; and that he signed his name thereto on behalf of said association by like order.



Notary Public

[NOTARIAL SEAL]

Term Expires:

MARK R. HUNT
Notary Public, State of New York
No. 24-4347012
Qualified in Kings County
Certificate filed in New York County
Commission Expires March 30, 1907

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 16th day of July, before me personally came T.J. FOLEY, to me known, who, being by me duly sworn, did acknowledge, depose and say that he resides at Bethpage, New York; that he is a Vice President of CHEMICAL BANK, a New York banking corporation, described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such seal; that it was so affixed by authority of the board of directors of said corporation; and that he signed his name thereto on behalf of said corporation by like order.


Notary Public

[NOTARIAL SEAL]

Term Expires:

PETER LIN BRIGHTBILL
NOTARY PUBLIC, State of New York
NO. 31-4852758
Qualified in New York County
Commission Expires January 21, 1988

EXHIBIT A-1
TO AMENDMENT
NO. 1

FORM OF FIXED RATE NOTE
(DUE JULY 15, 1991)

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED,
SOLD OR OFFERED FOR SALE IN VIOLATION OF SUCH ACT

NONRECOURSE PROMISSORY NOTE, FIXED RATE SERIES
(DUE JULY 15, 1991)

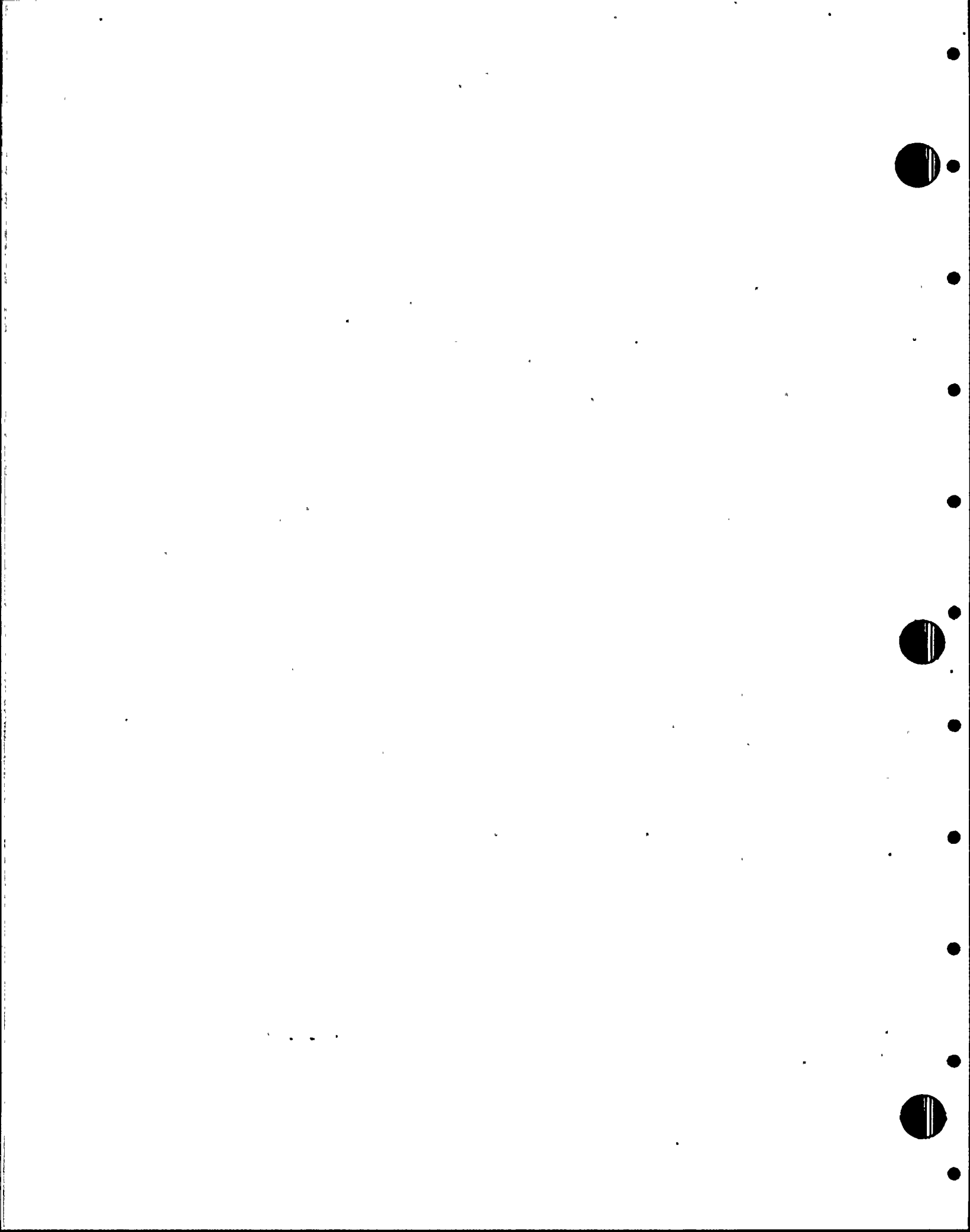
Issued at: New York, New York

Issue Date: July 17, 1986

THE FIRST NATIONAL BANK OF BOSTON, not in its individual capacity, but solely as owner trustee (Owner Trustee) under a Trust Agreement dated as of December 16, 1985 with MFS Leasing Corp. (the Owner Participant), hereby promises to pay to FIRST FV FUNDING CORPORATION, or registered assigns, the principal sum of Four Million Six Hundred and Ninety-Three Thousand Dollars (\$4,693,000) on July 15, 1991, together with interest (computed on the basis of a 360-day year of twelve 30-day months) on the aggregate amount of such principal sum remaining unpaid from time to time from the date of this Fixed Rate Note until due and payable, in arrears, at the rate of 8.3% per annum. Payments of principal installments of this Fixed Rate Note shall be made in the "principal amount payable" and on the "payment dates" specified in Schedule 1 hereto. Payments of accrued interest on this Fixed Rate Note shall be made on the "payment dates" specified in Schedule 1 hereto.

Capitalized terms used in this Fixed Rate Note which are not otherwise defined herein shall have the meanings ascribed thereto in the Indenture (as hereinafter defined).

6091.MFS.2898.10:1



Interest on any overdue principal and premium, if any, and (to the extent permitted by applicable law) any overdue interest shall be paid, on demand, from the due date thereof at the rate per annum equal to 9.3% (computed on the basis of a 360-day year of twelve 30-day months) for the period during which any such principal, premium or interest shall be overdue.

In the event any date on which a payment is due under this Fixed Rate Note is not a Business Day, then payment thereof may be made on the next succeeding Business Day with the same force and effect as if made on the date on which such payment was due.

All payments of principal, premium, if any, and interest to be made by the Owner Trustee hereunder and under the Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985, as at any time heretofore or hereafter amended or supplemented in accordance with the provisions thereof (the Indenture), between the Owner Trustee and Chemical Bank, as Trustee (the Indenture Trustee), shall be made only from the Lease Indenture Estate and the Trust Estate and the Indenture Trustee shall have no obligation for the payment thereof except to the extent that the Indenture Trustee shall have sufficient income or proceeds from the Lease Indenture Estate to make such payments in accordance with the terms of Article V of the Indenture. The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that such Holder will look solely to the Trust Estate and the income and proceeds from the Lease Indenture Estate to the extent available for distribution to the Holder hereof as above provided, and that neither the Owner Participant nor, except as expressly provided in the Indenture, the Owner Trustee nor the Indenture Trustee is or shall be personally liable to the Holder hereof for any amounts payable under this Fixed Rate Note or for any performance to be rendered under the Indenture or any other Transaction Document or for any liability thereunder; provided, however, that in the event the Lessee shall assume all the obligations of the Owner Trustee hereunder and under the Indenture pursuant to Section 3.9(b) of the Indenture, then all the payments

to be made under this Note shall be made only from payments made by the Lessee under this Note in accordance with the Assumption Agreement referred to in said Section 3.9(b) and the Holder of this Note agrees that on such event it will look solely to the Lessee for such payment.

Principal, premium, if any, and interest shall be payable, in the manner provided in the Indenture, on presentment of this Fixed Rate Note at the Indenture Trustee's Office, or as otherwise provided in the Indenture.

In the manner and to the extent provided in the Indenture, Schedule 1 hereto may be adjusted once at the discretion of the Owner Trustee prior to July 15, 1988, in connection with an adjustment to Basic Rent under Section 3(d) of the Facility Lease.

The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that each payment received by it hereunder shall be applied in the manner set forth in Section 3.11 of the Indenture. The Holder of this Fixed Rate Note agrees, by its acceptance hereof, that it will duly note by appropriate means all payments of principal or interest made hereon and that it will not in any event transfer or otherwise dispose of this Fixed Rate Note unless and until all such notations have been duly made.

This Fixed Rate Note is one of the Fixed Rate Notes referred to in the Indenture. The Indenture permits the issuance of additional series of Notes, as provided in Section 3.5 of the Indenture, and the several series may be for varying aggregate principal amounts and may have different maturity dates, interest rates, redemption provisions and other terms. The properties of the Owner Trustee included in the Lease Indenture Estate are pledged to the Indenture Trustee to the extent provided in the Indenture as security for the payment of the principal of and premium, if any, and interest on this Fixed Rate Note and all other Notes issued and outstanding from time to time under the Indenture. Reference is hereby made to the Indenture

for a statement of the rights of the Holders of, and the nature and extent of the security for, this Fixed Rate Note and of the rights of, and the nature and extent of the security for, the Holders of the other Notes and of certain rights of the Owner Trustee, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions the Holder hereof agrees by its acceptance of this Fixed Rate Note.

This Fixed Rate Note is not subject to prepayment in whole or in part.

In case an Indenture Event of Default shall occur and be continuing, the unpaid balance of the principal of this Fixed Rate Note and any other Notes, together with all accrued but unpaid interest thereon, may, subject to certain rights of the Owner Trustee or the Owner Participant contained or referred to in the Indenture, be declared or may become due and payable in the manner and with the effect provided in the Indenture. Upon such declaration there shall also be due and payable as a special premium on this Fixed Rate Note an amount equal to a ratable portion of the fees and expenses then payable to the Collateral Trust Trustee, as certified to the Indenture Trustee by the Collateral Trust Trustee.

The lien upon the Lease Indenture Estate is subject to being legally discharged prior to the maturity of this Fixed Rate Note upon the deposit with the Indenture Trustee of cash or certain securities sufficient to pay this Fixed Rate Note when due or an assumption of the obligation of the Owner Trustee under this Fixed Rate Note and the Indenture, in each case in accordance with the terms of the Indenture.

There shall be maintained at the Indenture Trustee's Office a register for the purpose of registering transfers and exchanges of Notes in the manner provided in the Indenture. The transfer of this Fixed Rate Note is registrable, as provided in the Indenture, upon surrender of this Fixed Rate Note for registration of transfer duly accompanied by a written instrument of

transfer duly executed by or on behalf of the registered Holder hereof, together with the amount of any applicable transfer taxes. Prior to due presentment for registration of transfer of this Fixed Rate Note, the Owner Trustee and the Indenture Trustee may treat the person in whose name this Fixed Rate Note is registered as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Fixed Rate Note and for all other purposes whatsoever, whether or not this Fixed Rate Note be overdue, and neither the Owner Trustee nor the Indenture Trustee shall be affected by notice to the contrary.

This Fixed Rate Note shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Owner Trustee has caused this Fixed Rate Note to be duly executed as of the date hereof.

