NEW ISSUE — BOOK ENTRY ONLY

In the opinion of Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel, based on currently existing laws, regulations, decisions and interpretations and assuming, among other things, continuing compliance with certain covenants, interest on the Series 1995A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. ALSO IN THE OPINION OF CO-BOND COUNSEL, INTEREST ON THE TAXABLE SERIES 1995B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. In the opinion of Co-Bond Counsel, under existing laws, interest on the Series 1995 Bonds is excluded from net income for State of New Mexico income tax purposes. Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1995 Bonds. See "TAX MATTERS."

$41,230,000
NEW MEXICO FINANCE AUTHORITY
Public Project Revolving Fund
Revenue Bonds
Series 1995A

Dated: July 1, 1995

$4,000,000
NEW MEXICO FINANCE AUTHORITY
Public Project Revolving Fund
Revenue Bonds
Taxable Series 1995B

Due: June 1, as shown below

The New Mexico Finance Authority's Public Project Revolving Fund Revenue Bonds, Series 1995A and Taxable Series 1995B Bonds (collectively, the "Series 1995 Bonds"), are being issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Depository Trust Company will act as securities depository for all of the Series 1995 Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each Series and maturity of the Series 1995 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 1995 Bonds will be made in book-entry form only, and beneficial owners of the Series 1995 Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Series 1995 Bonds.

The Series 1995 Bonds will be issued under and secured by a General Indenture of Trust and Pledge as supplemented by a First Supplemental Indenture of Trust (collectively, the "Indenture"), each dated as of June 1, 1995 between the New Mexico Finance Authority and Sunwest Bank of Albuquerque, National Association, as Trustee. Principal of and interest (and premium, if any) on the Series 1995 Bonds will be payable to DTC, or its nominee, as owner of the Series 1995 Bonds, by the Trustee. Interest on the Series 1995 Bonds is payable on June 1 and December 1 of each year, commencing June 1, 1996, as more fully described herein. Principal of the Series 1995 Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedule set forth below.

MATURITY SCHEDULE
Series 1995A Bonds

Maturity Date (June 1)	Principal Amount	Interest Rate	Price or Yield	Maturity Date (June 1)	Principal Amount	Interest Rate	Price or Yield
1996	$1,490,000	3.80%	100%	2003	$1,435,000	4.875%	100%
1997	1,625,000	4.20	100	2004	1,510,000	5.90	5.10
1998	1,705,000	4.30	100	2005	1,495,000	5.90	5.20
1999	1,785,000	6.45	4.50	2006	1,420,000	5.35	100
2000	1,890,000	6.25	4.60	2007	1,510,000	5.50	100
2001	1,400,000	4.65	100	2008	1,585,000	5.60	100
2002	1,355,000	4.75	100				

$ 3,445,000 of Series 1995A Term Bonds due June 1, 2010 at 5.75% Price: 100%
$10,540,000 of Series 1995A Term Bonds due June 1, 2015 at 5.95% Price: 100%
$ 7,040,000 of Series 1995A Term Bonds due June 1, 2023 at 6.00% Price: 99.875%

$4,000,000 of Taxable Series 1995B Bonds due June 1, 1996 at 5.84% Price: 100%

(Accrued interest from July 1, 1995 to be added)

The Series 1995A Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity as more fully described herein. The Taxable Series 1995B Bonds are not subject to redemption prior to maturity.

The Series 1995 Bonds are being issued by the NMFA to finance all or a portion of certain projects for the 1995 Governmental Units, to fund deposits to the Agreement Reserve Fund and to pay the costs of issuing the Series 1995 Bonds. The principal of, premium, if any, and interest on the Series 1995 Bonds are payable solely from and secured solely by the Trust Estate, which includes certain amounts payable pursuant to agreements between the NMFA and certain of the 1995 Governmental Units, and certain moneys in funds and accounts described herein. **Additional Bonds and other obligations may be issued pursuant to the Indenture with a lien on the Trust Estate on a parity with the lien of the Series 1995 Bonds.**

The Series 1995 Bonds are special, limited obligations of the NMFA, payable solely from and secured solely by the Trust Estate pledged under the Indenture. The Series 1995 Bonds do not constitute nor create a general obligation or other indebtedness of the State of New Mexico or (except as expressly provided in an Agreement) any 1995 Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 1995 Bonds or the Indenture is to be construed or interpreted as creating a delegation of governmental powers or as a donation by or lending of the credit of the NMFA, the State or any 1995 Governmental Unit within the meaning of the State Constitution.

Payment of the principal of and interest on the Series 1995A Bonds when due will be insured by a municipal bond insurance policy to be issued by AMBAC Indemnity Corporation simultaneously with the delivery of the Series 1995A Bonds. See *"BOND INSURANCE RELATING TO THE SERIES 1995A BONDS"*.

AMBAC

The NMFA has undertaken, for the benefit of owners of the Series 1995 Bonds, to provide certain annual and periodic disclosure as described herein under the caption *"CONTINUING DISCLOSURE UNDERTAKING"*.

Approval of certain legal matters will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Co-Bond Counsel, Albuquerque, New Mexico. Certain legal matters, including certain legal matters with respect to the tax status of the interest paid on the Series 1995 Bonds, will be passed on by Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel, Salt Lake City, Utah. Certain legal matters will be passed on for the NMFA by the Office of the Attorney General of the State of New Mexico and for the Underwriters by Hogan & Hartson L.L.P. Certain legal matters will be passed on for the 1995 Governmental Units by Modrall, Sperling, Roehl, Harris & Sisk, P.A. Public Financial Management, Inc. has acted as financial advisor to the NMFA in connection with the Series 1995 Bonds. It is expected that a single certificate for each Series and maturity of the Series 1995 Bonds will be issued to DTC in New York, New York on or about July 20, 1995. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 1995 Bonds.

Rauscher Pierce Refsnes, Inc. **Merrill Lynch & Co.**

Principal Financial Securities, Inc.

The date of this Official Statement is June 28, 1995

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 1995 Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the NMFA or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been obtained from the NMFA, the 1995 Governmental Units and other sources which are deemed to be reliable, but it is not guaranteed as to completeness or accuracy by, and is not to be construed as a representation by, the Underwriters. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the NMFA, the 1995 Governmental Units or others since the date hereof.

THE PRICES AT WHICH THE SERIES 1995 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE SERIES 1995 BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 1995 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Series 1995 Bonds have not been registered under the Securities Act of 1933, nor has the General Indenture or the Supplemental Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such Acts. The registration and qualification of the Series 1995 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 1995 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 1995 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

NEW MEXICO FINANCE AUTHORITY

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Albuquerque, New Mexico

Ballard Spahr Andrews & Ingersoll
Salt Lake City, Utah

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OFFICIAL STATEMENT

$41,230,000
New Mexico Finance Authority
Public Project Revolving Fund
Revenue Bonds
Series 1995A

$4,000,000
New Mexico Finance Authority
Public Project Revolving Fund
Revenue Bonds
Taxable Series 1995B

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale of the Public Project Revolving Fund Revenue Bonds, Series 1995A (the "Series 1995A Bonds") and Taxable Series 1995B (the "Taxable Series 1995B Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 1995A Bonds and the Taxable Series 1995B Bonds are collectively referred to herein as the "Series 1995 Bonds." Capitalized terms used herein and not defined have the meanings specified in the General Indenture of Trust and Pledge dated as of June 1, 1995 (the "General Indenture") between the NMFA and Sunwest Bank of Albuquerque, National Association, as trustee (the "Trustee") and the First Supplemental Indenture of Trust dated as of June 1, 1995 (the "Supplemental Indenture") between the NMFA and the Trustee supplementing the General Indenture. The General Indenture and the Supplemental Indenture are collectively referred to herein as the "Indenture." See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 1995 Bonds to potential investors is made only by means of the entire Official Statement.

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality created pursuant to State Statute to coordinate the planning and financing of state and local public projects. The NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the State, except that a legislative oversight committee is empowered to monitor and oversee its operations. For additional information concerning the NMFA, see "NEW MEXICO FINANCE AUTHORITY" and the financial statements included as Appendix A hereto.

Purposes of the Series 1995 Bonds

Proceeds from the sale of the Series 1995 Bonds will be used by the NMFA to make certain Loans and Grants (the "1995 Loans" and the "1995 Grants," respectively) and to purchase certain Securities (the "1995 Securities"), and thereby provide funds to various participating governmental entities (the "1995 Governmental Units") to pay all or a portion of the costs of certain projects (the "1995 Projects"), as more fully described herein. Proceeds will also be used to fund deposits to certain 1995 Governmental Units' accounts within the Agreement Reserve Fund and to pay costs of issuance of the Series 1995 Bonds. See "The 1995 Governmental Units and the 1995 Projects" under this caption and "THE PLAN OF FINANCING." See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS."

Authority for Issuance

The Series 1995 Bonds are being issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMFA 1978, as amended (the "Act"), and the Indenture.

Terms of the Series 1995 Bonds

Payments

The Series 1995 Bonds will be dated July 1, 1995. Interest on the Series 1995 Bonds is payable on June 1 and December 1 of each year, commencing June 1, 1996. The Series 1995 Bonds will mature on the dates and in the amounts and will bear the interest rates shown on the front cover (unless redeemed prior to maturity).

Denominations

The Series 1995 Bonds are issuable in denominations of $5,000, or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only, and purchasers of the Series 1995 Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 1995 Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 1995 Bonds, all as more fully described in "THE SERIES 1995 BONDS - Book-Entry-Only System." *When reading this Official Statement, it should be understood that while the Series 1995 Bonds are in book-entry-only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participants (as hereinafter defined) and indirect participants acquire an*

interest in the Series 1995 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system as described more fully herein, and (ii) notices that are to be given to Owners by the NMFA, the Trustee, the Registrar or the Paying Agent will be given only to DTC.

Redemption of the Series 1995 Bonds

The Series 1995A Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity. The Taxable Series 1995B Bonds are not subject to redemption prior to maturity. See "THE SERIES 1995 BONDS - Redemption of the Series 1995 Bonds."

Additional Bonds

The NMFA must meet certain requirements prior to the issuance of Additional Bonds or other obligations with a lien on the Trust Estate on a parity with the lien of the Series 1995 Bonds. Such Additional Bonds and the Series 1995 Bonds are referred to herein as the "Bonds." For a description of these requirements, see "THE SERIES 1995 BONDS - Additional Bonds." The NMFA may not issue bonds or other indebtedness payable on a priority senior to the lien on the Trust Estate for the payment of the Series 1995 Bonds without the written consent of 100% of the owners of Outstanding Bonds. The NMFA may issue, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinate to that of the Series 1995 Bonds.

