

**STANDARD
& POOR'S**

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
reference no.: 1018537

July 23, 2008

Santa Fe County
102 Grant Avenue
P.O. Box 276
Santa Fe, NM 87504
Attention: Mr. Gerald Gonzalez, Issuer

Re: ***US\$30,000,000 Santa Fe County, New Mexico, County Gross Receipts Tax Revenue Bonds, Series 2008, dated: Date of Delivery, due: June 1, 2027***

Dear Mr. Gonzalez:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "AA+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial

Mr. Gerald Gonzalez
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information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

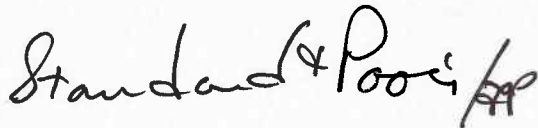
Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

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Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

A handwritten signature in cursive script that reads "Standard & Poor's" followed by a stylized monogram or initials.

nk
enclosures

cc: Mr. Kevin F. Powers, Director
RBC Capital Markets

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Terms and Conditions
Applicable To
U.S. Public Finance Ratings**

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Agreement to Accept Terms and Conditions. Standard & Poor's assigns Public Finance ratings subject to the terms and conditions stated herein and in the rating letter. The issuer/obligor's use of a Standard & Poor's public finance rating constitutes agreement to comply in all respects with the terms and conditions contained herein and in the rating letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's rating as stated herein and in the rating letter.

Fees and expenses. In consideration of our analytic review and issuance of the rating, the issuer/obligor agrees to pay Standard & Poor's a rating fee. Payment of the fee is not conditioned on Standard & Poor's issuance of any particular rating. In most cases an annual surveillance fee will be charged for so long as we maintain the rating. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee. Should the rating not be issued, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the rating will not be issued.

Scope of Rating. The issuer/obligor understands and agrees that (i) an issuer rating reflects Standard & Poor's current opinion of the issuer/obligor's overall financial capacity to pay its financial obligations as they come due, (ii) an issue rating reflects Standard & Poor's current opinion of the likelihood that the issuer/obligor will make payments of principal and interest on a timely basis in accordance with the terms of the obligation, (iii) a rating is an opinion and is not a verifiable statement of fact, (iv) ratings are based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any rating and a rating does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating and surveillance process, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information, (ix) Standard & Poor's may raise, lower, suspend, place on CreditWatch, or withdraw a rating at any time, in Standard & Poor's sole discretion, and (x) a rating is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

Publication. Standard & Poor's reserves the right to publish, disseminate, or license others to publish or disseminate the rating and the rationale for the rating unless the issuer/obligor specifically requests that the rating be assigned and maintained on a confidential basis. If a confidential rating subsequently becomes public through disclosure by the issuer/obligor or a third party other than Standard & Poor's, Standard & Poor's reserves the right to publish it. Standard & Poor's may publish explanations of Standard & Poor's ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's criteria at any time as Standard & Poor's deems appropriate.

Information to be Provided by the Issuer/obligor. The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the rating and surveillance of the rating including information on material changes to information previously supplied to Standard & Poor's. The rating may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of

information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

July 23, 2008

Summary:

Santa Fe County, New Mexico; Sales Tax

Primary Credit Analyst:

Ian Carroll, San Francisco (1) 415-371-5060; ian_carroll@standardandpoors.com

Secondary Credit Analyst:

Gabriel Petek, CFA, San Francisco (1) 415-371-5042; gabriel_petek@standardandpoors.com

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Outlook

Summary:

Santa Fe County, New Mexico; Sales Tax

Credit Profile		
US\$30. mil cnty Gross Reciepts Tax rev bnds ser 2008 due 06/01/2027		
Long Term Rating	AA+/Stable	New
Santa Fe Cnty gross recpts tax rev bnds subord ser 1997A dtd 02/01/1997 due 02/01/99-2012 2018 2027		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Santa Fe Cnty sales tax		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's assigned its 'AA+' rating to Santa Fe County, N.M.'s \$30 million series 2008 gross receipts tax revenue bonds. In addition, Standard & Poor's affirmed its 'AA' underlying rating (SPUR) on the county's series 1997A gross receipts tax revenue bonds and its 'A+' SPUR on the county's outstanding sales tax bonds.

The rating reflects:

- Large economic base of the county, including the state capitol;
- Broad-base of pledged gross receipts taxes; and
- Good debt service coverage.

The bonds are secured by a gross pledge of a portion of the county's gross receipts tax, with the 2008 bonds secured by a senior lien pledge, and the existing 1997 bonds secured by subordinate pledges.

The 2008 bonds will total \$30 million and will be paid down over 25 years, with maximum annual debt service (MADS) occurring in 2033 at \$2.9 million. Coverage based on historic pledged revenue is a strong 5.1x. Pledged revenues of \$13.127 million in fiscal 2008 are unaudited, and are based on estimates for the fiscal year ended June 30, 2008. Pledged revenue has grown 47% during the past five years.

Santa Fe County is located in north-central New Mexico (AA+), about 60 miles northeast of the state's largest metropolitan area of Albuquerque (AAA). The City of Santa Fe, the county seat, is also the state capitol and one of the Southwest's premier tourist and resort destinations. The county's population, at approximately 130,000, has increased steadily; the state has a population of 1.8 million.

With a high concentration of government-related jobs, county income levels are well above the state average. The median household estimated buying income (EBI) is 114% of the New Mexico state average while per capita EBI is 143% of the state average, although in both categories the levels are average when compared with the national median. Also due to the stability of its job market, the unemployment rate is favorable compared to state and national levels; it was 2.9% in 2007 compared to 4.5% in the U.S. The services sector is also a leading component of the Santa Fe economy, with its historic downtown and proximity to the mountain resort Taos, 70 miles

northeast. Of the 61,000 non-agricultural jobs in the area, the state of New Mexico provides 15%, or 9,443 positions, followed by the Santa Fe School District, and the U.S. federal government. Only three of the leading 10 employers are non-governmental, and they include the Santa Fe Opera, the cities of Gold Casino and St. Vincent's, a regional hospital, and a medical center.

The county has experienced strong average annual growth of more than 60% since 2002, to \$6.1 billion in 2007. The tax base is diverse, with no concentration among larger properties. The county maintains substantial unreserved fund balances in the general fund with about \$38 million in fiscal 2007, or more than a year's worth of expenditures.

Outlook

The stable outlook reflects the expectation of continued strong gross receipts tax collections and good debt service coverage.

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