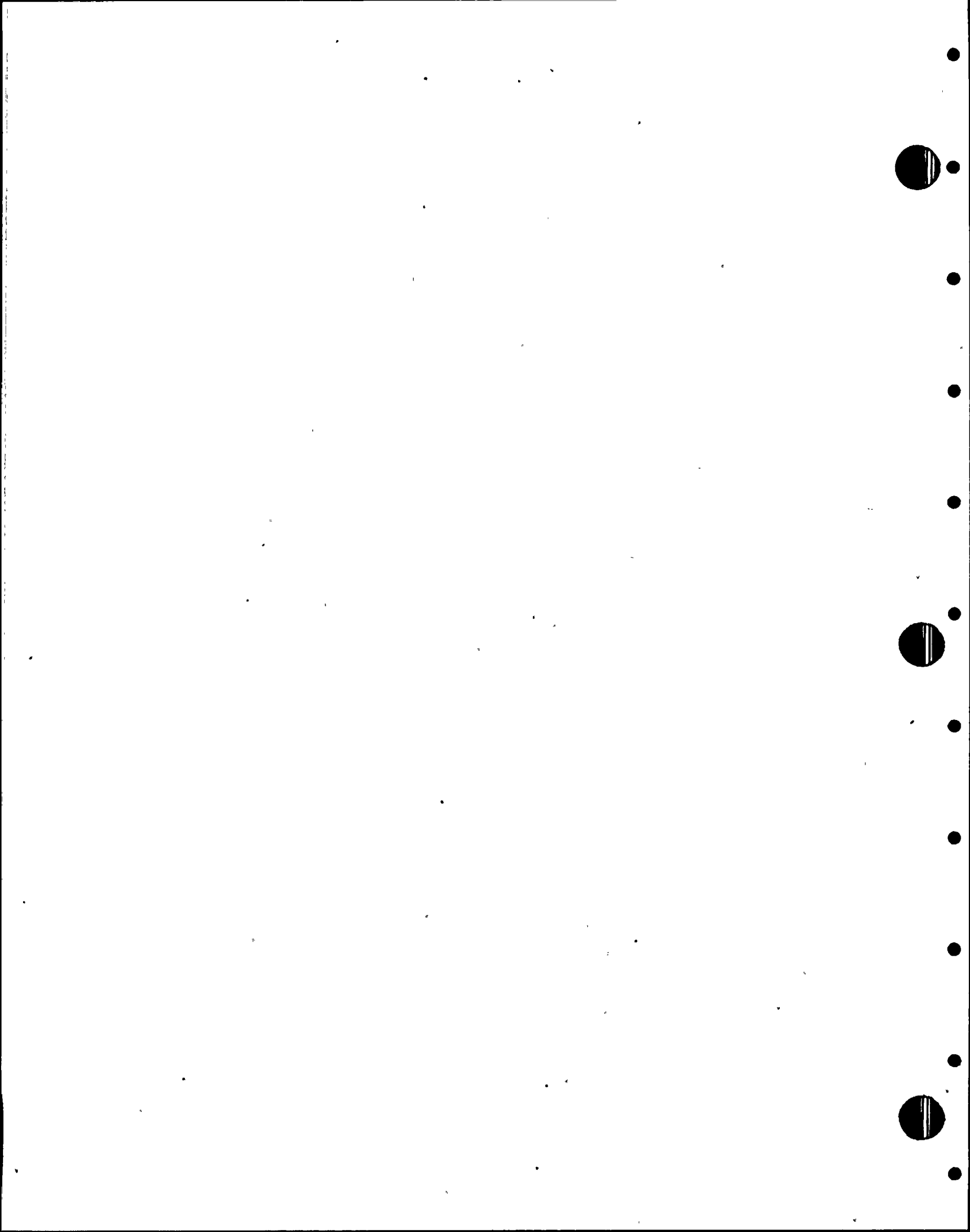
THE FIRST NATIONAL BANK OF
BOSTON, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement dated as of December 16, 1985 with MFS Leasing Corp.

By _____
Authorized Officer

This Note is one of the series of Notes referred to therein and in the within-mentioned Indenture.

CHEMICAL BANK,
as Indenture Trustee

By _____
Authorized Officer

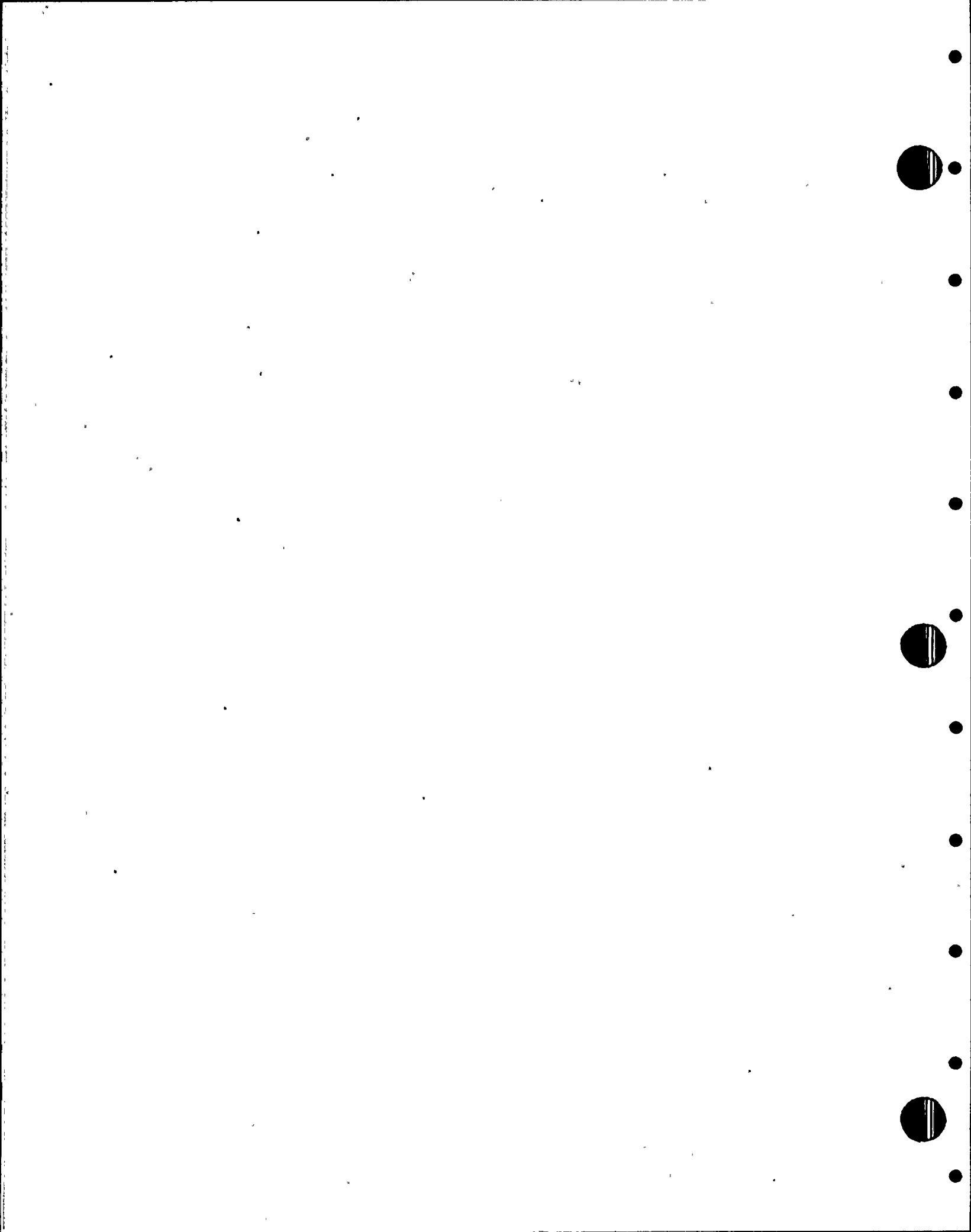


SCHEDULE 1
TO THE FIXED RATE NOTE
(DUE JULY 15, 1991)

Schedule of Principal Amortization

\$4,693,000 Principal Amount

| <u>Payment
Date</u> | <u>Principal
Amount Payable</u> | <u>Principal
Amount Paid</u> |
|-------------------------|-------------------------------------|----------------------------------|
| January 15, 1987 | \$388,000 | \$ |
| July 15, 1987 | 404,000 | |
| January 15, 1988 | 421,000 | |
| July 15, 1988 | 439,000 | |
| January 15, 1989 | 457,000 | |
| July 15, 1989 | 476,000 | |
| January 15, 1990 | 495,000 | |
| July 15, 1990 | 516,000 | |
| January 15, 1991 | 537,000 | |
| July 15, 1991 | <u>560,000</u> | |
| Principal Amount | <u>\$4,693,000</u> | |



ASSIGNMENT

Date: July 17, 1986

For value received, the undersigned hereby sells, assigns and transfers to CHEMICAL BANK, as Trustee pursuant to the Collateral Trust Indenture dated as of December 16, 1985, as amended and supplemented, among the undersigned, Public Service Company of New Mexico and said Trustee, without recourse, the Fixed Rate Note to which this Assignment is annexed and all rights thereunder.

FIRST PV FUNDING CORPORATION

By _____
President

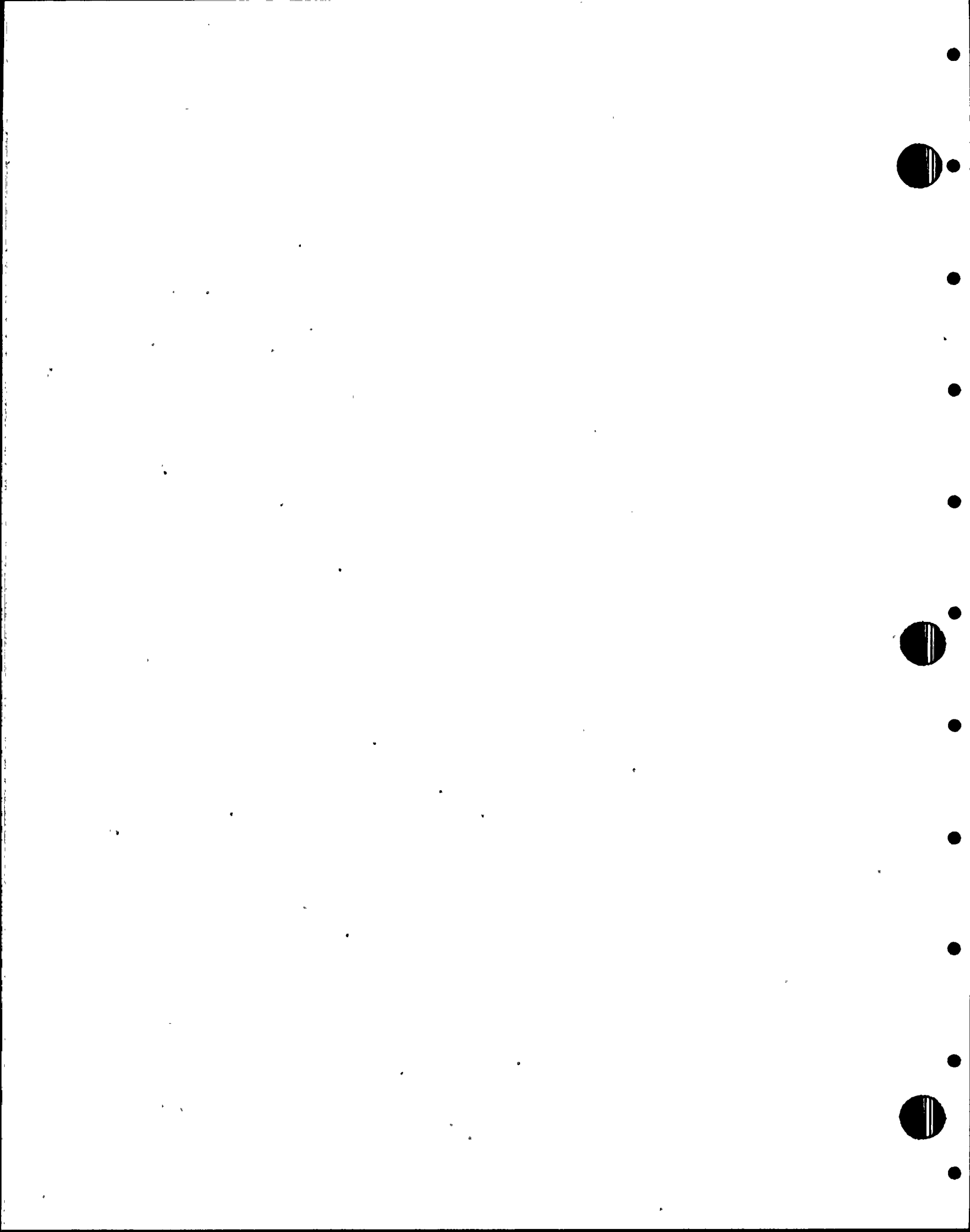


EXHIBIT A-2
TO AMENDMENT
NO. 1

FORM OF FIXED RATE NOTE
(DUE JULY 15, 1996)

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED,
SOLD OR OFFERED FOR SALE IN VIOLATION OF SUCH ACT

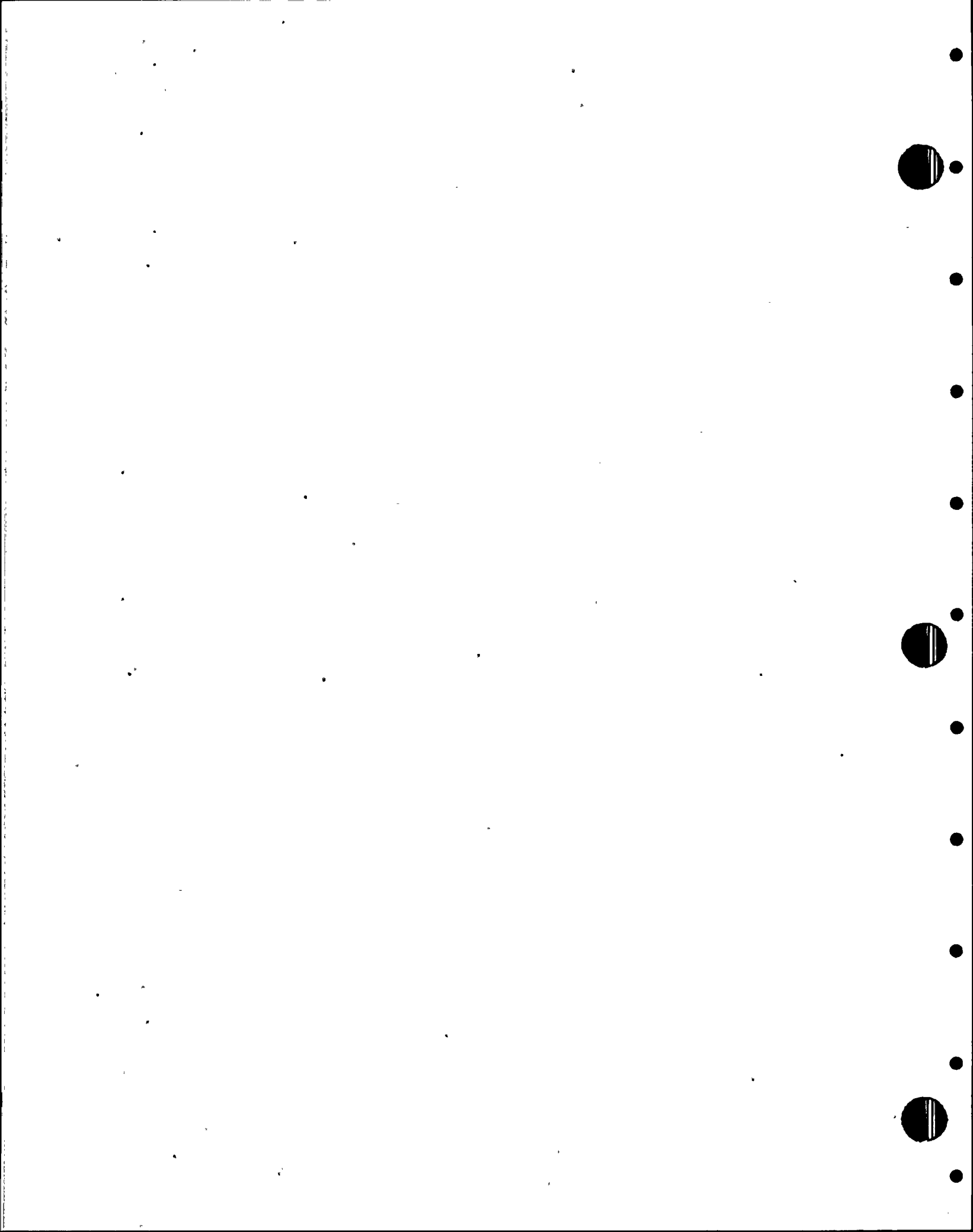
NONRECOURSE PROMISSORY NOTE, FIXED RATE SERIES
(DUE JULY 15, 1996)