Sources of Payment for the Series 1995 Bonds

Special, Limited Obligations

The Series 1995 Bonds are special, limited obligations of the NMFA, payable solely from the Trust Estate, which includes the Revenues and certain funds and accounts created and maintained pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS - Special, Limited Obligations."

Revenues

Generally. Revenues are defined by the General Indenture to mean: (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax (defined below under "The Governmental Gross Receipts Tax"), (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the Funds and Accounts created under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS - Revenues" and "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

The Agreements. The Agreements consist of Loan Agreements, Grant Agreements and Securities executed and delivered by Governmental Units in consideration for the financing of

all or a portion of their respective projects. Pursuant to the 1995 Loan Agreements and the 1995 Securities, certain of the 1995 Governmental Units have pledged, for payment of all amounts due under such Agreements, either the revenues of certain enterprise systems owned and operated by such 1995 Governmental Units or the 1995 Governmental Unit's share of revenues attributable to certain taxes imposed and collected pursuant to State statute. Pursuant to the 1995 Grant Agreements, payments on Series 1995 Bonds issued to fund the 1995 Grants will be repaid from the NMFA Portion of the Governmental Gross Receipts Tax. In addition, an account within the Agreement Reserve Fund will be established with respect to each 1995 Governmental Unit entering into a 1995 Loan Agreement or issuing 1995 Securities. The moneys in such accounts will be used to defray deficiencies in payments by the 1995 Governmental Units under their respective 1995 Loan Agreements or 1995 Securities and associated Additional Pledged Loans and are not otherwise available to pay principal of or interest on the Series 1995 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS - Flow of Funds." For a description of certain provisions of the Agreements, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS - Revenues - the Agreements and the Agreement Pledged Revenues." For certain information regarding the 1995 Governmental Units, the 1995 Projects and the revenues pledged under the 1995 Loan Agreements and the 1995 Securities, see "THE PLAN OF FINANCING" and "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D hereto.

The Governmental Gross Receipts Tax. Pursuant to Section 7-1-6.38, NMSA 1978, as amended, 75% of the net governmental gross receipts tax which is imposed pursuant to State law (the "NMFA Portion of the Governmental Gross Receipts Tax") is allocated to NMFA for deposit to the public project revolving fund administered by the NMFA. See "THE NEW MEXICO FINANCE AUTHORITY - The Public Project Revolving Fund Program." Such moneys, along with payments attributable to Additional Pledged Loans, if any, are to be accounted for and maintained by the Trustee in the Revenue Fund created under the Indenture as an account within the public project revolving fund and used, in accordance with the Indenture, to pay principal of and interest on the Series 1995 Bonds to the extent payments by 1995 Governmental Units pursuant to the 1995 Loan Agreements and the 1995 Securities are not sufficient therefor. In addition, the NMFA Portion of the Governmental Gross Receipts Tax is to be used for principal and interest payments on Series 1995 Bonds issued to fund the 1995 Grants. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS" and "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

Additional Pledged Loans. Pursuant to the Indenture, Additional Pledged Loans consist of loans made by the NMFA to Governmental Units, including certain of the 1995 Governmental Units, from amounts on deposit in the public project revolving fund created under the Act, the principal and interest payments on which have been specifically pledged by NMFA to the payment of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS."

Bond Insurance Relating to the Series 1995A Bonds

For information concerning AMBAC Indemnity Corporation and its Municipal Bond Insurance Policy to be issued in connection with the Series 1995A Bonds, see "BOND INSURANCE" herein. See Appendix F for a specimen of the Municipal Bond Insurance Policy.

The 1995 Governmental Units and the 1995 Projects

Proceeds of the Series 1995 Bonds will be used by the 1995 Governmental Units to finance all or a portion of their respective 1995 Projects. The 1995 Governmental Units include: (i) the Park and Recreation Division of the Energy, Minerals and Natural Resources Department of the State (the "Energy Department"); (ii) the Department of Environment of the State; (iii) the City of Las Vegas; (iv) the City of Santa Fe; and (v) the Northwest New Mexico Solid Waste Disposal Authority (the "Authority"), along with those political subdivisions which created the Authority: the County of Cibola, the City of Gallup, the City of Grants, the County of McKinley and the Village of Milan. For certain information concerning the 1995 Governmental Units and their respective 1995 Projects, see "THE PLAN OF FINANCING" and "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D hereto.

Availability of Continuing Disclosure

The NMFA has undertaken for the benefit of the Bondowners that, so long as the Series 1995 Bonds remain outstanding, the NMFA will provide annual financial information and notice of certain material events to each nationally recognized municipal securities information repository in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as described in "CONTINUING DISCLOSURE UNDERTAKING."

Tax Considerations

In the opinion of Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel, based on currently existing laws, regulations, decisions and interpretations and assuming, among other things, continuing compliance with certain covenants, interest on the Series 1995A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

IN THE OPINION OF BALLARD SPAHR ANDREWS & INGERSOLL, CO-BOND COUNSEL, INTEREST ON THE TAXABLE SERIES 1995B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.

In the opinion of Co-Bond Counsel, under existing laws, interest on the Series 1995 Bonds is excluded from net income for State of New Mexico income tax purposes.

Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1995 Bonds.

The form of opinion to be delivered by Ballard Spahr Andrews & Ingersoll, as Co-Bond Counsel, is included in Appendix E hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 1995 Bonds, see "TAX MATTERS" herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 1995 Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel, will deliver the bond opinion included in Appendix E hereto and Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel, will deliver the bond opinion discussed under "TAX MATTERS" and included in Appendix E hereto. Certain legal matters relating to the Series 1995 Bonds will be passed upon for the Underwriters by their counsel, Hogan & Hartson L.L.P. Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. Certain legal matters will be passed on for the 1995 Governmental Units by Modrall, Sperling, Roehl, Harris & Sisk, P.A. See "LEGAL MATTERS." Public Financial Management, Inc. has acted as financial advisor to the NMFA in connection with its issuance of the Series 1995 Bonds. See "EXPERTS." The NMFA's financial statements for the Fiscal Year ended June 30, 1994, included in Appendix A hereto, have been audited by Macias & Rivera, certified public accountants, Santa Fe, New Mexico.

Offering and Delivery of the Series 1995 Bonds

The Series 1995 Bonds are offered when, as and if issued, subject to approval as to their legality by Co-Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each Series and maturity of the Series 1995 Bonds will be issued to DTC in New York, New York, on or about July 20, 1995.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 1751 Old Pecos Trail, Suite K, Santa Fe, New Mexico 87501, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 1995 Bonds.

THE SERIES 1995 BONDS

Generally

Set forth below is a summary of certain provisions of the Series 1995 Bonds. Other information describing the Series 1995 Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Indenture and the Series 1995 Bonds. For a description of certain provisions of the Indenture, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE." Copies of the approved forms of the Indenture are available as provided in "ADDITIONAL INFORMATION."

Description of the Series 1995 Bonds

The Series 1995 Bonds are being issued pursuant to the Indenture and will be dated July 1, 1995. Interest on the Series 1995 Bonds will accrue from the dated date of the Series 1995 Bonds at the rates set forth on the cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), on June 1 and December 1 of each year, commencing June 1, 1996. The Series 1995 Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts shown on the front cover (unless redeemed prior to maturity). The Series 1995 Bonds are issuable in denominations of $5,000 or integral multiples thereof.

The Series 1995 Bonds are being issued under the authority of and pursuant to the laws of the State, including particularly the Act, and the Indenture.

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 1995 Bonds. One fully registered bond for each maturity of each series, in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in accounts of the Participants, thereby eliminating the need for

physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 1995 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 1995 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 1995 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 1995 Bonds are to be accomplished by entries made on the books of Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 1995 Bonds, except in the event that use of the book-entry system for the Series 1995 Bonds is discontinued.

To facilitate subsequent transfers, all Series 1995 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 1995 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 1995 Bonds. DTC's records reflect only the identity of the Participants to whose accounts such Series 1995 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Series 1995 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 1995 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 1995 are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 1995 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the NMFA or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants and Indirect Participants.

So long as Cede & Co. or its registered assign is the registered owner of the Series 1995 Bonds, the NMFA and the Trustee will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the NMFA or the Trustee and the NMFA and the Trustee will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Series 1995 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC.

Neither the NMFA nor the Trustee have any responsibility or obligation to the DTC participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 1995 Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 1995 Bonds; or (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bondowner.

DTC may discontinue providing its services as securities depository with respect to the Series 1995 Bonds at any time by giving reasonable notice to the NMFA or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

Redemption of the Series 1995 Bonds

Generally

The Series 1995A Bonds are subject to redemption prior to maturity as set forth below. ***The Taxable Series 1995B Bonds are <u>not</u> subject to redemption prior to maturity.***

Optional Redemption of the Series 1995A Bonds

The Series 1995A Bonds maturing on or after June 1, 2006 are subject to prepayment and redemption at any time on and after June 1, 2005, in whole or in part, in such order of maturity as may be selected by the NMFA and by lot within each maturity (if in part, in integral multiples of $5,000), at the option of the NMFA, upon notice as provided in the Indenture and at the redemption price of 100% of the principal amount of the Series 1995A Bonds to be redeemed, plus accrued interest to the redemption date, but without premium.

Mandatory Redemption of the Series 1995A Bonds Upon Prepayment of an Agreement

In the event a 1995 Governmental Unit makes a Prepayment under an Agreement, the Series 1995A Bonds maturing on or after June 1, 2006 are subject to mandatory redemption, in whole or in part, in an amount equal to the Principal Component of such prepayment, under the terms and on the dates set forth under "Optional Redemption," above. The maturity date of the Series 1995A Bonds to be redeemed are to correspond to the principal amounts and due dates of the Principal Component of such prepayment, and the Series 1995A Bonds to be redeemed within each maturity are to be selected by lot in such manner as the Trustee deems appropriate. ***No 1995 Governmental Unit shall have the option to make a Prepayment prior to the date on which the Series 1995A Bonds are subject to optional redemption.***

The Trustee is to recalculate the Loan Payments due under any Agreement in the case of a partial Prepayment of Loan Payments under such Agreement in a manner which is consistent with the manner in which the Series 1995A Bonds are redeemed.

Mandatory Sinking Fund Redemption of the Series 1995A Bonds

The Series 1995A Bonds maturing on June 1, 2010, are subject to mandatory sinking fund redemption on June 1, 2009, at a price equal to the principal amount of each Series 1995A Bond thereof so redeemed and accrued interest to the redemption date, as follows:

Redemption Dates	Principal to Be Redeemed
2009	$1,675,000
2010	1,770,000 *

* Final Maturity

If less than all of the Series 1995A Bonds maturing on June 1, 2010 then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA, as follows, (i) if the Series 1995A Bonds are redeemed upon a Prepayment of all or a portion of an Agreement, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments and (ii) if the Series 1995A Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

The Series 1995A Bonds maturing on June 1, 2015, are subject to mandatory sinking fund redemption on June 1 in each of the years 2011 through 2014, at a price equal to the principal amount of each Series 1995A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption	Principal to Be Redeemed
2011	$1,875,000
2012	1,980,000
2013	2,105,000
2014	2,225,000
2015	2,355,000 *

* Final Maturity

If less than all of the Series 1995A Bonds maturing on June 1, 2015 then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA, as follows, (i) if the Series 1995A Bonds are redeemed upon a Prepayment of all or a portion of an Agreement, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments and (ii) if the Series 1995A Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

The Series 1995A Bonds maturing on June 1, 2023, are subject to mandatory sinking fund redemption on June 1 in the years 2016 through 2022, at a price equal to the

principal amount of each Series 1995A Bond or potion thereof so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates	Principal to Be Redeemed
2016	$710,000
2017	755,000
2018	800,000
2019	845,000
2020	900,000
2021	950,000
2022	1,010,000
2023	1,070,000 *

* Final Maturity

If less than all of the Series 1995A Bonds maturing on June 1, 2023 then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA, as follows, (i) if the Series 1995A Bonds are redeemed upon a Prepayment of all or a portion of an Agreement, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments and (ii) if the Series 1995A Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

Notice of Redemption

In the event any of the Series 1995A Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 1995A Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar at least 30 days, but not more than 60 days, prior to the date fixed for redemption.

In addition, further notice of any redemption of Series 1995A Bonds is to be given by the Trustee, at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 1995A Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 1995A Bonds. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption

If at the time of mailing of any notice of redemption there is not on deposit with the Trustee moneys sufficient to redeem all the Series 1995A Bonds called for redemption, such notice is to state that such redemption is subject to the deposit of the redemption moneys with the Trustee

not later than the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

A second notice of redemption is to be given, not later than 90 days subsequent to the redemption date, to Registered Owners of Series 1995A Bonds or portions thereof redeemed but who failed to deliver Series 1995A Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Series 1995A Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption, and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 1995A Bonds.

Partially Redeemed Series 1995A Bonds

In case any Series 1995A Bond is redeemed in part, upon the presentation of such Series 1995A Bond for such partial redemption, the NMFA is to execute and the Trustee is to authenticate and deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the NMFA, a Series 1995A Bond or Series 1995A Bonds of the same interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 1995A Bond. A portion of any Series 1995A Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or an integral multiple thereof and in selecting portions of such Series 1995A Bonds for redemption, the Trustee will treat each such Series 1995A Bond as representing that number of Series 1995A Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 1995A Bonds by $5,000.

If less than all the Series 1995A Bonds of any one maturity is called for redemption, the particular denominations to be redeemed are to be selected by the Trustee in such manner as the Trustee, in its discretion, may deem appropriate and fair.

Additional Bonds

Generally

No additional indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of the Trust Estate for the payment of Series 1995 Bonds shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds. In addition, no Additional Bonds or other indebtedness, bonds or notes of the NMFA payable on a parity with the Series 1995 Bonds out of the Trust Estate shall be created or incurred, unless certain requirements have been met, including the following:

(a) NMFA must deliver to the Trustee a Cash Flow Statement, taking into account the issuance of the Additional Bonds or other indebtedness, bonds or notes. See "Cash Flow Statement," below.

(b) All payments required by the Indenture to be made into the Bond Fund must have been made in full.

(c) The proceeds of the Additional Bonds or other indebtedness, bonds or notes must be used (i) to refund Bonds issued hereunder or other obligations of the NMFA (including the funding of necessary reserves and the payment of costs of issuance) or (ii) to make additional Loans or Grants or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default shall have occurred and be continuing under the Indenture, except that the foregoing provisions of this paragraph (d) shall not preclude the issuance of Additional Bonds or other indebtedness, bonds or notes if (i) the issuance of such Additional Bonds or other indebtedness, bonds or notes otherwise complies with the requirements of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of the Additional Bonds or other indebtedness, bonds or notes and the application of the proceeds thereof.

All of the foregoing requirements may be revised or deleted with written evidence from the Rating Agency to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

Cash Flow Statement

Pursuant to the Indenture, the Cash Flow Statement is a certificate of NMFA:

(a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer or any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate, the following:

(A) the amount of the NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(B) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(C) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding; and

(b) showing that in each such Bond Fund Year the aggregate of the amount set forth in clause (A) of this definition divided by 1.35, plus the aggregate amount set forth in clause (B) of this definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of this definition. For purposes of the foregoing definition, the following assumptions apply:

(i) The NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period during the 24 months next preceding the delivery of the Cash Flow Statement;

(ii) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(iii) Loans and Additional Pledged Loans will be assumed to remain in their then current category designations throughout the period projected in the Cash Flow Statement.

For purposes of the Indenture, "Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

CATEGORY OF LOANS AND ADDITIONAL PLEDGED LOANS	APPLICABLE PERCENTAGE
CATEGORY I LOANS AND ADDITIONAL PLEDGED LOANS	100%
CATEGORY II LOANS AND ADDITIONAL PLEDGED LOANS	80%
CATEGORY III LOANS AND ADDITIONAL PLEDGED LOANS	50%
CATEGORY IV LOANS AND ADDITIONAL PLEDGED LOANS	0%

"Category I Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in at least the third highest full rating category or higher by the Rating Agency.

"Category II Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

"Category III Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are not designated or rated or are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Non-Performing Loans and Additional Pledged Loans and Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been replenished in accordance with the related Agreement.

"Non-Performing Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a covenant default) or under which a delinquency exists in payments of principal or interest thereunder.

"Rating Agency" means Moody's Investors Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

Pursuant to the Indenture, at the time of issuance of each Series of Bonds, each of the Agreements to be executed in connection with such issuance is required to be submitted to the Rating Agency for assignment of a designation or rating or shall be designated in Category III or IV by the NMFA. In addition, each Additional Pledged Loan is required to be submitted to the Rating Agency for assignment of a designation or a rating or shall be designated in Category III or IV by NMFA. At any time (including upon issuance of Additional Bonds), the category assigned to an Agreement or to Additional Pledged Loans may be revised by the Rating Agency.

The formula described above may also be summarized as follows (where A = NMFA Portion of Governmental Gross Receipts Tax, B = Assumed Repayments of Loans and Additional Pledged Loans and C = Aggregate Annual Debt Service on all Bonds Outstanding):

$$(A \div 1.35) + B > C$$

THE PLAN OF FINANCING

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series 1995 Bonds, other than accrued interest to be received in connection with the sale of the Series 1995 Bonds, are set forth in the following table. Accrued interest from July 1, 1995 will be deposited in the Bond Fund.

Simultaneously with the issuance of the Series 1995 Bonds, pursuant to an Escrow Agreement dated as of July 1, 1995 between the NMFA and the Trustee (the "Escrow Agreement"), certain legally available moneys of the NMFA in an amount which, together with investment earnings thereon, is sufficient to pay principal of and interest on the Taxable Series 1995B Bonds upon maturity, will be deposited with the Trustee. Such moneys will be used to pay principal of and interest on the Taxable Series 1995B Bonds in full upon maturity on June 1, 1996.

Sources and Uses of Funds

1995 Governmental Unit *(Agreement Pledged Revenues)*	Energy Department *(Energy Dept. Portion of the GGRT)*	Environment Department *(not applicable(1))*	City of Las Vegas *(Water System Net Revenues)*	City of Las Vegas *(Solid Waste System Net Revenues)*	Northwest New Mexico Solid Waste Authority *(EGRT & Solid Waste Net Revenues)*	City of Santa Fe *(EGRT/IGRT)*	TOTAL
SOURCES:							
Series 1995A Bond Proceeds	$3,330,000	$5,000,000	$4,255,000	$845,000	$7,380,000	$20,420,000	$41,230,000
Net Original Issue Premium on Series 1995A Bonds (2)	32,512	48,137	41,088	8,295	73,942	208,694	412,668
Taxable Series 1995B Bond Proceeds	--	4,000,000	--	--	--	--	4,000,000
Additional Pledged Loan	333,000	--	425,500	84,500	745,500	--	1,588,500
1995 Governmental Unit Contribution	--	--	--	--	--	1,000,000	1,000,000
TOTAL SOURCES:	$3,695,512	$9,048,137	$4,721,588	$937,795	$8,199,442	$21,628,694	$48,231,168
USES:							
Deposits to 1995 Governmental Units' Accounts within Program Fund (3)	$3,332,799	$8,891,420	$4,258,881	$843,977	$7,108,499	$19,504,204	$43,939,780
Capitalized Interest	--	--	--	--	268,654	--	268,654
Deposits to 1995 Governmental Units' Accounts Within Agreement Reserve Fund (4)	285,365	--	363,882	74,165	649,939	1,632,898	3,006,249
Costs of Issuance (5)	77,348	156,717	98,825	19,653	172,350	491,592	1,016,485
TOTAL USES:	$3,695,512	$9,048,137	$4,721,588	$937,795	$8,199,442	$21,628,694	$48,231,168

(1) Pursuant to the Indenture and the 1995 Grant Agreements, debt service on that portion of the Series 1995 Bonds issued to fund the Environmental Department's 1995 Grants will be paid from the NMFA Portion of the Governmental Gross Receipts Tax.

(2) Consists of original issue premium on the Series 1995A Bonds less original issue discount on such bonds.

(3) Such proceeds are to be deposited to the Program Fund and used to fund all or a portion of the costs of the 1995 Projects. See "The 1995 Governmental Units and the 1995 Projects" under this caption and "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts" in Appendix B hereto.