Issued at: New York, New York

Issue Date: July 17, 1986

THE FIRST NATIONAL BANK OF BOSTON, not in its individual capacity, but solely as owner trustee (Owner Trustee) under a Trust Agreement dated as of December 16, 1985 with MFS Leasing Corp. (the Owner Participant), hereby promises to pay to FIRST FV FUNDING CORPORATION, or registered assigns, the principal sum of Seven Million One Hundred and Eighty-Five Thousand Dollars (\$7,185,000) on July 15, 1996, together with interest (computed on the basis of a 360-day year of twelve 30-day months) on the aggregate amount of such principal sum remaining unpaid from time to time from the date of this Fixed Rate Note until due and payable, in arrears, at the rate of 9.125% per annum. Payments of principal installments of this Fixed Rate Note shall be made in the "principal amount payable" and on the "payment dates" specified in Schedule 1 hereto. Payments of accrued interest on this Fixed Rate Note shall be made on the "payment dates" specified in Schedule 1 hereto.

Capitalized terms used in this Fixed Rate Note which are not otherwise defined herein shall have the meanings ascribed thereto in the Indenture (as hereinafter defined).



Interest on any overdue principal and premium, if any, and (to the extent permitted by applicable law) any overdue interest shall be paid, on demand, from the due date thereof at the rate per annum equal to 10.125% (computed on the basis of a 360-day year of twelve 30-day months) for the period during which any such principal, premium or interest shall be overdue.

In the event any date on which a payment is due under this Fixed Rate Note is not a Business Day, then payment thereof may be made on the next succeeding Business Day with the same force and effect as if made on the date on which such payment was due.

All payments of principal, premium, if any, and interest to be made by the Owner Trustee hereunder and under the Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985, as at any time heretofore or hereafter amended or supplemented in accordance with the provisions thereof (the Indenture), between the Owner Trustee and Chemical Bank, as Trustee (the Indenture Trustee), shall be made only from the Lease Indenture Estate and the Trust Estate and the Indenture Trustee shall have no obligation for the payment thereof except to the extent that the Indenture Trustee shall have sufficient income or proceeds from the Lease Indenture Estate to make such payments in accordance with the terms of Article V of the Indenture. The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that such Holder will look solely to the Trust Estate and the income and proceeds from the Lease Indenture Estate to the extent available for distribution to the Holder hereof as above provided, and that neither the Owner Participant nor, except as expressly provided in the Indenture, the Owner Trustee nor the Indenture Trustee is or shall be personally liable to the Holder hereof for any amounts payable under this Fixed Rate Note or for any performance to be rendered under the Indenture or any other Transaction Document or for any liability thereunder; provided, however, that in the event the Lessee shall assume all the obligations of the Owner Trustee hereunder and under the Indenture pursuant to

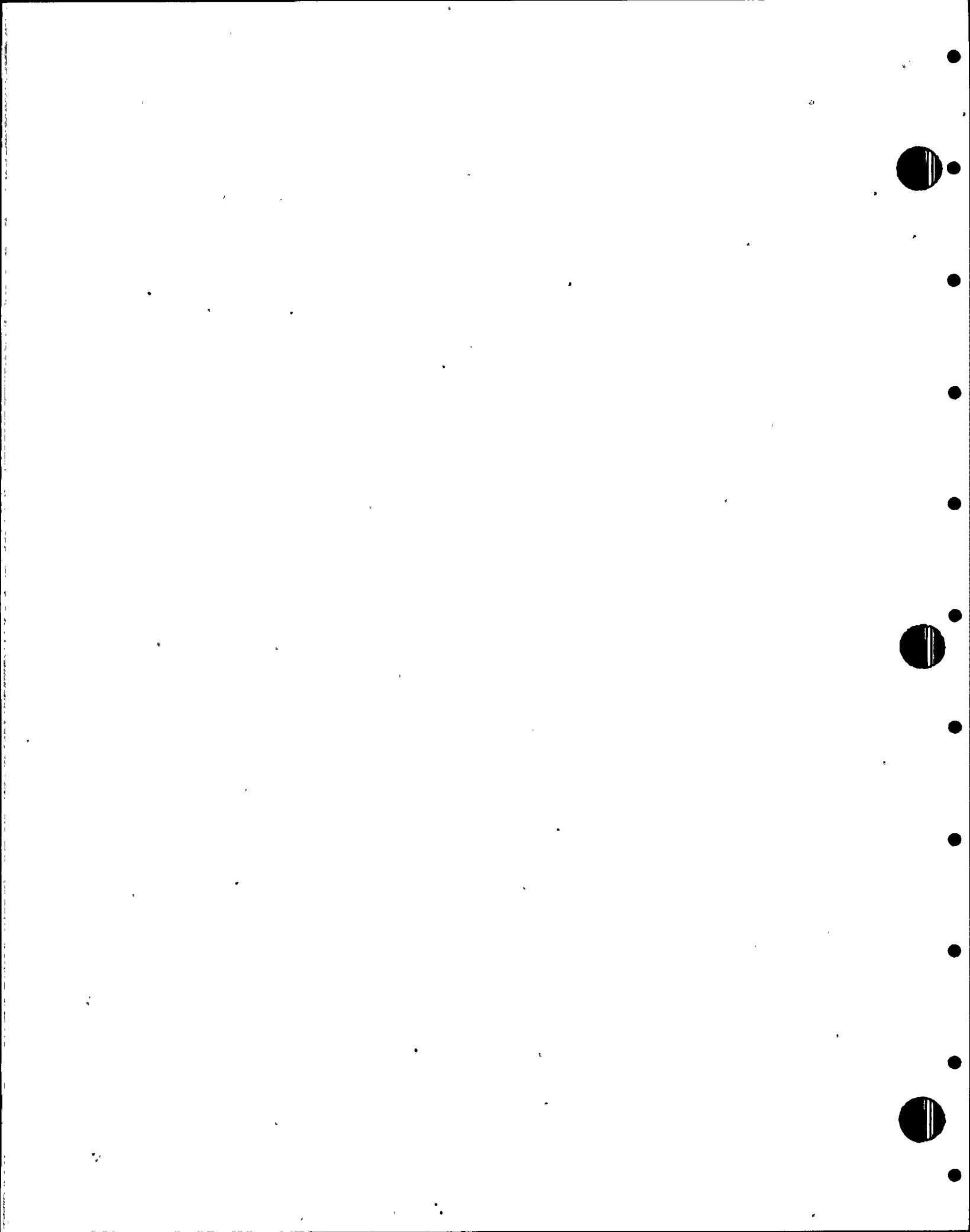
Section 3.9(b) of the Indenture, then all the payments to be made under this Note shall be made only from payments made by the Lessee under this Note in accordance with the Assumption Agreement referred to in said Section 3.9(b) and the Holder of this Note agrees that on such event it will look solely to the Lessee for such payment.

Principal, premium, if any, and interest shall be payable, in the manner provided in the Indenture, on presentment of this Fixed Rate Note at the Indenture Trustee's Office, or as otherwise provided in the Indenture.

In the manner and to the extent provided in the Indenture, Schedule 1 hereto may be adjusted once at the discretion of the Owner Trustee prior to July 15, 1988, in connection with an adjustment to Basic Rent under Section 3(d) of the Facility Lease.

The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that each payment received by it hereunder shall be applied in the manner set forth in Section 3.11 of the Indenture. The Holder of this Fixed Rate Note agrees, by its acceptance hereof, that it will duly note by appropriate means all payments of principal or interest made hereon and that it will not in any event transfer or otherwise dispose of this Fixed Rate Note unless and until all such notations have been duly made.

This Fixed Rate Note is one of the Fixed Rate Notes referred to in the Indenture. The Indenture permits the issuance of additional series of Notes, as provided in Section 3.5 of the Indenture, and the several series may be for varying aggregate principal amounts and may have different maturity dates, interest rates, redemption provisions and other terms. The properties of the Owner Trustee included in the Lease Indenture Estate are pledged to the Indenture Trustee to the extent provided in the Indenture as security for the payment of the principal of and premium, if any, and interest on this Fixed Rate Note and all other Notes issued and outstanding from time to time under the



Indenture. Reference is hereby made to the Indenture for a statement of the rights of the Holders of, and the nature and extent of the security for, this Fixed Rate Note and of the rights of, and the nature and extent of the security for, the Holders of the other Notes and of certain rights of the Owner Trustee, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions the Holder hereof agrees by its acceptance of this Fixed Rate Note.

This Fixed Rate Note may be prepaid in whole or in part at any time by the Owner Trustee as follows: upon the giving of not less than 30 days' notice as provided in the Indenture and at the following prepayment prices (expressed as a percentage of the unpaid principal amount hereof), together with interest accrued to the date fixed for prepayment: 109.125% of its principal amount, such percentage to decline by 1.304 on July 15, 1987 and on each second anniversary thereof and by 1.303 on July 15, 1988 and on each second anniversary thereof until such date as such percentage shall be 100%, and 100% thereafter; provided, however, that no such prepayment shall be made prior to July 15, 1991, directly or indirectly, as a part of, or in anticipation of, any refunding operation involving the incurrence of indebtedness by the Owner Trustee, the Lessee or any Affiliate of either thereof if such indebtedness has an effective interest cost to the Owner Trustee, the Lessee or such Affiliate, as the case may be (computed in accordance with generally accepted accounting practice) of less than 9.125% per annum. This Fixed Rate Note is not otherwise subject to prepayment in whole or in part.

In case an Indenture Event of Default shall occur and be continuing, the unpaid balance of the principal of this Fixed Rate Note and any other Notes, together with all accrued but unpaid interest thereon, may, subject to certain rights of the Owner Trustee or the Owner Participant contained or referred to in the Indenture, be declared or may become due and payable in the manner and with the effect provided in the Indenture. Upon such declaration there shall also be

due and payable as a special premium on this Fixed Rate Note an amount equal to a ratable portion of the fees and expenses then payable to the Collateral Trust Trustee, as certified to the Indenture Trustee by the Collateral Trust Trustee.

The lien upon the Lease Indenture Estate is subject to being legally discharged prior to the maturity of this Fixed Rate Note upon the deposit with the Indenture Trustee of cash or certain securities sufficient to pay this Fixed Rate Note when due or an assumption of the obligation of the Owner Trustee under this Fixed Rate Note and the Indenture, in each case in accordance with the terms of the Indenture.

There shall be maintained at the Indenture Trustee's Office a register for the purpose of registering transfers and exchanges of Notes in the manner provided in the Indenture. The transfer of this Fixed Rate Note is registrable, as provided in the Indenture, upon surrender of this Fixed Rate Note for registration of transfer duly accompanied by a written instrument of transfer duly executed by or on behalf of the registered Holder hereof, together with the amount of any applicable transfer taxes. Prior to due presentment for registration of transfer of this Fixed Rate Note, the Owner Trustee and the Indenture Trustee may treat the person in whose name this Fixed Rate Note is registered as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Fixed Rate Note and for all other purposes whatsoever, whether or not this Fixed Rate Note be overdue, and neither the Owner Trustee nor the Indenture Trustee shall be affected by notice to the contrary.

This Fixed Rate Note shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Owner Trustee has caused this Fixed Rate Note to be duly executed as of the date hereof.