(4) Such proceeds are to be used to defray deficiencies in the respective accounts of the 1995A Governmental Units within the Debt Service Fund. Such amounts will not be otherwise available to defray deficiencies in the Bond Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS - Flow of Funds."

[redacted] and other miscellaneous costs. See "UNDERWRITING."

(2) Consists of original issue premium on the Series 1995A Bonds less original issue discount on such bonds.
(3) Such proceeds are to be deposited to the Program Fund and used to fund all or a portion of the costs of the 1995 Projects. See "The 1995 Governmental Units and the 1995 Projects" under this caption and "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts" in Appendix B hereto.
(4) Such proceeds are to be used to defray deficiencies in the respective accounts of the 1995A Governmental Units within the Debt Service Fund. Such amounts will not be otherwise available to defray deficiencies in the Bond Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS - Flow of Funds."
Includes bond insurance premium, legal and accounting fees, printing, rating fees, Underwriters' discount and other miscellaneous costs. See "UNDERWRITING."

The 1995 Governmental Units and the 1995 Projects

Set out below is certain information concerning the 1995 Governmental Units which the NMFA expects will receive a portion of the proceeds of the Series 1995 Bonds for the financing of their respective 1995 Projects. For additional information concerning the 1995 Governmental Units, the 1995 Projects and the Agreement Pledged Revenues, see "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 1995 BONDS" and "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Exhibit D hereto.

The 1995 Governmental Units and the 1995 Projects

1995 Governmental Unit	1995 Project	Agreement Pledged Revenues
Park and Recreation Division of the Energy Department of the State of New Mexico	various parks system capital projects	Energy Department Portion of the Governmental Gross Receipts Tax
Department of Environment of the State of New Mexico	grants for improvements in local government solid waste systems and loans to local governments for water and waste water system improvements	not applicable*
City of Las Vegas	solid waste transfer facility	Solid Waste System Net Revenues
City of Las Vegas	water treatment plant improvements	Water System Net Revenues
Northwest New Mexico Regional Solid Waste Authority and the County of Cibola, the City of Gallup, the City of Grants, the County of McKinley and the Village of Milan	study and implementation of landfill and recycling facilities	Environmental Gross Receipts Tax and Solid Waste System Net Revenues
City of Santa Fe	wastewater system improvements and landfill construction and closure	Environmental Gross Receipts Tax and Infrastructure Gross Receipts Tax

* Pursuant to the Indenture and the 1995 Grant Agreements, debt service payments on the Series 1995 Bonds issued to fund these Grants are to be paid from the NMFA Portion of the Governmental Gross Receipts Tax.

ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE RATIOS

The following schedule shows the total debt service (excluding any optional prior redemptions) payable for the Series 1995 Bonds for each fiscal year through their respective final maturity dates.

Debt Service for the Series 1995A Bonds

Fiscal Year	Principal(1)	Interest(2)	Annual Debt Service Requirements
1996	$1,490,000	$2,111,590.95	$3,601,590.95
1997	1,625,000	2,246,933.76	3,871,933.76
1998	1,705,000	2,178,683.76	3,883,683.76
1999	1,785,000	2,105,368.76	3,890,368.76
2000	1,890,000	1,990,236.26	3,880,236.26
2001	1,400,000	1,872,111.26	3,272,111.26
2002	1,355,000	1,807,011.26	3,162,011.26
2003	1,435,000	1,742,648.76	3,177,648.76
2004	1,510,000	1,672,692.50	3,182,692.50
2005	1,495,000	1,583,602.50	3,078,602.50
2006	1,420,000	1,495,397.50	2,915,397.50
2007	1,510,000	1,419,427.50	2,929,427.50
2008	1,585,000	1,336,377.50	2,921,377.50
2009	1,675,000 (3)	1,247,617.50	2,922,617.50
2010	1,770,000	1,151,305.00	2,921,305.00
2011	1,875,000 (3)	1,049,530.00	2,924,530.00
2012	1,980,000 (3)	937,967.50	2,917,967.50
2013	2,105,000 (3)	820,157.50	2,925,157.50
2014	2,225,000 (3)	694,910.00	2,919,910.00
2015	2,355,000	562,522.50	2,917,522.50
2016	710,000 (3)	422,400.00	1,132,400.00
2017	755,000 (3)	379,800.00	1,134,800.00
2018	800,000 (3)	334,500.00	1,134,500.00
2019	845,000 (3)	286,500.00	1,131,500.00
2020	900,000 (3)	235,800.00	1,135,800.00
2021	950,000 (3)	181,800.00	1,131,800.00
2022	1,010,000 (3)	124,800.00	1,134,800.00
2023	1,070,000	64,200.00	1,134,200.00
Total	$41,230,000	$32,055,892	$73,285,892.27

(1) Payable on June 1.
(2) Payable on June 1 and December 1, commencing June 1, 1996.
(3) Consists of mandatory sinking fund payments.

Debt Service for the Taxable 1995B Bonds

Fiscal Year	Principal(1)	Interest(1)	Annual Debt Service Requirements(1)
1996	$4,000,000	$214,133.33	$4,214,133.33

(1) Payable on June 1, 1996.

The following table shows estimated available Revenues, total debt service requirements for the Series 1995A Bonds and the resulting estimated annual coverage ratios. Debt service for the Taxable Series 1995B Bonds is not shown because such bonds will be defeased upon issuance of the Series 1995 Bonds. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Debt Service Requirements and Coverage Ratios

Fiscal Year	Estimated Fiscal Year 1994 - 1995 Collections of NMFA Portion of Gov'tl Gross Receipts Tax (1)	Aggregate Payments Under Agreements (2)	Estimated Payments Under Additional Pledged Loans (3)	Estimated Total Revenues	Total Debt Service Requirements for the 1995A Bonds (4)	Estimated Annual Coverage Ratios
1996	$10,293,766	$3,176,846	$ 77,075	$13,547,687	$3,601,591	3.76x
1997	10,293,766	3,445,490	108,567	13,847,823	3,871,934	3.58
1998	10,293,766	3,458,750	108,568	13,861,084	3,883,684	3.57
1999	10,293,766	3,467,315	108,569	13,869,650	3,890,369	3.57
2000	10,293,766	3,457,825	108,568	13,860,159	3,880,236	3.57
2001	10,293,766	2,845,638	108,569	13,247,972	3,272,111	4.05
2002	10,293,766	2,739,373	108,568	13,141,706	3,162,011	4.16
2003	10,293,766	2,754,273	108,568	13,156,606	3,177,649	4.14
2004	10,293,766	2,759,310	108,568	13,161,644	3,182,693	4.14
2005	10,293,766	2,652,905	108,568	13,055,239	3,078,603	4.24
2006	10,293,766	2,493,270	108,568	12,895,604	2,915,398	4.42
2007	10,293,766	2,505,140	108,569	12,907,475	2,929,428	4.41
2008	10,293,766	2,496,115	108,569	12,898,450	2,921,378	4.42
2009	10,293,766	2,497,475	108,568	12,899,809	2,922,618	4.41
2010	10,293,766	2,497,550	108,569	12,899,885	2,921,305	4.42
2011	10,293,766	2,498,025	108,569	12,900,360	2,924,530	4.41
2012	10,293,766	2,495,503	108,568	12,897,836	2,917,968	4.42
2013	10,293,766	2,502,625	108,568	12,904,959	2,925,158	4.41
2014	10,293,766	2,493,500	108,568	12,895,834	2,919,910	4.42
2015	10,293,766	2,493,723	108,568	12,896,057	2,917,523	4.42
2016	10,293,766	1,132,400	-- --	11,426,166	1,132,400	10.09
2017	10,293,766	1,134,800	-- --	11,428,566	1,134,800	10.07
2018	10,293,766	1,134,500	-- --	11,428,266	1,134,500	10.07
2019	10,293,766	1,131,500	-- --	11,425,266	1,131,500	10.10
2020	10,293,766	1,135,800	-- --	11,429,566	1,135,800	10.06
2021	10,293,766	1,131,800	-- --	11,425,566	1,131,800	10.10
2022	10,293,766	1,134,800	-- --	11,428,566	1,134,800	10.07
2023	10,293,766	1,134,200	-- --	11,427,966	1,134,200	10.08
	$288,225,448	$64,800,448	$2,139,872	$355,165,769	$73,285,892	

(1) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS - Revenues - The Governmental Gross Receipts Tax."

(2) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS - Revenues - The Agreements and the Agreement Pledged Revenues," and "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D hereto.

(3) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS - Revenues - Additional Pledged Loans."

(4) Debt service for the Taxable Series 1995B Bonds is not shown because such bonds will be defeased pursuant to amounts deposited in an escrow account to be funded upon issuance of the Series 1995 Bonds from certain legally available moneys of the NMFA. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS

Special, Limited Obligations

The Series 1995 Bonds are special, limited obligations of the NMFA, payable solely from the Revenues, proceeds of the Series 1995 Bonds (until used as provided in the Indenture) and other moneys held in certain funds and accounts held by the Trustee under the Indenture (the "Trust Estate"). The Series 1995 Bonds shall not constitute nor create a general obligation or other indebtedness of the State or (except as expressly provided in an Agreement) any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 1995 Bonds shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or lending of the credit of the NMFA, the State or any 1995 Governmental Unit within the meaning of the Constitution of the State. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 1995 Bonds shall not constitute or give rise to a pecuniary liability on the part of the directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA shall impose a pecuniary liability or a charge upon the general credit or taxing power of the State or any political subdivision of the State.

The NMFA has the right, subject to specified conditions, to issue Additional Bonds under the Indenture or other indebtedness, bonds or notes on a parity with the Series 1995 Bonds. For provisions relating to the issuance of Additional Bonds and such other obligations, see "THE SERIES 1995 BONDS - Additional Bonds." The Indenture also permits the NMFA to issue bonds or other obligations with a lien on the Trust Estate subordinate to the lien of the Series 1995 Bonds. **However, as long as the Series 1995 Bonds are outstanding, the NMFA is prohibited from issuing Additional Bonds with a lien on the Trust Estate prior and superior to the lien of Series 1995 Bonds on the Trust Estate without the written consent of 100% of the Owners of the Series 1995 Bonds.**

Revenues

Generally

Pursuant to the Indenture, Revenues include (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the funds and accounts created under the Indenture. For a summary of certain provisions of the Indenture, including a description of the funds and accounts created under the Indenture and the allocation of Revenues therein, see "Flow of Funds" below under this caption and "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts" in Exhibit B hereto.