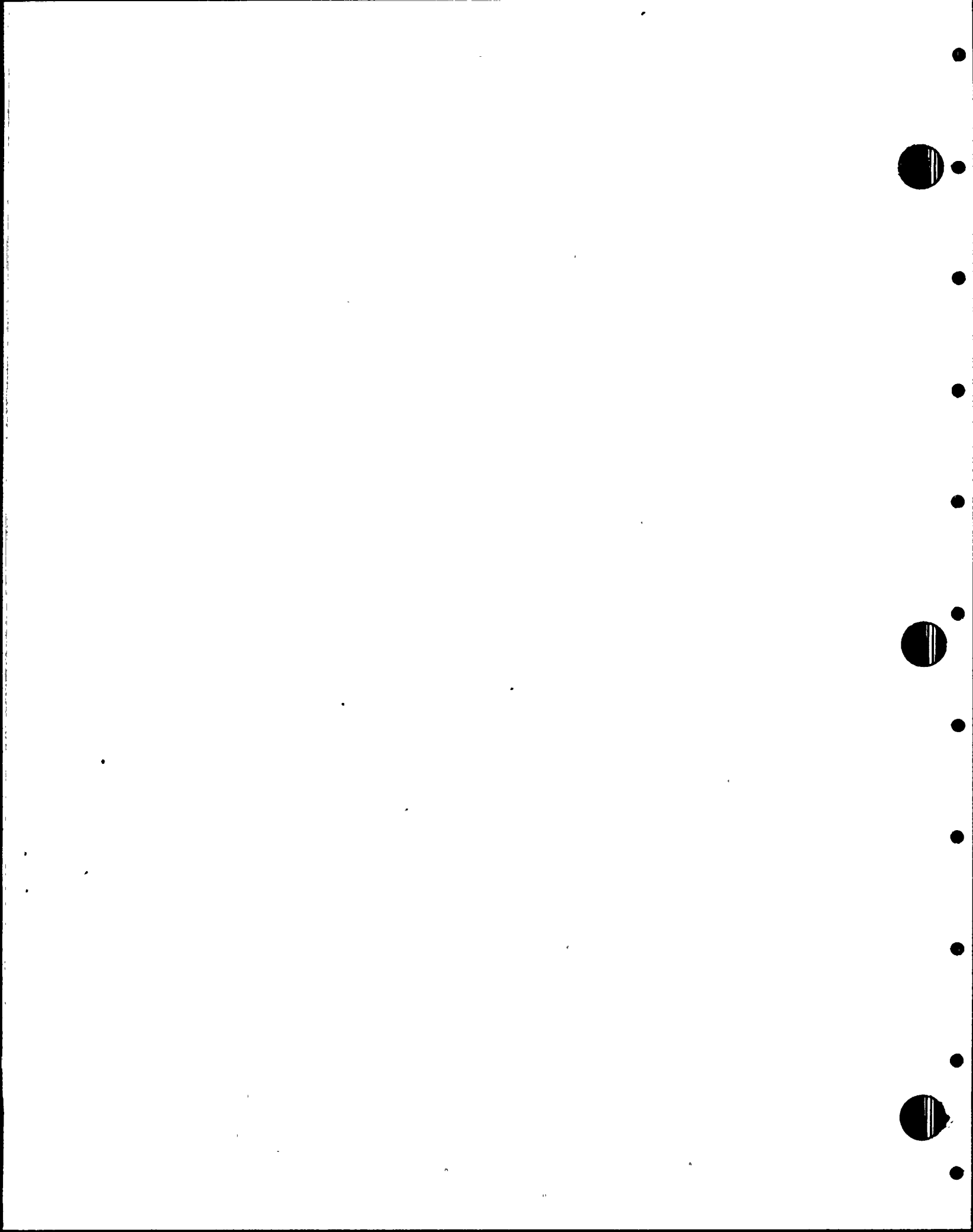
THE FIRST NATIONAL BANK OF
BOSTON, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement dated as of December 16, 1985 with MFS Leasing Corp.

By _____
Authorized Officer

This Note is one of the series of Notes referred to therein and in the within-mentioned Indenture.

CHEMICAL BANK,
as Indenture Trustee

By _____
Authorized Officer



SCHEDULE 1
TO THE FIXED RATE NOTE
(Due July 15, 1996)

Schedule of Principal Amortization

\$7,185,000 Principal Amount

| <u>Payment
Date</u> | <u>Principal
Amount Payable</u> | <u>Principal
Amount Paid</u> |
|-------------------------|-------------------------------------|----------------------------------|
| January 15, 1992 | \$583,000 | \$ |
| July 15, 1992 | 610,000 | |
| January 15, 1993 | 637,000 | |
| July 15, 1993 | 666,000 | |
| January 15, 1994 | 697,000 | |
| July 15, 1994 | 729,000 | |
| January 15, 1995 | 762,000 | |
| July 15, 1995 | 797,000 | |
| January 15, 1996 | 833,000 | |
| July 15, 1996 | <u>871,000</u> | |
| Principal Amount | <u>\$7,185,000</u> | |

ASSIGNMENT

Date: July 17, 1986

For value received, the undersigned hereby sells, assigns and transfers to CHEMICAL BANK, as Trustee pursuant to the Collateral Trust Indenture dated as of December 16, 1985, as amended and supplemented, among the undersigned, Public Service Company of New Mexico and said Trustee, without recourse, the Fixed Rate Note to which this Assignment is annexed and all rights thereunder.

FIRST PV FUNDING CORPORATION

By _____
President



EXHIBIT A-3
TO AMENDMENT
NO. 1

FORM OF FIXED RATE NOTE
(DUE JANUARY 15, 2014)

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE
SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED,
SOLD OR OFFERED FOR SALE IN VIOLATION OF SUCH ACT

NONRECOURSE PROMISSORY NOTE, FIXED RATE SERIES
(DUE JANUARY 15, 2014)

Issued at: New York, New York

Issue Date: July 17, 1986

THE FIRST NATIONAL BANK OF BOSTON, not in its individual capacity, but solely as owner trustee (Owner Trustee) under a Trust Agreement dated as of December 16, 1985 with MFS Leasing Corp. (the Owner Participant), hereby promises to pay to FIRST FV FUNDING CORPORATION, or registered assigns, the principal sum of Thirty-Four Million Six Hundred and Five Thousand Dollars (\$34,605,000) on January 15, 2014, together with interest (computed on the basis of a 360-day year of twelve 30-day months) on the aggregate amount of such principal sum remaining unpaid from time to time from the date of this Fixed Rate Note until due and payable, in arrears, at the rate of 10.3% per annum. Payments of principal installments of this Fixed Rate Note shall be made in the "principal amount payable" and on the "payment dates" specified in Schedule 1 hereto. Payments of accrued interest on this Fixed Rate Note shall be made on the "payment dates" specified in Schedule 1 hereto.

Capitalized terms used in this Fixed Rate Note which are not otherwise defined herein shall have the meanings ascribed thereto in the Indenture (as hereinafter defined).

Interest on any overdue principal and premium, if any, and (to the extent permitted by applicable law) any overdue interest shall be paid, on demand, from the due date thereof at the rate per annum equal to 11.3% (computed on the basis of a 360-day year of twelve 30-day months) for the period during which any such principal, premium or interest shall be overdue.

In the event any date on which a payment is due under this Fixed Rate Note is not a Business Day, then payment thereof may be made on the next succeeding Business Day with the same force and effect as if made on the date on which such payment was due.

All payments of principal, premium, if any, and interest to be made by the Owner Trustee hereunder and under the Trust Indenture, Mortgage, Security Agreement and Assignment of Rents dated as of December 16, 1985, as at any time heretofore or hereafter amended or supplemented in accordance with the provisions thereof (the Indenture), between the Owner Trustee and Chemical Bank, as Trustee (the Indenture Trustee), shall be made only from the Lease Indenture Estate and the Trust Estate and the Indenture Trustee shall have no obligation for the payment thereof except to the extent that the Indenture Trustee shall have sufficient income or proceeds from the Lease Indenture Estate to make such payments in accordance with the terms of Article V of the Indenture. The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that such Holder will look solely to the Trust Estate and the income and proceeds from the Lease Indenture Estate to the extent available for distribution to the Holder hereof as above provided, and that neither the Owner Participant nor, except as expressly provided in the Indenture, the Owner Trustee nor the Indenture Trustee is or shall be personally liable to the Holder hereof for any amounts payable under this Fixed Rate Note or for any performance to be rendered under the Indenture or any other Transaction Document or for any liability thereunder; provided, however, that in the event the Lessee shall assume all the obligations of the Owner Trustee hereunder and under the Indenture pursuant to Section 3.9(b) of the Indenture, then all the payments

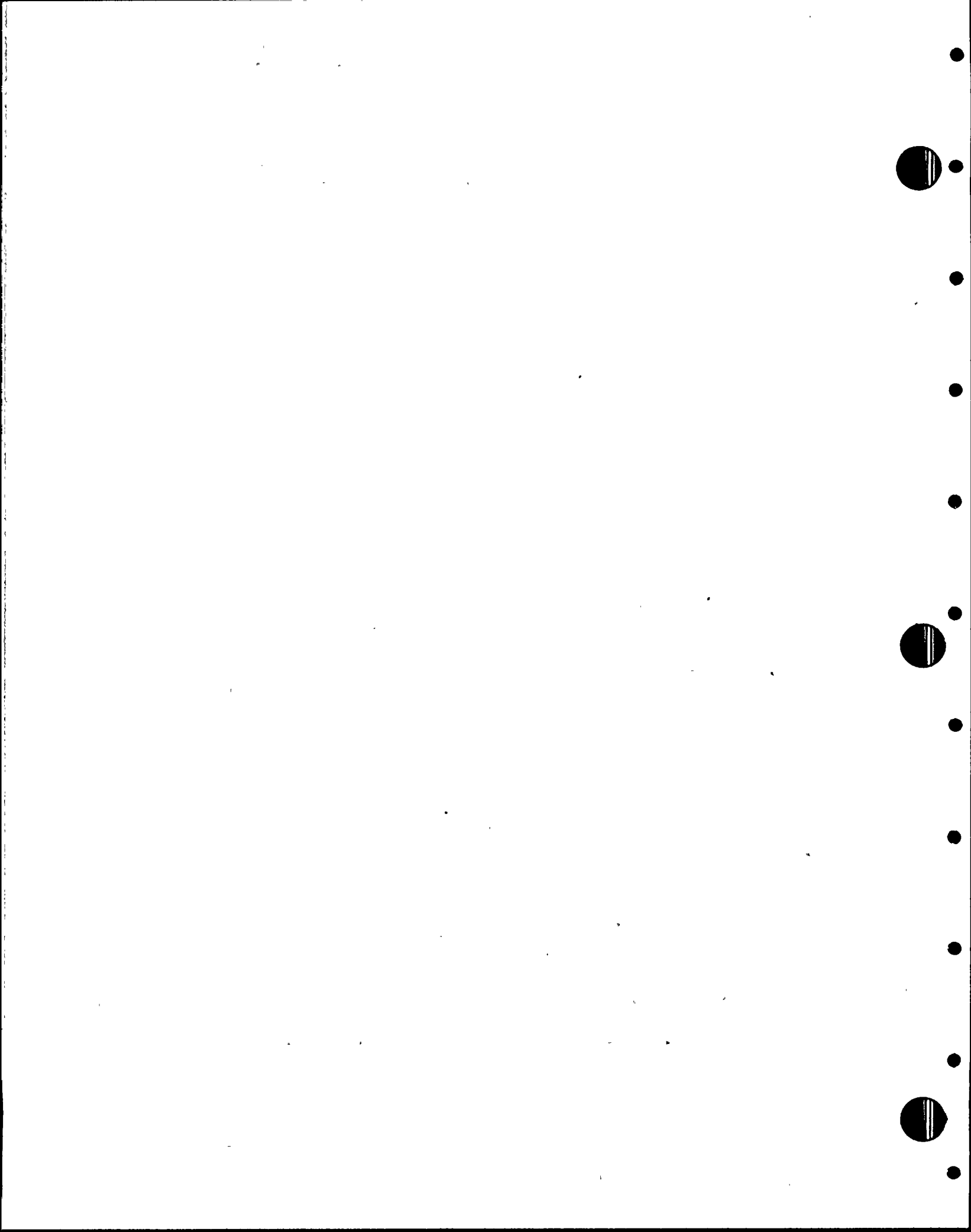
to be made under this Note shall be made only from payments made by the Lessee under this Note in accordance with the Assumption Agreement referred to in said Section 3.9(b) and the Holder of this Note agrees that on such event it will look solely to the Lessee for such payment.

Principal, premium, if any, and interest shall be payable, in the manner provided in the Indenture, on presentment of this Fixed Rate Note at the Indenture Trustee's Office, or as otherwise provided in the Indenture.

In the manner and to the extent provided in the Indenture, Schedule 1 hereto may be adjusted once at the discretion of the Owner Trustee prior to July 15, 1988, in connection with an adjustment to Basic Rent under Section 3(d) of the Facility Lease.

The Holder hereof, by its acceptance of this Fixed Rate Note, agrees that each payment received by it hereunder shall be applied in the manner set forth in Section 3.11 of the Indenture. The Holder of this Fixed Rate Note agrees, by its acceptance hereof, that it will duly note by appropriate means all payments of principal or interest made hereon and that it will not in any event transfer or otherwise dispose of this Fixed Rate Note unless and until all such notations have been duly made.