The Agreements and the Agreement Pledged Revenues

Generally. The Agreements consist of Loan Agreements, Grant Agreements and Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of their respective projects by the NMFA. The 1995 Governmental Units entering into 1995 Loan Agreements or issuing 1995 Securities will pledge certain revenues and funds, including the Agreement Pledged Revenues and moneys held in certain funds and accounts, to the payment of all amounts due under their respective 1995 Loan Agreements or 1995 Securities. The Agreement Pledged Revenues consist of either (i) the net revenues of certain enterprise systems owned and operated by such 1995 Governmental Unit or (ii) the 1995 Governmental Unit's share of revenues attributable to certain taxes imposed and collected pursuant to State law. Pursuant to the 1995 Grant Agreement, amounts used to fund the 1995 Grant will be re-paid from the NMFA Portion of the Governmental Gross Receipts Tax. See "The Governmental Gross Receipts Tax," below.

In the 1995 Loan Agreements, the 1995 Governmental Units have covenanted to promptly pay principal of and interest on their respective loans, and that, so long as their respective loan remains outstanding and unpaid, the application of the Agreement Pledged Revenues for the payment of the Loan will be irrevocable until the Loan has been paid in full. In those 1995 Loan Agreements in which the Agreement Pledged Revenues consist of net revenues of a 1995 Governmental Unit's enterprise system, the 1995 Governmental Units have also made certain covenants relating to the operation and maintenance of their respective enterprise systems and the imposition of user charges with respect to services provided by such systems. Such covenants include (i) the maintenance of reasonable rates for the use of its enterprise system sufficient to pay operational and maintenance expenses on such system and debt service on its respective Loan and parity obligations, (ii) such improvements and repairs as may be necessary to insure the economical and efficient operation of the enterprise system, and (iii) the maintenance of such insurance as is normally carried by private corporations operating facilities of the same type. The Agreements may be amended by the NMFA and the Governmental Units without the consent of the owners of the Series 1995 Bonds. For information concerning the Agreement Pledged Revenues relating to each 1995 Governmental Unit and the Agreement Pledged Revenues generally, see the information set forth in "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Exhibit D hereto.

Agreement Reserve Fund. Pursuant to the Indenture, an Agreement Reserve Fund has been created which will be held by the Trustee. Within such fund are accounts relating to certain of the 1995 Governmental Units. Moneys in such accounts will be used to make payments to the respective accounts of such 1995 Governmental Units within the Debt Service Fund, to the extent that payments by such 1995 Governmental Units under their respective 1995 Loan Agreements or 1995 Securities and associated Additional Pledged Loans are insufficient therefor. Amounts in the Agreement Reserve Fund will not otherwise be available to defray deficiencies in the Bond Fund, which is used to pay principal of and interest on the Series 1995 Bonds. See "PLAN OF FINANCING - Sources and Uses of Funds," and "Flow of Funds" below under this caption.

The Governmental Gross Receipts Tax

Generally. Pursuant to the Act, the NMFA is allocated 75% of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-3.2, NMSA 1978. For purposes of this Official Statement, the 75% net receipts which is allocated to NMFA is referred to as the "NMFA Portion of the Governmental Gross Receipts Tax." Under the Indenture, the NMFA Portion of the Governmental Gross Receipts Tax, along with payments attributable to Additional Pledged Loans, if any, are to be accounted for and maintained by the NMFA in the Revenue Fund created under the Indenture within the public project revolving fund and are available to pay debt service on the Bonds to the extent Loan Payments paid by the Governmental Units pursuant to the Agreements are not sufficient to pay debt service when due and to pay debt service on the Bonds issued to fund Grants. See "Flow of Funds" under this caption. Pursuant to Section 7-9-4.3, NMSA 1978, the governmental gross receipts tax is imposed on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except school districts and certain health care entities. See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Exhibit B hereto for certain information concerning the Revenue Fund and allocation of amounts therein to payment of principal and interest on the Bonds.

Governmental Gross Receipts Tax. Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State of New Mexico or any agency, institution, instrumentality or public subdivision thereof except any school district and any entity licensed by the State Department of Health that is particularly engaged in providing health care services, from:

(a) the sale of tangible personal property other than water from facilities open to the general public;

(b) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public;

(c) refuse collection, refuse disposal or both;

(d) sewage services; and

(e) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State of New Mexico.

The definition of governmental gross receipts includes receipts from the sale of tangible personal property handled on consignment when sold from facilities open to the general public, but excludes cash discounts taken and allowed, governmental gross receipts tax payable on transactions reportable for the period and any type of time-price differential.

The governmental gross receipts tax was enacted into law and first imposed in 1991. It is imposed at a rate of 5% on governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services. In addition, the governmental gross receipts tax is not imposed on: (i) receipts from transactions involving tangible personal property or services on which the gross receipts tax, compensating tax, motor vehicle excise tax, gasoline tax, special fuel tax, special fuel excise tax, oil and gas emergency school tax, resources tax, processors tax, service tax, or the excise tax imposed under Section 66-12-6.1 NMSA 1978, are imposed; or (ii) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision or on receipts from operation of a cable television system owned or operated by a municipality, because those receipts are subject to the regular gross receipts tax under Section 7-9-13, NMSA 1978. Significant deductions from the governmental gross receipts tax include: (i) receipts from selling tangible personal property to the United States government or the State or any governmental unit or subdivision, agency, department or instrumentality thereof (which may be deducted from governmental gross receipts); (ii) receipts from selling tangible personal property to an Indian tribe, nation or pueblo or any governmental subdivision, agency, department or instrumentality thereof for use on Indian reservations or pueblo grants; (iii) receipts from a sale made to a person engaged in the business of manufacturing or to receipts from selling tangible personal property or licenses if the sale is made to a person that delivers a non-taxable transaction certificate to the seller; and (iv) receipts from transactions in interstate commerce.

Collection and Distribution Information. Governmental agencies are treated as taxpayers under the provisions of the Tax Administration Act, Section 7-1-1, et seq., NMSA 1978, and are responsible for paying the governmental gross receipts tax to the New Mexico Department of Taxation and Revenue in accordance with the State's Tax Administration Act. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other things. On the last day of each month, the balance in the suspense fund is identified by tax source and distributed to the appropriate municipalities or state agencies, including, the NMFA. Collection of governmental gross receipts tax is administered by the Department of Taxation and Revenue. Governmental gross receipts taxes are to be paid on or before the 25th day of the month following the month in which the taxable event occurs.

Set forth below is information concerning collections of the governmental gross receipts tax for the fiscal years 1991-1992 through 1994-1995 and the most significant payers of governmental gross receipts tax in the State.

Governmental Gross Receipts Taxes Collections
Fiscal Years 1991 - 1992 through 1994 - 1995

	Fiscal Year 1991-1992(1)	Fiscal Year 1992-1993(1)	Fiscal Year 1993-1994(1)	Fiscal Year 1994-1995(2)
Total Collections	$12,232,610	$12,347,181	$12,835,203	$13,725,021
NMFA Portion of the Governmental Gross Receipts Tax	$ 9,174,458	$ 9,260,386	$ 9,626,402	$10,293,766

(1) Although the governmental gross receipts tax was first imposed in 1991, pursuant to the Act, NMFA did not begin receiving the NMFA Portion of the Governmental Gross Receipts Tax until August 1, 1994. Therefore, these amounts are shown for informational purposes only.

(2) Based upon actual receipts from July 1, 1994 through March 31, 1995 and projected collections for the period April 1, 1995 through June 30, 1995.

Set out below and on the following page is information concerning the top eight payers of the governmental gross receipts tax for fiscal years 1991-1992 through 1993-1994. Such information is not available from the State and has instead been obtained from each individual entity. As a result, the NMFA cannot guaranty the accuracy of any such information.

Eight Largest Payers of
Governmental Gross Receipts Taxes
Fiscal Years 1991 - 1992 through 1993 - 1994

Entity	Fiscal Year 1991-1992		Fiscal Year 1992-1993		Fiscal Year 1993-1994	
Total	Amount Paid	% of Total	Amount Paid	% of Total	Amount Paid	% of
City of Albuquerque	$4,308,015	35.22%	$4,601,312	37.27%	$5,183,257	40.38%
University of New Mexico	1,322,059	10.81	1,187,258	9.62	1,073,277	8.36
City of Las Cruces	552,044	4.51	578,303	4.68	605,285	4.72
City of Farmington	618,075	5.05	498,910	4.04	518,068	4.04
City of Roswell	451,520	3.69	473,254	3.83	471,827	3.68
City of Santa Fe	304,037	2.49	301,585	2.44	390,133	3.04
City of Gallup	235,535	1.93	225,960	1.83	234,663	1.83
New Mexico State University	252,896	2.07	245,465	1.99	231,359	1.80
Total	$8,044,181	65.77%	$8,112,047	65.70%	$8,707,869	67.85%

Source: Individual entities.

Eight Largest Payers of Governmental Gross Receipts Taxes by Category

Fiscal Year 1991-1992

Categories:	City of Albuquerque	Univ. Of New Mexico	City of Las Cruces	City of Farmington	City of Roswell	City of Santa Fe	City of Gallup	New Mexico State Univ.	Total GGRT	% of Total GGRT in NM
Water	$1,635,730	--	$211,148	$324,160	$192,735	--	$103,602	--	$2,467,375	20.17%
Waste Water	1,292,286	--	205,874	150,074	112,206	$138,118	52,345	--	1,950,903	15.95%
Sanitation	1,116,959	--	135,022	126,062	101,220	165,919	46,654	--	1,691,837	13.83%
Golf/Museum/Pool	263,040	--	--	17,778	18,883	--	32,934	--	332,634	2.72%
Other	--	--	--	--	26,476	--	--	--	26,476	0.22%
Tangibles	--	$951,229	--	--	--	--	--	--	951,229	7.78%
Athletic/Recreational/Entertainment	--	370,830	--	--	--	--	--	--	370,830	3.03%
Tangibles & Services Combined	--	--	--	--	--	--	--	$252,896	252,896	2.07%
Total	$4,308,015	$1,322,059	$552,044	$618,075	$451,520	$304,037	$235,535	$252,896	$ 8,044,181	65.76%
Total GGRT of all Entities in NM									$12,232,610	

Fiscal Year 1992-1993

Categories:	City of Albuquerque	Univ. Of New Mexico	City of Las Cruces	City of Farmington	City of Roswell	City of Santa Fe	City of Gallup	New Mexico State Univ.	Total GGRT	% of Total GGRT in NM
Water	$1,798,105	--	$224,843	$258,103	$202,775	--	$96,112	--	$2,579,937	20.89%
Waste Water	1,305,621	--	208,253	119,492	109,577	148,830	52,971	--	1,944,745	15.75%
Sanitation	1,218,364	--	145,207	100,373	110,280	142,959	24,848	--	1,769,212	14.33%
Golf/Museum/Pool	279,221	--	--	20,942	20,180	9,796	--	--	354,987	2.88%
Other	--	--	--	--	30,443	--	--	--	30,443	0.25%
Tangibles	--	$902,245	--	--	--	--	--	--	902,245	7.31%
Athletic/Recreational/Entertainment	--	285,013	--	--	--	--	--	--	285,013	2.31%
Tangibles & Services Combined	--	--	--	--	--	--	--	$245,465	245,465	1.99%
Total	$4,601,312	$1,187,258	$578,303	$498,910	$473,254	$301,585	$225,960	$245,465	$ 8,112,047	65.70%
Total GGRT of all Entities in NM									$12,347,181	

Fiscal Year 1993-1994

Categories:	City of Albuquerque	Univ. Of New Mexico	City of Las Cruces	City of Farmington	City of Roswell	City of Santa Fe	City of Gallup	New Mexico State Univ.	Total GGRT	% of Total GGRT in NM
Water	$2,080,031	--	$242,425	$261,770	$204,321	--	$103,245	--	$2,891,791	22.53%
Waste Water	1,473,669	--	212,457	121,190	103,597	$192,102	54,999	--	2,158,014	16.81%
Sanitation	1,351,305	--	150,403	101,800	116,959	186,037	52,670	--	1,959,173	15.26%
Golf/Museum/Pool	278,253	--	--	33,308	19,570	11,994	23,749	--	366,874	2.86%
Other	--	--	--	--	27,380	--		--	27,380	0.21%
Tangibles	--	$722,849	--	--	--	--		--	722,849	5.63%
Athletic/Recreational/Entertainment	--	350,428	--	--	--	--		--	350,428	2.73%
Tangibles & Services Combined	--	--	--	--	--	--	--	$231,359	231,359	1.80%
Total	$5,183,258	$1,073,277	$605,285	$518,068	$471,827	$390,133	$234,663	$231,359	$ 8,707,868	67.83%
Total GGRT of all Entities in NM									$12,835,203	

Source: Individual entities.

Additional Pledged Loans. Pursuant to the Indenture, Additional Pledged Loans consist of loans or securities made or purchased by NMFA from amounts on deposit in the public project revolving fund created under the Act, the principal and interest payments on which have been specifically pledged by NMFA to the payment of the Bonds and other amounts due under the Indenture. No such loans or securities are to be deemed to be Additional Pledged Loans unless the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture. In connection with the Series 1995 Bonds, the NMFA currently contemplates making or purchasing the Additional Pledged Loans as shown under "PLAN OF FINANCING - Sources and Uses of Funds." The obligations of Governmental Units with respect to such loans or securities are payable on a parity basis with amounts due with respect to the Loans to be made by NMFA to such Governmental Units pursuant to the Loan Agreements or amounts due with respect to Securities. See also "Flow of Funds," below.

Flow of Funds

All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements and Securities are to be paid directly to the Trustee on or before thirty days prior to each Loan Payment Date. The Trustee is to deposit all such payments immediately upon receipt thereof, as follows:

First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan.

Second: to the related Account, if any, in the Agreement Reserve Fund to the extent necessary to cause the balance in said Account to equal the Agreement Reserve Requirement, if any, of such Account.

Third: to the payment of Program Costs (to the extent allocable to such Agreement).

If the amount on deposit in any Governmental Unit's Account of the Debt Service Fund is insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, on the fifth day preceding a Loan Payment Date (or, if such fifth day is not a Business Day, on the Business Day next preceding such fifth day), the Trustee is to transfer from the related Agreement Reserve Account, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date.

On each Interest Payment Date for the Bonds, the Trustee is to transfer moneys in the respective Accounts of the Debt Service Fund to the Bond Fund to pay the interest on the related Bonds becoming due on such Interest Payment Date and to pay the principal of each related Bond due at maturity or by prior redemption.

Source: Individual entities.

During each Bond Fund Year, all Revenues constituting receipts from the NMFA Portion of the Governmental Gross Receipts Tax and payments representing principal and interest from Additional Pledged Loans are to be paid when received by the NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund. On each Interest Payment Date, the Trustee is to (except as otherwise provided in a Supplemental Indenture) transfer from the Revenue Fund to the Bond Fund an amount equal to the principal and interest due on such Interest Payment Date on the portion of any Bonds the proceeds of which were used to make Grants. If the amounts on deposit in the Bond Fund are insufficient for payments coming due with respect to the Bonds on any Interest Payment Date, the Trustee is to transfer from the Revenue Fund, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the principal and interest due on the Bonds on such Interest Payment Date.

After making the foregoing deposits and subject to the provisions described in the next succeeding paragraph, at the conclusion of each Bond Fund Year, and after making the payments required by the Indenture during such Bond Fund Year, the Trustee is to transfer the balance on deposit in the Revenue Fund to the NMFA and the NMFA may use such balance for:

(i) deposit to the Public Project Revolving Fund as required by the Act;

(ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund;

(iii) refinancing, refunding, purchasing or advance refunding of any Bonds; or

(iv) any other lawful purpose.

At the conclusion of each Bond Fund Year, the Trustee is to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining therein), the following:

(i) an amount equal to any deficiency in any account in the Agreement Reserve Fund;

(ii) with respect to Agreements for which (A) no Agreement Reserve Account was created in the Agreement Reserve Fund and (B) a default in the payment of principal or interest under such Agreement has occurred and is continuing, an amount equal to the least of (x) 10% of the proceeds of such Agreement, (y) maximum annual debt service on such Agreement and (z) 1.25 times average annual debt service on such Agreement; and

(iii) with respect to Bonds issued to finance Grants and for which no other debt service reserve fund has been created, an amount equal to the least of (A) 5% of the proceeds of the Bonds issued to finance such Grant, (B) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (C) .625 times average annual debt service on the Bonds issued to finance such Grant.

Pursuant to the Indenture, the NMFA is not required to contribute any amounts to fund the retention described in the preceding paragraph other than from amounts then on deposit in the Revenue Fund, and no default is to occur under the Indenture solely by reason of any insufficiency of funds remaining in the Revenue Fund to fund such retention.

Additional Bonds

Under the Indenture, the NMFA may issue Additional Bonds and other indebtedness, notes or bonds on a parity with the lien of the Series 1995 Bonds on the Trust Estate, upon satisfaction of certain requirements described in "THE SERIES 1995 BONDS - Additional Bonds."

Supplemental Indentures and Amendments to Loan Agreements; Rating Agency Discretion

Pursuant to the Indenture, the NMFA and the Trustee may, without the consent of any of the Owners of the Bonds, enter into an indenture or indentures supplemental to the Indenture in order to make certain amendments or changes to the Indenture, including any amendment so long as prior written confirmation has been obtained from the Rating Agency that such amendment will not result in the rating on the Bonds, following such amendment, being lower than the rating on the Bonds immediately prior to such amendment.

In addition, the NMFA and the Governmental Units may, without the consent of any Owners of the Bonds, amend any Loan Agreement so long as prior written confirmation has been obtained from the Rating Agency that such amendment will not result in the rating on the Bonds, following such amendment, being lower than the rating on the Bonds immediately prior to such amendment.

BOND INSURANCE RELATING TO THE SERIES 1995A BONDS

Generally

The following information has been provided by AMBAC Indemnity Corporation for use in this Official Statement. See Appendix F for a specimen of the Municipal Bond Insurance Policy.

Payment Pursuant to Municipal Bond Insurance Policy

AMBAC Indemnity Corporation ("AMBAC Indemnity") has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Series 1995A Bonds effective as of the date of issuance of the Series 1995A Bonds. Under the terms of the Municipal Bond Insurance Policy, AMBAC Indemnity will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 1995A Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). AMBAC Indemnity will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which AMBAC Indemnity shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 1995A Bonds and, once issued, cannot be canceled by AMBAC Indemnity.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 1995A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 1995A Bonds, AMBAC Indemnity will remain obligated to pay principal of and interest on outstanding Series 1995A Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 1995A Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Series 1995A Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from AMBAC Indemnity to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Series 1995A Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 1995A Bonds to be registered in the name of AMBAC Indemnity to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to AMBAC Indemnity.

Upon payment of the insurance benefits, AMBAC Indemnity will become the owner of the Series 1995A Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series 1995A Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

AMBAC Indemnity Corporation

AMBAC Indemnity is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, and the Commonwealth of Puerto Rico, with admitted assets of approximately $2,204,000,000 (unaudited) and statutory capital of approximately $1,237,000,000 (unaudited) as of March 31, 1995. Statutory capital consists of AMBAC Indemnity's policyholders' surplus and statutory contingency reserve. AMBAC Indemnity is a wholly owned subsidiary of AMBAC Inc., a 100% publicly-held company. Standard & Poor's Ratings Group, Moody's Investors Service and Fitch Investors Service, Inc. have each assigned a triple-A claims-paying ability rating to AMBAC Indemnity.

Copies of AMBAC Indemnity's financial statements prepared in accordance with statutory accounting standards are available from AMBAC Indemnity. The address of AMBAC Indemnity's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

AMBAC Indemnity has entered into pro rata reinsurance agreements under which a percentage of the insurance underwritten pursuant to certain municipal bond insurance programs of AMBAC Indemnity has been and will be assumed by a number of foreign and domestic unaffiliated reinsurers.

AMBAC Indemnity has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by AMBAC Indemnity will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by AMBAC Indemnity under policy provisions substantially identical to those contained in its Municipal Bond Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Series 1995A Bonds.

AMBAC Indemnity makes no representation regarding the Series 1995A Bonds or the advisability of investing in the Series 1995A Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by AMBAC Indemnity and presented under the heading "BOND INSURANCE RELATING TO THE SERIES 1995A BONDS."