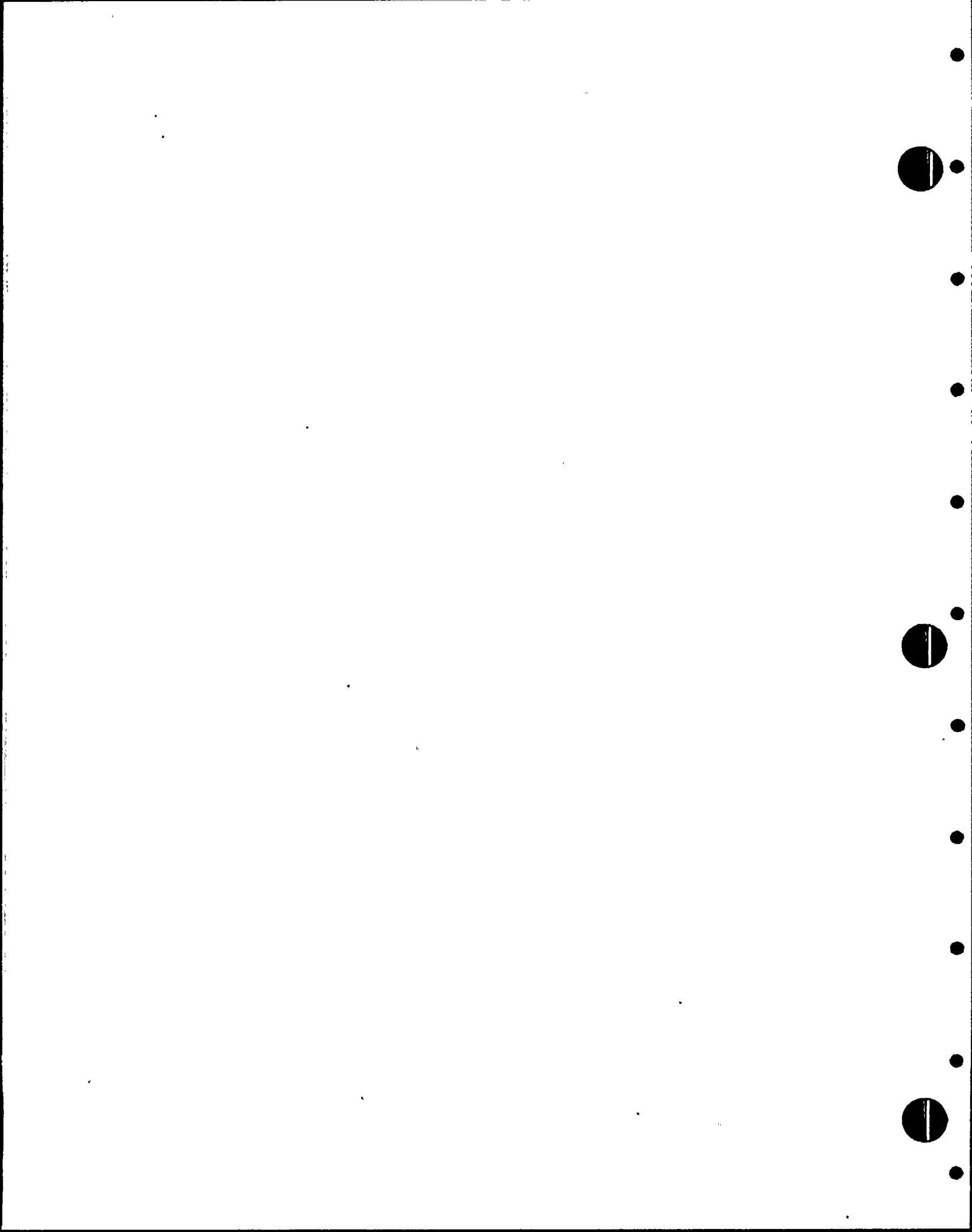
This Fixed Rate Note is one of the Fixed Rate Notes referred to in the Indenture. The Indenture permits the issuance of additional series of Notes, as provided in Section 3.5 of the Indenture, and the several series may be for varying aggregate principal amounts and may have different maturity dates, interest rates, redemption provisions and other terms. The properties of the Owner Trustee included in the Lease Indenture Estate are pledged to the Indenture Trustee to the extent provided in the Indenture as security for the payment of the principal of and premium, if any, and interest on this Fixed Rate Note and all other Notes issued and outstanding from time to time under the Indenture. Reference is hereby made to the Indenture



for a statement of the rights of the Holders of, and the nature and extent of the security for, this Fixed Rate Note and of the rights of, and the nature and extent of the security for, the Holders of the other Notes and of certain rights of the Owner Trustee, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions the Holder hereof agrees by its acceptance of this Fixed Rate Note.

This Fixed Rate Note is subject to prepayment in whole as contemplated by Section 5.2 of the Indenture and in the circumstances therein described. In addition, this Fixed Rate Note may be prepaid in whole or in part at any time by the Owner Trustee as follows: upon the giving of not less than 30 days' notice as provided in the Indenture and at the following prepayment prices (expressed as a percentage of the unpaid principal amount hereof), together with interest accrued to the date fixed for prepayment: 110.3% of its principal amount, such percentage to decline by .412 on July 15, 1987 and each anniversary thereof, until such date as such percentage shall be 100%, and 100% thereafter; provided, however, that no such prepayment shall be made prior to July 15, 1991, directly or indirectly, as a part of, or in anticipation of, any refunding operation involving the incurrence of indebtedness by the Owner Trustee, the Lessee or any Affiliate of either thereof if such indebtedness has an effective interest cost to the Owner Trustee, the Lessee or such Affiliate, as the case may be (computed in accordance with generally accepted accounting practice) of less than 10.3% per annum. This Fixed Rate Note is not otherwise subject to prepayment in whole or in part.

In case an Indenture Event of Default shall occur and be continuing, the unpaid balance of the principal of this Fixed Rate Note and any other Notes, together with all accrued but unpaid interest thereon, may, subject to certain rights of the Owner Trustee or the Owner Participant contained or referred to in the Indenture, be declared or may become due and payable in the manner and with the effect provided in the Indenture. Upon such declaration there shall also be



due and payable as a special premium on this Fixed Rate Note an amount equal to a ratable portion of the fees and expenses then payable to the Collateral Trust Trustee, as certified to the Indenture Trustee by the Collateral Trust Trustee.

The lien upon the Lease Indenture Estate is subject to being legally discharged prior to the maturity of this Fixed Rate Note upon the deposit with the Indenture Trustee of cash or certain securities sufficient to pay this Fixed Rate Note when due or an assumption of the obligation of the Owner Trustee under this Fixed Rate Note and the Indenture, in each case in accordance with the terms of the Indenture.

There shall be maintained at the Indenture Trustee's Office a register for the purpose of registering transfers and exchanges of Notes in the manner provided in the Indenture. The transfer of this Fixed Rate Note is registrable, as provided in the Indenture, upon surrender of this Fixed Rate Note for registration of transfer duly accompanied by a written instrument of transfer duly executed by or on behalf of the registered Holder hereof, together with the amount of any applicable transfer taxes. Prior to due presentment for registration of transfer of this Fixed Rate Note, the Owner Trustee and the Indenture Trustee may treat the person in whose name this Fixed Rate Note is registered as the owner hereof for the purpose of receiving payments of principal of and premium, if any, and interest on this Fixed Rate Note and for all other purposes whatsoever, whether or not this Fixed Rate Note be overdue, and neither the Owner Trustee nor the Indenture Trustee shall be affected by notice to the contrary.

This Fixed Rate Note shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Owner Trustee has caused this Fixed Rate Note to be duly executed as of the date hereof.

THE FIRST NATIONAL BANK OF
BOSTON, not in its individual capacity, but solely as Owner Trustee under a Trust Agreement dated as of December 16, 1985 with MFS Leasing Corp.

By _____
Authorized Officer

This Note is one of the series of Notes referred to therein and in the within-mentioned Indenture.

CHEMICAL BANK,
as Indenture Trustee

By _____
Authorized Officer

SCHEDULE 1
TO THE FIXED RATE NOTE
(DUE JANUARY 15, 2014)

Schedule of Principal Amortization
for the Long Amount

\$34,605,000 Principal Amount

| <u>Payment
Date</u> | <u>Principal
Amount Payable</u> | <u>Principal
Amount Paid</u> |
|-------------------------|-------------------------------------|----------------------------------|
| January 15, 1997 | \$911,000 | \$ |
| July 15, 1997 | 958,000 | |
| January 15, 1998 | 1,007,000 | |
| July 15, 1998 | 819,000 | |
| January 15, 1999 | 596,000 | |
| July 15, 1999 | 612,000 | |
| January 15, 2000 | 629,000 | |
| July 15, 2000 | 646,000 | |
| January 15, 2001 | 664,000 | |
| July 15, 2001 | 682,000 | |
| January 15, 2002 | 701,000 | |
| July 15, 2002 | 720,000 | |
| January 15, 2003 | 740,000 | |
| July 15, 2003 | 760,000 | |
| January 15, 2004 | 781,000 | |
| July 15, 2004 | 802,000 | |
| January 15, 2005 | 824,000 | |
| July 15, 2005 | 847,000 | |
| January 15, 2006 | 870,000 | |
| July 15, 2006 | 894,000 | |
| January 15, 2007 | 919,000 | |
| July 15, 2007 | 944,000 | |
| January 15, 2008 | 970,000 | |
| July 15, 2008 | 997,000 | |
| January 15, 2009 | 1,024,000 | |
| July 15, 2009 | 1,052,000 | |
| January 15, 2010 | 1,081,000 | |
| July 15, 2010 | 1,111,000 | |

SCHEDULE 1
TO THE FIXED RATE NOTE

Schedule of Principal Amortization
(Continued)

| <u>Payment
Date</u> | <u>Principal
Amount Payable</u> | <u>Principal
Amount Paid</u> |
|-------------------------|-------------------------------------|----------------------------------|
| January 15, 2011 | \$1,141,000 | |
| July 15, 2011 | 1,173,000 | |
| January 15, 2012 | 1,205,000 | |
| July 15, 2012 | 1,540,000 | |
| January 15, 2013 | 2,385,000 | |
| July 15, 2013 | 2,507,000 | |
| January 15, 2014 | <u>1,093,000</u> | |
| Principal Amount | <u>\$34,605,000</u> | |

ASSIGNMENT

Date: July 17, 1986

For value received, the undersigned hereby sells, assigns and transfers to CHEMICAL BANK, as Trustee pursuant to the Collateral Trust Indenture dated as of December 16, 1985, as amended and supplemented, among the undersigned, Public Service Company of New Mexico and said Trustee, without recourse, the Fixed Rate Note to which this Assignment is annexed and all rights thereunder.

FIRST PV FUNDING CORPORATION

By _____
President

FIRST PV FUNDING CORPORATION,

PUBLIC SERVICE COMPANY OF NEW MEXICO

and

CHEMICAL BANK,
as Trustee

SERIES 1986A BOND SUPPLEMENTAL INDENTURE

Dated as of July 15, 1986

to

COLLATERAL TRUST INDENTURE

dated as of December 16, 1985

Providing for the Issuance of
\$253,677,000 Aggregate Amount
of Lease Obligation Bonds Series 1986A
with the Interest Rates and Stated Maturities
Set Forth Herein

PALO VERDE NUCLEAR GENERATING STATION

SERIES 1986A BOND SUPPLEMENTAL INDENTURE, dated as of July 15, 1986 among FIRST PV FUNDING CORPORATION (the Company), Public Service Company of New Mexico (PNM) and Chemical Bank, as trustee (the Trustee).

WHEREAS, the Company and PNM have heretofore executed and delivered to the Trustee an indenture dated as of December 16, 1985 (the Original Indenture) to provide for the issue from time to time of the Company's debentures, notes or other evidences of indebtedness to be issued in one or more series (the Securities);

WHEREAS, Section 2.03 of the Original Indenture provides, among other things, that PNM, the Company and the Trustee may enter into indentures supplemental to the Original Indenture for, among other things, the purpose of establishing the form and terms of Securities of any series as permitted by Section 2.03 of the Original Indenture;

WHEREAS, PNM and the Company heretofore executed and delivered a Term Note Supplemental Indenture, dated as of December 31, 1985 (the Series 1985 Term Note Supplemental Indenture), to the Trustee, and the Company issued thereunder a series of Securities designated "Term Lease Obligation Notes, Series 1985" in the aggregate principal amount of \$250,250,000;

WHEREAS, Section 1.03 of the Series 1985 Term Note Supplemental Indenture provides, among other things, that the Term Lease Obligation Notes, Series 1985, shall be redeemed in connection with the issuance of a series of Securities to effect a refunding of the same;

WHEREAS, PNM and the Company (i) desire the issuance by the Company of a new series of Securities, to be designated as hereinafter provided, to effect a refunding of the Term Lease Obligation Notes, Series 1985, and for other purposes and (ii) have requested the Trustee to enter into this Series 1986A Bond Supplemental Indenture for the purpose, among others, of establishing the form and terms of the Securities of such series;

WHEREAS, all action on the part of the Company necessary to authorize the issuance of \$253,677,000 principal amount of its Lease Obligation Bonds Series 1986A (the Bonds) under the Original Indenture and this Series 1986A Bond Supplemental Indenture (said Original Indenture, as supplemented and amended by the Series 1985 Term Note Supplemental Indenture, and this Series 1986A Bond Supplemental Indenture, being hereinafter called the Indenture) has been duly taken;

WHEREAS, the Bonds to be issued hereunder are to be substantially in the form annexed as Schedule 1 hereto;

WHEREAS, Section 11.02 of the Original Indenture provides that, with the consent of Holders of not less than a majority in principal amount of the Outstanding Securities and PNM, the Company and the Trustee may enter into an indenture supplemental to the Original Indenture for the purpose of changing the rights and obligations of the Holders of Securities and of PNM and the Company under the Original Indenture;