NEW MEXICO FINANCE AUTHORITY

Generally

The NMFA is a public body politic and corporate and governmental instrumentality of the State. It was created in 1992 pursuant to the Act for the purpose of coordinating the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. Pursuant to the Act, the NMFA and its corporate existence shall continue until terminated by law, provided that no such law shall take effect so long as the NMFA has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The NMFA is governed by a Board of Directors and currently employs six persons.

Powers

Pursuant to the Act, the NMFA is granted all powers necessary and appropriate to carry out and effectuate its public and corporate purposes, including but not limited to the following powers: to sue or be sued; to adopt, subject to the review and approval of the NMFA oversight committee, such regulations as are necessary and appropriate to implement the provisions of the Act; to make, enter into and enforce all contracts, agreements and other instruments necessary, convenient or desirable in the exercise of its powers and functions and for the purposes of the Act; to acquire, construct, hold, improve, mortgage, sell, lease, convey or dispose of real and personal property for its public purposes; to make loans and purchase securities and contract to make loans and purchase securities; to make grants to qualified entities to finance public projects; to procure insurance to secure payment on any loan, lease or purchase payments owned to the NMFA by a qualified entity in such amounts and from such insurers, including the federal government, as it may deem necessary or desirable, and to pay any premiums for such insurance; to fix, revise from time to time, charge and collect fees and other charges in connection with the making of loans and any other services rendered by the NMFA; and to borrow money and to issue bonds. The NMFA has also been granted certain specific powers in connection with the implementation of its Public Project Revolving Fund Program. See "The Public Project Revolving Fund Program," below.

Organization and Governance

The Board of Directors of the NMFA is composed of 12 members, seven of which are ex-officio members designated in the Act and five of which are appointed by the Governor

with the advice and consent of the State senate. The seven designated members include five ex-officio State officials, of which four are cabinet-level secretaries (the secretary of finance and administration, the secretary of economic development, the secretary of energy, minerals and natural resources, and the secretary of environment), and one is a State agency official (the State investment officer), and two are the chief executives of state-wide associations (the executive director of the State municipal league and the executive director of the State association of counties). One of the five members appointed by the Governor must be the chief financial officer of a State higher educational institution and the remaining four members appointed by the Governor are members of the public. Each of the appointed members of the NMFA serve staggered four-year terms, so that the term of at least one member expires on January 1 of each year. Vacancies are filled by appointment by the successor for the remainder of the unexpired term. Any member is eligible for reappointment.

The Act also provides for the creation of a legislative oversight committee, whose membership is determined by the State Legislative Council. The oversight committee is required to monitor and oversee the operation of the NMFA, and in that connection it: meets on a regular basis to receive and review reports from the NMFA on implementation of the provisions of the Act and to review and approve regulations proposed for adoption; monitors and provides assistance and advice on the public project financing program of the NMFA; oversees and monitors State and local government capital planning and financing; provides advice and assistance to the NMFA and cooperates with the executive branch of State government and local governments on planning, setting priorities for and financing of State and local capital projects; undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the legislature. The report and proposed legislation is required to be made available on or before December 15 each year.

Governing Board and Staff Members

Current members of the Board of Directors of the NMFA, and their respective occupations, are set out below:

New Mexico Finance Authority
Board of Directors

Name	Occupation	Term Expires
Phil Archibeck (1)	State Investment Officer, State Investment Council	not applicable
Gary Bratcher (1)	Secretary, Economic Development Department, State of New Mexico	not applicable
Michael Castillo (2)	Vice President of Land Development, AMREP S.W.	January 1, 1996
Craig Cosner (2)	President, First National Bank of Tucumcari, New Mexico	January 1, 1998
William Fulginiti (1)	Director, New Mexico Municipal League	not applicable
Robert Goodman (2) (Chairman)	President, Sunwest Bank of Albuquerque, N.A.	January 1, 1996
David Harris (1)	Secretary, Department of Finance and Administration, State of New Mexico	not applicable
Tom Mills (2)	Attorney	January 1, 1996
W.D. Peterson (2)	Vice President for Administration and Finance, New Mexico Institute of Mining and Technology	January 1, 1995 (3)
Donna Smith (1)	Director, New Mexico Association of Counties	not applicable
Jennifer Salisbury (1)	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Mark Weidler (1)	Secretary, Environment Department, State of New Mexico	not applicable

(1) Ex-Officio Member.
(2) Appointed by the Governor of the State to four-year term.
(3) Mr. Peterson's term expired on January 1, 1995. He is currently serving until the Governor exercises his authority to appoint a replacement.

Set out below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 1995A Bonds and the administration of the public project revolving fund program.

Tom K. Pollard, Ph.D., Executive Director. Dr. Pollard has directed the operations of the NMFA since its inception. He previously served for five years as Executive Director of the Texas Bond Review Board from its inception in 1987. The Bond Review Board, chaired by the Governor of Texas, is responsible for the approval of all state bond issuance. Dr. Pollard directed all research, technical and administrative functions of the Bond Review Board and analyzed the legal and financial soundness of each bond transaction reviewed by the Bond Review Board. He also administered the allocation of the State's $850 million federal private activity bond authorization among Texas bond issuing entities and reported to the bond rating agencies on the fiscal condition of state government and Texas' state-backed loan programs. Before coming to the Board, Dr. Pollard served the Texas State Comptroller as the government's primary forecaster of state economic conditions and state government revenue from all sources. Dr. Pollard received a Ph.D. in economics from the University of Texas in 1980.

Richard G. Chavez, Program Manager. Mr. Chavez joined the NMFA in March, 1994. Prior to joining the NMFA, Mr. Chavez served in a variety of positions relating to local government in the State, including Budget Assistant for the City of Santa Fe and Assistant County Manager for the County of Santa Fe and, immediately prior to joining the NMFA, as a Community Planner for the New Mexico Engineering and Research Institute at the University of New Mexico, where he provided technical assistance to local governments on infrastructure matters. Mr. Chavez holds a B.A. in Humanities and Social Sciences from Colorado State University and a Masters in Public Administration from the University of New Mexico.

Cy Rilee, Controller. Mr. Rilee joined the NMFA as its first Controller in August, 1994. He has over 21 years experience in finance and accounting, including 13 years in public finance, six of which as president/owner of Rilee and Associates, Inc., a registered municipal broker/dealer. Mr. Rilee also has six years experience in utility finance and previously worked with KPMG Peat Marwick. He holds a B.S. degree in Economics and an M.B.A. in Accounting from Eastern New Mexico University.

The Public Project Revolving Fund Program

The Public Project Revolving Fund Program of the NMFA is authorized by the Act and was created to fulfill the duty of the NMFA to develop and administer a program to assist qualified entities, individually or jointly, in financing all types of projects of a long-term capital nature, including but not limited to buildings, water systems, sewerage and waste disposal systems, solid waste disposal systems, streets, airports, municipal utilities and parking facilities. To implement the Public Project Revolving Fund Program, the NMFA has been granted the following specific powers: to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA; to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (i) a loan to a qualified entity, (ii) a grant to a qualified entity, (iii) a purchase or sale of securities

individually or on a pooled basis, or (iv) the performance of its duties and execution of any of its powers under the Act; to purchase, hold or sell securities; to charge for its costs and services in review or consideration of a proposed loan to a qualified entity or purchase by the NMFA of securities; in connection with the purchase of any securities, to consider the ability of the qualified entity to secure financing from other sources and the costs of that financing and the particular public project or purpose to be financed or refinanced with the proceeds of the securities to be purchased by the NMFA; and to acquire and hold title to or leasehold interest in real and personal property and to sell, convey or lease that property for the purpose of satisfying a default or enforcing the provisions of a loan agreement.

In order to expand future availability of financing for projects under the Public Project Revolving Fund Program, it is NMFA's intent to make revolving loans at market or below market interest rates and to relend loan repayments on such loans. When possible, assistance will be provided in particular to those projects that have associated user fees or other revenues that can be used to pay debt service. However in order to ensure that financing is available to the largest number possible, the NMFA will provide three levels of assistance, depending on the credit worthiness of the project and the borrower:

- For entities which have the financial capacity to issue bonds, but find it difficult to enter the credit market on their own, the NMFA will assemble pooled bond issues which will provide a lower cost of capital for the localities than would be available if entering the credit market on their own.

- For those entities which can afford to pay for only a portion of their project, the NMFA will provide a combination of grant and loan financing. The grant portion may come from a legislative appropriation or from NMFA funds. The loan may be a direct loan from cash on hand, or from funds raised through the issuance of bonds.

- For the most needy applicants, the NMFA will provide grants on a limited basis.

Other NMFA Programs and Projects

Generally

The NMFA participates in several other programs designed to provide financing for equipment and projects to both municipal and state agencies. These projects are funded by various sources and do not have a lien or claim of any type on the Trust Estate, including the Revenues, which secures the Series 1995 Bonds.

Equipment Finance Program

In addition to the Public Project Revolving Fund Program, the NMFA has established an Equipment Finance Program, designed to assist local governments within the State in the financing and purchase of capital equipment, such as fire equipment, police cars and road maintenance vehicles, with a useful life of three years or more. Under this program the local government enters into a loan or other financing agreement with the NMFA. The NMFA provides cash (either from cash on hand or the proceeds of bonds or similar instruments) for the capital equipment purchase and the loan is repaid by the local government. Payments by local governments may be made from several sources, including enterprise funds or special tax or revenue funds, such as gross receipts tax revenues, gasoline tax revenues, law enforcement fund distributions and fire protection fund distributions. The NMFA expects to issue approximately $8 million of Pooled Equipment Certificates of Participation to finance loans under its Equipment Finance Program in August 1995.

Workers' Compensation Administration Building Revenue Bonds

In 1993 the New Mexico Legislature authorized the NMFA to sell $3.5 million in revenue bonds for the planning, designing, constructing, equipping and furnishing of a state office for the Workers' Compensation Administration ("WCA"). In 1994 the New Mexico Legislature authorized the NMFA to sell an additional $2.5 million in revenue bonds for the acquisition of land and site improvements for the WCA's proposed new office building. The Legislature also provided that the first forty cents ($.40) of each quarterly four dollar ($4.00) of Workers' Compensation assessment paid to the State would be pledged to the NMFA for payment of the revenue bonds associated with the WCA project. The NMFA and the General Services Department ("GSD") entered into a Joint Powers Agreement in May 1994 providing that, upon notification by the GSD that the project is sufficiently developed to warrant the issuance of bonds and the provision of a detailed written estimate of the cost of the project, the NMFA shall issue bonds and make available to the GSD, at least ten days prior to the closing date of the land purchase, proceeds necessary for purchase of the land and site improvements. The remaining disbursements will be made on a construction schedule agreed to by NMFA and GSD.