WHEREAS, the Company desires to make the amendment to Section 8.02 of the Original Indenture set forth in clause (a) of Article Three of this Series 1986A Bond Supplemental Indenture and the Holders of not less than a majority in principal amount of the Outstanding Securities, by Act of said holders, and PNM have given their consent to such amendment;

WHEREAS, Section 11.01 of the Original Indenture provides that the Company and the Trustee may, without consent of the Holders of any Securities, enter into an indenture supplemental to the Original Indenture to cure a defective provision in the Original Indenture provided such action does not adversely affect the interest of the Holders of the Securities;

WHEREAS, the Company desires to make the amendment to Section 11.02(4) of the Original Indenture set forth in clause (b) of Article Three of this Series 1986A Bond Supplemental Indenture; and

WHEREAS, all acts and things necessary to make the Securities to be issued hereunder, when executed by the Company and authenticated and delivered by the Trustee as provided in the Original Indenture, the valid, binding and legal obligations of the Company, and to constitute these presents a valid and binding supplemental indenture and agreement according to its terms, have been done and performed, and the execution of this Series 1986A Bond Supplemental Indenture and the creation and issuance under the Indenture of \$253,677,000 aggregate principal amount of the Bonds have in all respects been duly authorized, and the Company, in the exercise of legal right and power in it vested, executes this Series 1986A Bond Supplemental Indenture and proposes to create, execute, issue and deliver the Bonds:

NOW, THEREFORE, THIS SERIES 1986A BOND SUPPLEMENTAL
INDENTURE WITNESSETH:

That in order to establish the form and terms of and to authorize the authentication and delivery of the Securities to be issued hereunder, and in consideration of the acceptance of such Securities by the holders thereof and of the sum of one dollar duly paid to the Company by the Trustee at the execution of these presents, the receipt whereof is hereby acknowledged, the Company and PNM each covenant and agree with the Trustee, for the equal and proportionate benefit of the respective holders from time to time of the Securities, as follows:

ARTICLE ONE

THE BONDS

SECTION 1.01. Terms of the Bonds.

There is hereby created a series of Securities designated "Lease Obligation Bonds Series 1986A". Subject to the exceptions referred to in the Original Indenture, the aggregate principal amount of the Bonds that may be authenticated and delivered under the Indenture is limited to \$253,677,000. Bonds in the aggregate principal amount of \$253,677,000 may forthwith be executed by the Company and delivered to the Trustee for authentication and delivery by the Trustee in accordance with the provisions of Section 2.04 of the Original Indenture in the following amounts for the Stated Maturities of principal and at the interest rates indicated:

| <u>Stated Maturity
of Principal</u> | <u>Interest
Rate</u> | <u>Principal
Amount</u> |
|---|--------------------------|-----------------------------|
| July 15, 1991 | 8.300% | \$25,332,000 |
| July 15, 1996 | 9.125% | \$40,532,000 |
| January 15, 2014 | 10.300% | \$187,813,000 |
| | | <u>\$253,677,000</u> |

The Bonds shall be payable, bear interest and have and be subject to such other terms as provided in the form of Bond attached as Schedule 1 hereto.

SECTION 1.02. Mandatory Redemption of the Bonds.

(a) Termination of Lease. In the event that there shall occur under Section 14 of any Lease identified in Schedule 2 hereto a termination of such Lease, Bonds with a Stated Maturity of principal of January 15, 2014 shall be redeemed, in part, in proportion to the principal amount of the Pledged Lessor Notes related to such Lease (the Prepaid Lessor Notes), prepaid in accordance with their terms and Section 5.2 of the Lease Indenture under which such Pledged Lessor Notes are issued. Any such redemption shall be on the same date on which, and shall be made to the extent that, the Prepaid Lessor Notes are so prepaid.

(b) Selection. In the event of a redemption of Bonds with a Stated Maturity of principal of January 15, 2014 pursuant to Section 1.02(a) of this Series 1986A Bond Supplemental Indenture, the Bonds so to be redeemed shall be selected in accordance with Section 6.02 of the Indenture, but without giving effect to the first proviso contained in such Section.

(c) Redemption Price. The Redemption Price for any Bond to be redeemed pursuant to this Section 1.02 shall be 100% of the principal amount thereof, together with accrued interest to the Redemption Date.

SECTION 1.03. Optional Redemption of Bonds.

The Bonds shall be redeemable prior to maturity at the option of the Company at the times and redemption prices set forth in the form of Bond attached as Schedule 1 hereto.

SECTION 1.04. Sinking Fund.

(a) Amounts and Dates. The Bonds shall be redeemed through operation of a sinking fund. The amount of each Sinking Fund payment (subject to adjustment as provided in Section 7.01 of the Indenture and paragraph (c) below) and each Sinking Fund Date applicable to a Stated Maturity of principal of the Bonds are as set forth below:

| <u>Sinking Fund</u>
<u>Date</u> | <u>July 15, 1991</u> | <u>July 15, 1996</u> | <u>January 15, 2014</u> |
|------------------------------------|----------------------|----------------------|-------------------------|
| January 15, 1987 | \$1,515,000 | | |
| July 15, 1987 | 1,809,000 | | |
| January 15, 1988 | 2,375,000 | | |
| July 15, 1988 | 2,475,000 | | |
| January 15, 1989 | 2,577,000 | | |
| July 15, 1989 | 2,684,000 | | |
| January 15, 1990 | 2,795,000 | | |
| July 15, 1990 | 2,912,000 | | |
| January 15, 1991 | 3,032,000 | | |
| July 15, 1991 | 3,158,000 | | |
| January 15, 1992 | | \$3,289,000 | |
| July 15, 1992 | | 3,439,000 | |
| January 15, 1993 | | 3,596,000 | |
| July 15, 1993 | | 3,759,000 | |
| January 15, 1994 | | 3,931,000 | |
| July 15, 1994 | | 4,111,000 | |
| January 15, 1995 | | 4,298,000 | |
| July 15, 1995 | | 4,495,000 | |
| January 15, 1996 | | 4,700,000 | |
| July 15, 1996 | | 4,914,000 | |
| January 15, 1997 | | | \$5,138,000 |
| July 15, 1997 | | | 5,403,000 |
| January 15, 1998 | | | 5,680,000 |
| July 15, 1998 | | | 4,078,000 |
| January 15, 1999 | | | 4,193,000 |
| July 15, 1999 | | | 2,584,000 |
| January 15, 2000 | | | 4,417,000 |
| July 15, 2000 | | | 2,726,000 |
| January 15, 2001 | | | 4,664,000 |
| July 15, 2001 | | | 2,877,000 |
| January 15, 2002 | | | 4,924,000 |
| July 15, 2002 | | | 3,035,000 |
| January 15, 2003 | | | 5,199,000 |
| July 15, 2003 | | | 3,203,000 |

| <u>Sinking Fund</u>
<u>Date</u> | <u>Stated Maturity</u> | | |
|------------------------------------|------------------------|----------------------|-------------------------|
| | <u>July 15, 1991</u> | <u>July 15, 1996</u> | <u>January 15, 2014</u> |
| January 15, 2004 | | | \$5,866,000 |
| July 15, 2004 | | | 3,886,000 |
| January 15, 2005 | | | 5,287,000 |
| July 15, 2005 | | | 4,666,000 |
| January 15, 2006 | | | 5,251,000 |
| July 15, 2006 | | | 4,666,000 |
| January 15, 2007 | | | 5,542,000 |
| July 15, 2007 | | | 4,924,000 |
| January 15, 2008 | | | 5,849,000 |
| July 15, 2008 | | | 5,196,000 |
| January 15, 2009 | | | 6,468,000 |
| July 15, 2009 | | | 8,450,000 |
| January 15, 2010 | | | 9,127,000 |
| July 15, 2010 | | | 9,233,000 |
| January 15, 2011 | | | 11,495,000 |
| July 15, 2011 | | | 12,060,000 |
| January 15, 2012 | | | 8,653,000 |
| July 15, 2012 | | | 5,827,000 |
| January 15, 2013 | | | 3,646,000 |
| July 15, 2013 | | | 2,507,000 |
| January 15, 2014 | | | 1,093,000 |

(b) Selection of Bonds. The provisions of Section 7.02 of the Original Indenture to the contrary notwithstanding, the Trustee shall first select for redemption on any Sinking Fund Date on which Bonds of a particular Stated Maturity of principal (other than Bonds with a Stated Maturity of principal of July 15, 1991) are to be redeemed in accordance with the Sinking Fund relating thereto, such Bonds, if any, of such Stated Maturity of principal as the Company shall specify (by Bond number) are held by PNM or an Affiliate of PNM in a Company Request delivered to the Trustee at least 40 (but not more than 90) days prior to such Sinking Fund Date and upon which the Trustee may rely.

(c) Certain Adjustments to Sinking Funds. The principal amount of Bonds of a particular Stated Maturity of principal to be redeemed through operation of the Sinking Fund for the Bonds of such Stated Maturity of principal may be adjusted (upward or downward) at the discretion of the Company at one time (contemporaneously with

similar adjustments for all Stated Maturities of principal) prior to July 15, 1988; provided, however, that no such adjustment shall be made by the Company which will increase or reduce the average life of the Bonds of such Stated Maturity of principal (calculated in accordance with generally accepted financial practice from the date of initial issuance) by more than 6 months; provided further, however, such adjustment may only be made in connection with an adjustment to basic rent pursuant to Section 3(d) of one or more of the Leases identified in Schedule 2 hereto. If the Company shall elect to make the foregoing adjustment, the Company shall deliver to the Trustee and PNM at least 60 days prior to the first Sinking Fund Date proposed to be affected by such adjustment, a Company Request (w) stating that the Company has elected to make such adjustment in connection with adjustments to basic rent under one or more of such Leases, (x) setting forth a revised schedule of principal amounts of the Sinking Fund applicable to Bonds of the affected Stated Maturity of principal, (y) attaching a copy of the revised schedules of principal amortization for the related Pledged Lessor Notes identified in Schedule 2 hereto and (z) attaching calculations showing that (i) the average life of the Bonds of the affected Stated Maturity of principal will not be reduced or increased except as permitted by this paragraph (c), (ii) the aggregate principal amount of the Pledged Lessor Notes identified on Schedule 2 hereto equals the aggregate principal amount of the Bonds and (iii) the aggregate amortization of the principal amount of such Pledged Lessor Notes is sufficient to repay in full, as and when due, the principal amount of the Bonds as and when due, whether upon redemption through operation of the applicable Sinking Funds or at maturity. The Trustee may rely on such Company Request and shall have no duty with respect to the calculations referred to in the foregoing clause (z), other than to make them available for inspection by any Holder of Bonds at the Corporate Trust Office upon reasonable notice. The Trustee shall, at the expense of PNM, send to each Holder of Bonds of the affected Stated Maturity of principal at least 20 days before the first Sinking Fund Date to be affected thereby, by first class mail, a copy of such revised schedule of principal amounts of Sinking Fund payments applicable to such Bonds.

(d) Redemption Price. The Redemption Price for any Bond to be redeemed pursuant to paragraph (a) of this Section 1.04 shall be 100% of the principal amount thereof, together with accrued interest to the Redemption Date.

ARTICLE TWO

PLEDGE OF LESSOR NOTES

To secure the payment of the principal of and premium (if any) and interest on all the Securities from time to time Outstanding under the Indenture, and the performance of the covenants therein and herein contained, the Company by these presents does grant, bargain, sell, release, convey, assign, transfer, mortgage, hypothecate, pledge, confirm and create a security interest in, unto the Trustee, the Lessor Notes identified on Schedule 2 hereto (herein referred to as the Pledged Lessor Notes).

TO HAVE AND TO HOLD the aforesaid Pledged Lessor Notes unto the Trustee and its successors and assigns forever, in trust and for the uses and purposes and subject to the covenants and conditions set forth in the Indenture.

ARTICLE THREE

AMENDMENTS TO ORIGINAL INDENTURE

(a) Amendment to Section 8.02. Section 8.02 of the Original Indenture is hereby amended to delete (i) in its entirety the third paragraph thereof and (ii) the words following the phrase "or impair any right consequent thereon" in the concluding sentence of the second paragraph thereof and insert in lieu thereof a ".".

(b) Amendment to Section 11.02. Clause (4) of Section 11.02 of the Original Indenture is hereby amended to change the reference to "Section 8.09" therein to "Section 8.08".

ARTICLE FOUR

MISCELLANEOUS

SECTION 4.01. Execution as Supplemental Indenture.

This Series 1986A Bond Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Original Indenture and, as provided in the Original Indenture, this Series 1986A Bond Supplemental Indenture forms a part thereof. Except as herein expressly otherwise defined, the use of the terms herein is in accordance with the definitions contained in the Original Indenture.

SECTION 4.02. Responsibility for Recitals, Etc.

The recitals contained herein and in the Bonds, except the Trustee's certificate of authentication, shall be taken as the statements of the Company and PNM, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Series 1986A Bond Supplemental Indenture or the Bonds.

SECTION 4.03. Provisions Binding on Successors.

All the covenants, stipulations, promises and agreements in this Series 1986A Bond Supplemental Indenture contained by or on behalf of the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 4.04. New York Contract.

This Series 1986A Bond Supplemental Indenture and each Bond shall be deemed to be a contract under the laws of the State of New York, and for all purposes shall be governed by and construed in accordance with the laws of said state.

SECTION 4.05. Counterparts.

This Series 1986A Bond Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.



IN WITNESS WHEREOF, the Company, PNM and the Trustee have caused this Series 1986A Bond Supplemental Indenture to be duly executed by their respective officers thereunto duly authorized, as of the date and year first above written.

FIRST PV FUNDING CORPORATION

[CORPORATE SEAL]

By

R. B. Barbee
President

Attest:

Richard B. Goldstein
Asst. Secretary

PUBLIC SERVICE COMPANY
OF NEW MEXICO

[CORPORATE SEAL]

By

B. D. Locke
Vice President and
Corporate Controller

Attest:

H. A. Knight
Assistant Secretary

CHEMICAL BANK,
as Trustee

[CORPORATE SEAL]

By *J. L. L.*
Vice President

Attest:

E. M. L.
Trust Officer

STATE OF NEW YORK)
 : ss.:
COUNTY OF NEW YORK)

On this 17th day of July, 1986, before me personally came JOSEPH A. BARBERA, to me known, who, being by me duly sworn, did depose and say that he resides at Wilmington, Delaware; that he is the President of FIRST PV FUNDING CORPORATION, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

[NOTARIAL SEAL]

Anna Marie Napoli

ANNA MARIE NAPOLI
Notary Public, State of New York
No. 24-4759283
Qualified In Kings County
Certificate Filed in New York County
Commission Expires August 31, 19... 88

STATE OF NEW YORK)
 : SS.:
COUNTY OF NEW YORK)

On this 17th day of July, 1986, before me personally came B.D. LACKEY, to me known, who, being by me duly sworn, did depose and say that he resides at Albuquerque, New Mexico; that he is a Vice President and Corporate Controller of PUBLIC SERVICE COMPANY OF NEW MEXICO, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

[NOTARIAL SEAL]

Anna Marie Napoli

ANNA MARIE NAPOLI
Notary Public, State of New York
No. 24-4759283
Qualified in Kings County
Certificate Filed in New York County
Commission Expires August 31, 1988

STATE OF NEW YORK)

: ss.:

COUNTY OF NEW YORK)

On this 17th day of July, 1986, before me personally came T. J. FOLEY, to me known, who, being by me duly sworn, did depose and say that he resides at Bethpage, New York; that he is Vice President of CHEMICAL BANK, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

[NOTARIAL SEAL]

Anna Marie Napoli

ANNA MARIE NAPOLI
Notary Public, State of New York
No. 24-4759288
Qualified in Kings County
Certificate of the New York County
Commission Expires August 31, 1990 *fs*

SCHEDULE 1
to
SERIES 1986A BOND
SUPPLEMENTAL INDENTURE

[FORM OF FACE OF BOND]

No. R-

\$ _____

FIRST PV FUNDING CORPORATION

LEASE OBLIGATION BOND SERIES 1986A

INTEREST RATE

STATED MATURITY

REGISTERED HOLDER:

PRINCIPAL AMOUNT:

DOLLARS

FIRST PV FUNDING CORPORATION, a Delaware corporation (hereinafter called the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to the Registered Holder (named above) hereof, or registered assigns, the Principal Amount (stated above) on the Stated Maturity (stated above) and to pay interest thereon from the date hereof, or from the most recent interest payment date to which interest has been paid or duly provided for, semiannually on July 15 and January 15, in each year, commencing January 15, 1987, at the Interest Rate (stated above) per annum, until the principal hereof is paid in full or made available for payment. The interest so payable, and punctually paid or duly provided for, on any interest payment date will, as provided in such Indenture, be paid to the person in whose name this Bond (or one or more Predecessor Securities, as defined in such Indenture) is registered at the close of business on the Regular Record Date for

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such interest, which shall be the June 30 or December 31, as the case may be (whether or not a Business Day, as defined in such Indenture), next preceding such interest payment date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Registered Holder on such Regular Record Date, and may be paid to the person in whose name this Bond (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to the Bondholders not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed, and upon such notice as may be required by such exchange, all as more fully provided in such Indenture. Payment of the principal of (and premium, if any) and interest on this Bond will be made at the corporate trust office of the Paying Agent, Chemical Bank (or if such office is not in the Borough of Manhattan, The City of New York, at either such office or an office to be maintained in such Borough), in such coin or currency of the United States of America as at the time of payment is legal tender for payment of interest or may be made at the option of the Company by check mailed to the address of the Holder entitled thereto as such address shall appear on the Security Register.

Interest on any overdue principal and premium, if any, and (to the extent permitted by applicable law) any overdue interest shall be paid, on demand, from the due date thereof at the rate of interest per annum (computed on the basis of a 360-day year of twelve 30-day months) equal to 1% above the Interest Rate (stated above) on this Bond for the period during which any such principal, premium or interest shall be overdue.

Reference is hereby made to the further provisions of this Bond set forth on the reverse hereof which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Bond shall not be entitled to any benefit under such Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: July 17, 1986

FIRST PV FUNDING CORPORATION

By _____
President

Attest:

Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

CHEMICAL BANK
as Trustee

By _____
Authorized Officer

[FORM OF REVERSE OF BOND]

FIRST PV FUNDING CORPORATION

LEASE OBLIGATION BOND SERIES 1986A

This Bond is one of an authorized issue of Securities of the Company known as its "Lease Obligation Bonds Series 1986A" (the "Bonds") issued under, and all equally and ratably secured by, a Collateral Trust Indenture dated as of December 16, 1985 among the Company, Public Service Company of New Mexico, a New Mexico corporation (herein called "PNM"), and Chemical Bank, as Trustee (herein called the "Trustee", which term includes any successor Trustee under the Indenture), as heretofore supplemented and as further supplemented and amended by the Series 1986A Bond Supplemental Indenture dated as of July 15, 1986 among such parties (collectively, the "Indenture") to which Indenture reference is hereby made for a description of the nature and extent of the securities and other property assigned, pledged and transferred thereunder, the respective rights of the holders of the Bonds and of the Trustee and the Company in respect of such security, and the terms upon which the Bonds are and are to be authenticated and delivered.

The principal of, and premium, if any, and interest on, this Bond are payable from, and secured by, the assets subject to the lien of the Indenture or the income and proceeds received by the Trustee therefrom, and all payments of principal, premium (if any) and interest shall be made in accordance with the terms of the Indenture.

The Indenture and each of the Participation Agreements among an Equity Investor (as hereinafter defined), a Lessor (as hereinafter defined), the Company, the Lease Indenture Trustee (as hereinafter defined) and certain other parties (each a "Participation Agreement") provide that, as and when issued, certain Nonrecourse Promissory Notes (the "Pledged Lessor Notes"), in aggregate principal amount of \$253,677,000, to be issued by The First National Bank of Boston, as owner trustee under one or more separate Trust Agreements, with the respective institutional investors named in such Trust Agreements (The First National Bank of Boston in each of such capacities as owner trustee being herein called a "Lessor" and each such institutional investor being herein called an "Equity Investor"), will be included within the assets subject to the lien of the

Indenture pursuant to indenture supplements. Such Pledged Lessor Notes are to be issued under separate documents entitled Trust Indenture, Mortgage, Security Agreement and Assignment of Rents, each between a Lessor and Chemical Bank, as trustee (the "Lease Indenture Trustee") (each of such Trust Indentures, as it is executed and delivered and as thereafter amended in accordance with its terms, being herein called a "Lease Indenture"). Reference is made to each Lease Indenture for a description of the nature and extent of property to be assigned, pledged, transferred and mortgaged thereunder and the rights of the holders of notes issued thereunder, including the Pledged Lessor Notes. Except as expressly provided in a Lease Indenture, all payments of principal, premium, if any, and interest to be made on a Pledged Lessor Note and under such Lease Indenture will be made only from the assets subject to the lien of such Lease Indenture or the income and proceeds received by the Lease Indenture Trustee therefrom, including, in the case of each Lease Indenture, the rights of the Lessor which is a party thereto to receive basic rentals and certain other payments under a Lease with PNM relating to an undivided interest in certain assets constituting part of the Palo Verde Nuclear Generating Station (also known as the Arizona Nuclear Power Project) (each of such Leases, as it is executed and delivered and as to be hereafter amended in accordance with its terms being herein called a "Lease"), which basic rentals and other payments will be at least sufficient to provide for the payment of the principal of and premium, if any, and interest on each Pledged Lessor Note issued under such Lease Indenture. Each Holder hereof, by its acceptance of this Bond, agrees (x) that except as expressly provided above, it will look solely to the assets subject to the lien of the Indenture or the income and proceeds received by the Trustee therefrom, to the extent available for distribution to the Holder hereof as provided in the Indenture and (y) that none of an Equity Investor, a Lessor, a Lease Indenture Trustee or the Trustee is liable to the Holder hereof or, in the case of an Equity Investor, a Lessor and a Lease Indenture Trustee, to the Trustee for any amounts payable under this Bond or, except as provided in the Indenture with respect to the Trustee, for any liability under the Indenture. An Equity Investor shall not have any duty or responsibility under the Indenture or the Bonds to any Holder or to the Trustee.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of PNM and the Company and the rights of the Holders of the Securities under the Indenture at any time by PNM and the

Company with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding, as defined in the Indenture. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by PNM and the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Security issued upon the transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture, the aggregate principal amount of Securities which may be issued thereunder is unlimited. The Bonds are limited in aggregate principal amount to \$253,677,000, consisting of:

| <u>Stated Maturity
of Principal</u> | <u>Interest
Rate</u> | <u>Principal
Amount</u> |
|---|--------------------------|-----------------------------|
| July 15, 1991 | 8.3% | \$25,332,000 |
| July 15, 1996 | 9.125% | \$40,532,000 |
| January 15, 2014 | 10.3% | <u>\$187,813,000</u> |
| | | \$253,677,000 |

In the event that one or more Leases are terminated under Section 14 thereof, the Bonds with Stated Maturity of principal of January 15, 2014 are subject to mandatory redemption in part from time to time on not less than 20 nor more than 60 days' prior notice given as provided in the Indenture at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the date fixed for redemption, on the same date on which, and to the same extent that, the Pledged Lessor Notes relating to the Bonds are prepaid as provided in Section 5.2 of the Lease Indenture under which they were issued.

The Bonds of each Stated Maturity of principal are also subject to mandatory redemption pursuant to sinking fund installments, as more fully provided in the Indenture, at the principal amount thereof, together with interest accrued to the date fixed for redemption, on the dates and in the respective principal amounts set forth in the Indenture.

The sinking fund installments for the Bonds of a particular Stated Maturity of principal set forth in the Indenture may be adjusted once at the discretion of the Company prior to July 15, 1988, in connection with certain adjustments in basic rent pursuant to any of the Leases; provided, however, that no such adjustments shall be made by the Company which will increase or reduce the average life of such Bonds (calculated in accordance with generally accepted financial practice from the date of initial issuance thereof) by more than 6 months.

As provided in the Indenture, in connection with any mandatory sinking fund redemption of Bonds of a particular Stated Maturity or principal (other than Bonds of a Stated Maturity of principal of July 15, 1991), the Company may cause the Trustee first to select for such redemption Bonds of such Stated Maturity of principal held by PNM or any Affiliate of PNM.

In the event of any partial redemption of Bonds of a particular Stated Maturity of principal (other than pursuant to the aforementioned sinking fund), the principal amount of Bonds of such Stated Maturity of principal to be redeemed thereafter pursuant to the sinking fund schedule indicated in the Indenture shall be adjusted proportionately as nearly as practicable in accordance with Section 7.01 of the Indenture.

In addition, the Bonds (other than Bonds with a Stated Maturity of principal of July 15, 1991) are subject to redemption, in whole or in part, at any time, at the option of the Company, with monies deposited with the Trustee, on not less than 20 nor more than 60 days' notice given as provided in the Indenture, at the following redemption prices (expressed as a percentage of principal amount), together with interest accrued to the date fixed for redemption as follows:

Bonds with a Stated Maturity of principal of July 15, 1996 may be redeemed at a price of 109.125% of the

principal amount thereof, such percentage to decline by 1.304 on July 15, 1987 and each second anniversary thereof and by 1.303 on July 15, 1988 and each second anniversary thereof, until such date as such percentage shall be 100%, and thereafter 100%; and

Bonds with a Stated Maturity of principal of January 15, 2014 may be redeemed at a price of 110.3% of the principal amount thereof, such percentage to decline by .412 on July 15, 1987 and each anniversary thereof, until such date as such percentage shall be 100%, and thereafter 100%;

provided, however, that no such redemption shall be made prior to July 15, 1991, directly or indirectly, as a part of, or in anticipation of any refunding operation involving the incurrence of indebtedness by the Company, any Lessor, PNM or any Affiliate of any thereof if such indebtedness has an effective interest cost to the Company, such Lessor, PNM or such Affiliate, as the case may be (computed in accordance with generally accepted financial practice), of less than 9.125% per annum in the case of Bonds with a Stated Maturity of principal of July 15, 1996, and 10.3% per annum in the case of Bonds with a Stated Maturity of principal of January 15, 2014.

In the case of any redemption of Bonds, unpaid interest installments whose Stated Maturity, as defined in the Indenture, is on or prior to the date fixed for redemption will be payable to the Holders of such Bonds or one or more Predecessor Securities of record at the close of business on the relevant Regular or Special Record Date referred to on the face hereof.

The Indenture provides that Bonds of a denomination larger than \$1,000 may be redeemed in part (\$1,000 or an integral multiple thereof) and that upon any partial redemption of any such Bond the same shall be surrendered at the corporate trust office of the Paying Agent in exchange for one or more new Bonds for the unredeemed portion thereof.

Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Indenture shall thereupon cease to be entitled to the lien of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of this Bond may become or be declared due and payable, in the manner and with the effect provided in the Indenture.

This Bond is transferable by the registered owner hereof in person or by attorney authorized in writing, at the corporate trust office of the Bond Registrar, Chemical Bank (or if such office is not in the Borough of Manhattan, The City of New York, at either such office or an office to be maintained in such Borough), upon surrender of this Bond, and upon any such transfer a new Bond of the same Stated Maturity of principal, for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The Bonds are issuable only as registered Bonds without coupons in denominations of \$1,000 and/or any integral multiple thereof. As provided in, and subject to the provisions of, the Indenture, Bonds of a particular Stated Maturity of principal are exchangeable for other Bonds of such Stated Maturity, but of a different authorized denomination or denominations, as requested by the Holder surrendering the same.

No service charge will be made to any Holder of Bonds for any such transfer or exchange, but the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer, the person in whose name this Bond is registered shall be deemed to be the owner hereof for the purpose of receiving payment as herein provided and for all other purposes whether or not this Bond be overdue, regardless of any notice to anyone to the contrary.

As provided in the Indenture, the Indenture and the Bonds shall be construed in accordance with and governed by the laws of the State of New York.

SCHEDULE 2
to
SERIES 1986A BOND
SUPPLEMENTAL INDENTURE

A. As used in this Series 1986A Bond Supplemental Indenture, the following terms have the following meanings:

(1) Lease Indenture means each of:

(i) the Trust Indenture, Mortgage, Security Agreement and Assignment of Rents, dated as of December 16, 1985, between the Indenture Trustee and Owner Trustee No. 1, as amended by Supplemental Indenture No. 1 thereto, dated as of July 15, 1986;

(ii) the Trust Indenture, Mortgage, Security Agreement and Assignment of Rents, dated as of December 16, 1985, between the Indenture Trustee and Owner Trustee No. 2, as amended by Supplemental Indenture No. 1 thereto, dated as of July 15, 1986; and

(iii) the Trust Indenture, Mortgage, Security Agreement and Assignment of Rents, dated as of December 16, 1985, between the Indenture Trustee and Owner Trustee No. 3, as amended by Supplemental Indenture No. 1 thereto, dated as of July 15, 1986.

(2) Lessor Note means each of:

(i) the Non-Recourse Promissory Note, Fixed Rate Series (Due July 15, 1991) in the amount of \$13,622,000 dated July 17, 1986, payable by Owner Trustee No. 1 to the Company.

(ii) the Non-Recourse Promissory Note, Fixed Rate Series (Due July 15, 1996) in the amount of \$20,851,000 dated July 17, 1986, payable by Owner Trustee No. 1 to the Company;

(iii) the Non-Recourse Promissory Note, Fixed Rate Series (Due January 15, 2012) in the amount of

\$95,177,000 dated July 17, 1986, payable by Owner Trustee No. 1;

(iv) the Non-Recourse Promissory Note, Fixed Rate Series (Due July 15, 1991) in the amount of \$7,017,000 dated July 17, 1986, payable by Owner Trustee No. 2 to the Company;

(v) the Non-Recourse Promissory Note, Fixed Rate Series (Due July 15, 1996) in the amount of \$12,496,000 dated July 17, 1986, payable by Owner Trustee No. 2 to the Company;

(vi) the Non-Recourse Promissory Note, Fixed Rate Series (Due January 15, 2013) in the amount of \$58,031,000 dated July 17, 1986, payable by Owner Trustee No. 2 to the Company;

(vii) the Non-Recourse Promissory Note, Fixed Rate Series (Due July 15, 1991) in the amount of \$4,693,000 dated July 17, 1986, payable by Owner Trustee No. 3; and

(viii) the Non-Recourse Promissory Note, Fixed Rate Series (Due July 15, 1996) in the amount of \$7,185,000 dated July 17, 1986, payable by Owner Trustee No. 3 to the Company; and

(ix) the Non-Recourse Promissory Note, Fixed Rate Series (Due January 15, 2014) in the amount of \$34,605,000 dated July 17, 1986, payable by Owner Trustee No. 3 to the Company.

(3) Lessor or Owner Trustee means The First National Bank of Boston, a national banking association (FNB), in its capacity as owner trustee under three separate Trust Agreements, each dated as of December 16, 1985, with the equity investor named therein, in such capacity Owner Trustee No. 1, Owner Trustee No. 2 and Owner Trustee No. 3, respectively.

(4) Indenture Trustee means Chemical Bank, a New York banking corporation, as Trustee.

(5) Lease means each of:

(i) the Facility Lease, dated as of December 16, 1985, between PNM, as lessee, and Owner Trustee No. 1, as lessor, as amended by Amendment No. 1 thereto, dated as of July 15, 1986;

(ii) the Facility Lease, dated as of December 16, 1985, between PNM, as lessee, and Owner Trustee No. 2, as lessor, as amended by Amendment No. 1 thereto, dated as of July 15, 1986; and

(iii) the Facility Lease, dated as of December 16, 1985, between PNM, as lessee, and Owner Trustee No. 3, as lessor, as amended by Amendment No. 1 thereto, dated as of July 15, 1986.

(6) Participation Agreement means each of:

(i) the Participation Agreement, dated as of December 16, 1985, among the Owner Participant designated therein, the Company, FNB, in its individual capacity and as Owner Trustee No. 1, Chemical Bank, in its individual capacity and as Indenture Trustee, and PNM, as amended by Amendment No. 1 thereto, dated as of July 15, 1986;

(ii) the Participation Agreement, dated as of December 16, 1985, among the Owner Participant designated therein, the Company, FNB, in its individual capacity and as Owner Trustee No. 2, Chemical Bank, in its individual capacity and as Indenture Trustee, and PNM, as amended by Amendment No. 1 thereto, dated as of July 15, 1986; and

(iii) the Participation Agreement, dated as of December 16, 1985, among the Owner Participant designated therein, the Company, FNB, in its individual capacity and as Owner Trustee No. 3, Chemical Bank, in its individual capacity and as Indenture Trustee, and PNM, as amended by Amendment No. 1 thereto, dated as of July 15, 1986.

COMMITMENT AGREEMENT

July 17, 1986

First PV Funding Corporation
1209 Orange Street
Wilmington, Delaware 19801
Attention of President

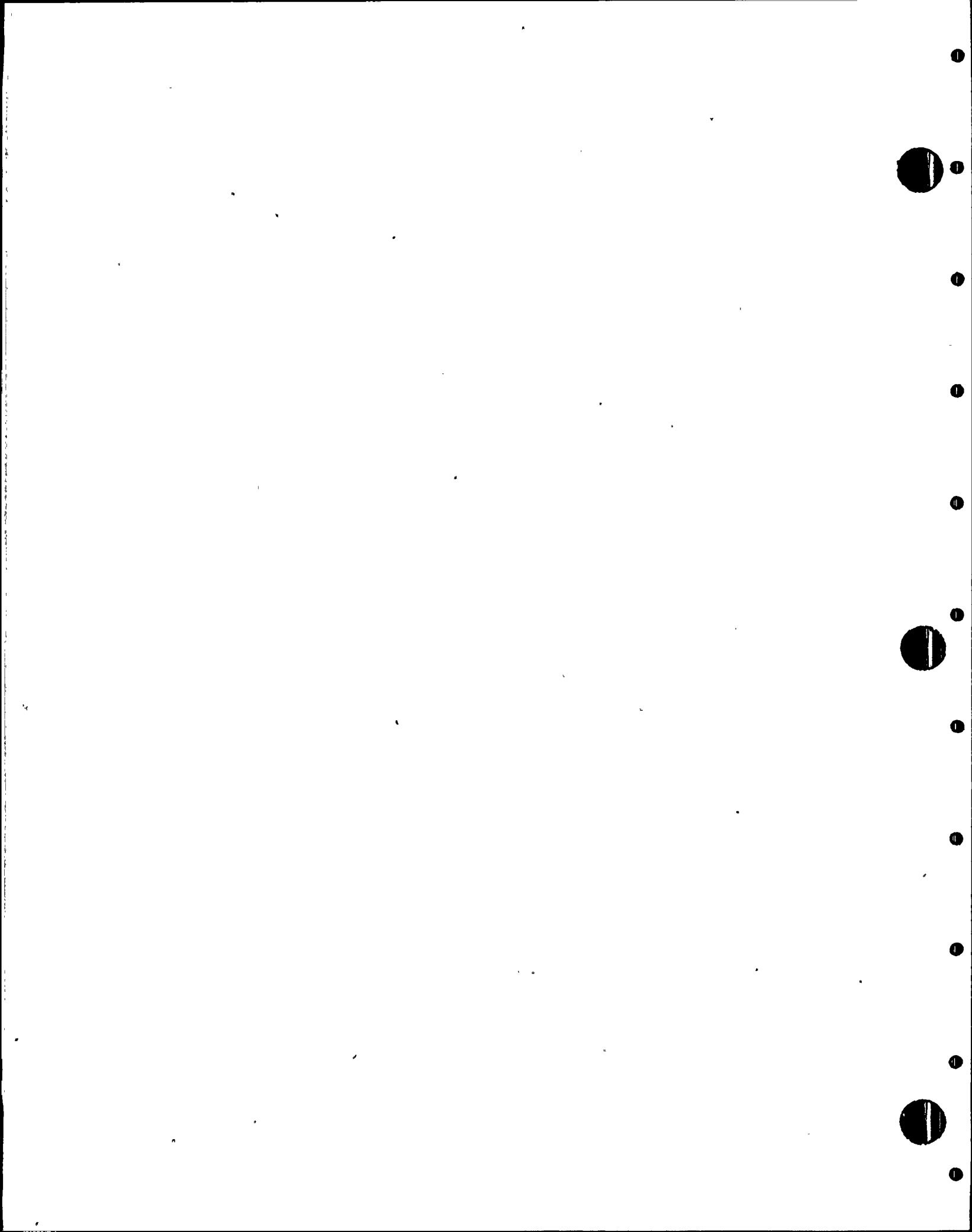
\$253,677,000
Lease Obligation Bonds Series 1986A

Gentlemen:

Reference is made to (i) the Underwriting Agreement dated April 17, 1986 (the Underwriting Agreement) and the Pricing Agreement dated July 10, 1986 (the Pricing Agreement) between Public Service Company of New Mexico, a New Mexico corporation (PNM), First PV Funding Corporation, a Delaware corporation (First PV), and Kidder, Peabody & Co. Incorporated, Drexel Burnham Lambert Incorporated and the other Underwriters named in the Pricing Agreement (the Underwriters) providing for the purchase by the Underwriters, severally, of \$253,677,000 aggregate principal amount of First PV's Lease Obligation Bonds Series 1986A (the Bonds) and (ii) the Collateral Trust Indenture dated as of December 16, 1985 (the Indenture), as heretofore supplemented and as further amended and supplemented by the Series 1986A Bond Supplemental Indenture dated as of July 15, 1986 (the Series 1986A Bond Supplemental Indenture), each among PNM, First PV and Chemical Bank, as Trustee (the Trustee), pursuant to which the Bonds are to be issued.

1. As an inducement to and as part of the consideration for the execution and delivery by First PV and the Underwriters of the Underwriting Agreement and the Pricing Agreement and purchase by the Underwriters of the Bonds pursuant thereto, PNM covenants and agrees with First PV that PNM will pay to First PV a commitment fee (the Commitment Fee) equal to \$5,000.

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2. PNM agrees to make the payment of the Commitment Fee by check payable to First PV as soon as practicable following the Designated Closing Date (as defined in the Underwriting Agreement) for the Pricing Agreement.

3. If PNM, at least 50 days prior to the date on which any Bonds of a particular Stated Maturity of principal (other than Bonds of a Stated Maturity of principal of July 15, 1991) are to be redeemed pursuant to a mandatory sinking fund redemption, delivers to First PV a certificate (i) stating that PNM or an Affiliate (as defined in the Indenture) of PNM beneficially owns certain specified Bonds of such Stated Maturity of principal and (ii) requesting that such Bonds be selected for the next following mandatory sinking fund redemption applicable to Bonds of such Stated Maturity of principal, First PV shall deliver to the Trustee a Company Request (as defined in the Indenture) to such effect pursuant to Section 1.04(b) of the Series 1986A Bond Supplemental Indenture. PNM agrees that (1) neither it nor any of its Affiliates shall purchase any Bond more than 180 days in advance of the date of the mandatory sinking fund redemption applicable thereto, (2) the aggregate of Bonds so purchased shall not exceed the amount of the next succeeding sinking fund payment applicable thereto and (3) any Bonds so purchased shall be the subject of a request by PNM pursuant to the preceding sentence.

4. If PNM, in a timely manner, provides First PV with information sufficient for First PV to direct the adjustments described in Section 1.04(c) of the Series 1986A Bond Supplemental Indenture, First PV shall deliver to the Trustee a Company Request pursuant to such Section 1.04(c).

5. This Commitment Agreement has been executed and delivered in the State of New York and shall be governed by, and be construed in accordance with, the laws of the State of New York.

PUBLIC SERVICE COMPANY
OF NEW MEXICO

By B. D. Lacey
Vice President and
Corporate Controller

Accepted and agreed:

FIRST PV FUNDING CORPORATION

By J. H. Barker
President