UNM Cancer Research Center

In 1993 the New Mexico Legislature authorized the NMFA to issue up to $6 million in revenue bonds for the purpose of designing, constructing, equipping and furnishing an addition to the University of New Mexico Cancer Center. The Legislature also appropriated 7-1/8% of the State's cigarette tax receipts, exclusive of penalties and interest, to the repayment of such revenue bonds. In May 1994, the NMFA and the Regents of the University of New Mexico entered into a joint powers agreement, whereby the University agreed to contract for the design and construction of the project and the NMFA agreed to issue the revenue bonds and disburse the proceeds to the University based on an agreed-upon construction schedule. Currently the University is awaiting the identification of additional funding sources for the $13.2 million total

project cost and is awaiting the approval of the project by the Commission on Higher Education and the State Board of Finance.

Primary Care Capital Fund

In 1994, a $5 million revolving fund was created in the State treasury from which to provide loans and other financial assistance to rural primary care health clinics. The legislation establishing the fund directed NMFA to administer the revolving fund, and to assume responsibility for all financial duties related to the program. The New Mexico Health Department and the NMFA have negotiated a joint powers agreement whereby the Health Department will provide all required health-related services and the NMFA will administer the revolving fund, and on September 15, 1994, the NMFA and the Health Department adopted rules for program operation to govern the financing of the repair, renovation or construction of primary care clinics in underserved areas of the State.

LITIGATION

According to the NMFA, there is no controversy or litigation known to be pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 1995 Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any payments which will provide Revenues for the payment of the debt service on the Series 1995 Bonds or in any way contesting or affecting the validity or enforceability of the Series 1995 Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. NMFA will deliver a no-litigation certificate as to the foregoing prior to the issuance of the Series 1995 Bonds.

Prior to the issuance of the Series 1995 Bonds, an official of each of the 1995 Governmental Units will deliver a certificate to the effect that, except as otherwise disclosed to the NMFA in writing, as of the date the Series 1995 Bonds are issued, there are no proceedings or litigation pending or, to the knowledge of the 1995 Governmental Unit, threatened, that, if adversely determined, would materially adversely affect the Agreement Pledged Revenues or the ability of the 1995 Governmental Unit to make all Loan Payments or otherwise observe and perform its duties, covenants, obligations and agreements under its respective Agreement.

UNDERWRITING

Rauscher Pierce Refsnes, Inc., Merrill Lynch & Co. and Principal Financial Securities, Inc. (the "Underwriters") have agreed to purchase the Series 1995 Bonds from the NMFA pursuant to a Bond Purchase Agreement dated June 28, 1995 (the "Bond Purchase Agreement"), at a price of $45,254,222.74 (being the aggregate principal amount thereof, plus a premium of $421,468.15, less an original issue discount of $8,800.00 and less an Underwriters' discount of $388,445.41), plus accrued interest on the Series 1995 Bonds from their dated date to the date of delivery of and payment for the Series 1995 Bonds. The Bond Purchase Agreement

provides that the Underwriters will purchase all of the Series 1995 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 1995 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

TAX MATTERS

Generally

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 1995A Bonds. NMFA and the 1995 Governmental Units have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 1995A Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 1995A Bonds. Co-Bond Counsel has assumed continuing compliance by NMFA and the 1995 Governmental Units with such requirements and restrictions in rendering their opinion regarding the tax exempt status of interest on the Series 1995A Bonds.

In the opinion of Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel, based on currently existing laws, regulations, decisions and interpretations and assuming, among other things, continuing compliance with certain covenants, interest on the Series 1995A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

ALSO IN THE OPINION OF CO-BOND COUNSEL, INTEREST ON THE TAXABLE SERIES 1995B BONDS IS <u>NOT</u> EXCLUDED FROM GROSS INCOME FOR FEDERAL TAX PURPOSES.

In the opinion of Co-Bond Counsel, under existing laws, interest on the Series 1995 Bonds is excluded from net income for State of New Mexico income tax purposes.

Although Co-Bond Counsel will render an opinion that interest on the Series 1995A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 1995A Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or

deduction. Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1995 Bonds.

Original Issue Discount

The initial offering prices of the Series 1995A Bonds maturing on June 1, 2023 (the "Discount Bonds") is less than the amount payable on such Discount Bonds at stated maturity. The difference, in each case, between the initial public offering price and the principal amount payable at maturity constitutes interest. A portion of such interest (the "Original Issue Discount"), depending on the holding period of any Discount Bond by each owner, will, upon the disposition of the Discount Bond by each owner (including redemption or payment at maturity) be treated as interest excludable from gross income for federal income tax purposes to the same extent as interest on the Series 1995A Bonds. Such interest on a Discount Bond is considered to be accreted actuarially in accordance with the constant interest method over the life of the Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond. For the purpose of determining the adjusted basis of a Discount Bond, the holder thereof will increase his adjusted basis of the Discount Bond by the amount of Original Issue Discount which shall have economically accrued under the constant interest method during the period such Discount Bond was held by the holder. The adjusted basis will be used to determine taxable gain or loss upon disposition (including redemption or payment at maturity). The accrual of Original Issue Discount in each year may result in an alternative minimum tax liability or (with respect to certain corporate owners) an environmental tax liability in each year even though a corresponding cash payment will not be received until a later year.

Original Issue Premium

The initial public offering price of the Series 1995A Bonds maturing on June 1 of the years 1999, 2000, 2004 and 2005 (the "Premium Bonds" or "Premium Bond") is more than the principal amount payable on the Premium Bonds at maturity. The difference between the initial public offering price at which a substantial amount of the Premium Bonds was sold and the principal amount of such Premium Bonds payable at maturity would constitute "amortizable bond premiums." The amortizable bond premium is not treated as interest excludable from gross income for federal tax purposes. A holder of a Premium Bond will recognize gain or loss upon the disposition of such Premium Bond (including sale or redemption prior to maturity) in an amount that is equal to the difference between (i) the amount received upon such disposition and (ii) the remainder of (a) the cost basis of the Premium Bond less (b) the amount of amortizable bond premium which is treated as having been amortized during the period the holder held such Premium Bonds.

LEGAL MATTERS

In connection with the issuance and sale of the Series 1995 Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P. A., as Co-Bond Counsel, and Ballard Spahr Andrews & Ingersoll, as Co-Bond Counsel, will deliver the respective opinions included in Appendix E hereto. Certain legal matters relating to the Series 1995 Bonds will be passed upon for the Underwriters by their counsel, Hogan & Hartson L.L.P. Neither Hogan & Hartson L.L.P. nor either Co-Bond Counsel has participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA or any of the 1995 Governmental Units contained in this Official Statement.

Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. Certain legal matters will be passed upon for the 1995 Governmental Units by Modrall, Sperling, Roehl, Harris & Sisk, P.A.

EXPERTS

The NMFA has retained Public Financial Management, Inc., as financial advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 1995 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Public Financial Management, Inc., is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Public Financial Management, Inc., is a wholly owned subsidiary of Marine Midland Bank, N.A., New York, New York.

The financial statements of the NMFA for the year ended June 30, 1994, included as Appendix A of this Official Statement have been audited by Macias & Rivera, certified public accountants, Santa Fe, New Mexico, as set forth in their report thereon dated November 30, 1994 and are included herein in reliance on the expert status of Macias & Rivera. Such financial statements represent the most current audited financial information available for the NMFA.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rules 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, in connection with the issuance of the Series 1995 Bonds, beginning with the fiscal year ended June 30, 1996 and annually thereafter while the Series 1995 Bonds remain outstanding, the NMFA will provide, or cause to be provided through the Trustee, the following information:

(i) to each nationally recognized municipal securities information repository ("NRMSIR") or to the Municipal Securities Rulemaking Board (the "MSRB") and to a State information depository, if any, audited financial statements and certain annual financial

information and operating data concerning (i) each of the 1995 Governmental Units whose outstanding Loan equals 20% or more of either the aggregate principal amount of the Outstanding Bonds or the Outstanding principal amount of the respective Series of the Bonds issued to fund such Loan, and (ii) the Revenues, such information to be substantially similar to the first two charts contained in the Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 1995 BONDS - Revenues - The Governmental Gross Receipts Tax" and in those Appendices to the Official Statement relating to such 1995 Governmental Units under the caption "Financial Information." Such information is expected to be available on or before January 1 of each fiscal year for the fiscal year ending on the preceding June 30 and will be made available, in addition to each NRMSIR or the MSRB and a State information depository, if any, to the Trustee and to each holder of the Series 1995 Bonds who makes request for such information; provided that, audited financial statements are expected to be available on or before January 1 for the fiscal year ending on the preceding June 30.

(ii) in a timely manner, to each NRMSIR or the MSRB and to a State information depository, if any, notice of the occurrence of any of the following events (if applicable) with respect to the Series 1995 Bonds or the Agreements if, in the judgment of the NMFA, such event is material:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions or events affecting the tax-exempt status of the Series 1995A Bonds;

(g) modification of rights of security holders;

(h) bond calls;

(i) defeasances;

(j) release, substitution, or sale of property securing repayment of the Series 1995 Bonds; and

(k) rating changes.

The NMFA may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the NMFA, such other event is material with respect to the Series 1995 Bonds, the Indenture or the Agreements. However, the NMFA does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

(iii) in a timely manner, to each NRMSIR or to the MSRB and to a State information depository, if any, notice of a failure (of which the NMFA has knowledge) by the NMFR or any other obligated person to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The NMFA reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the NMFA; provided that, the NMFA has agreed that any such modification will be done in a manner consistent with the Rule. The NMFA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Series 1995 Bonds and is to be enforceable by the Trustee on behalf of such holders; provided that, the Trustee's right to enforce the provisions of this undertaking are limited to a right to obtain specific enforcement of the NMFA's obligations and any failure by the NMFA to comply with the provisions of the undertaking shall not be an event of default with respect to the Series 1995 Bonds.

RATINGS

Standard & Poor's Ratings Group ("S&P") Moody's Investors Service ("Moody's") and Fitch Investors Service Inc. ("Fitch") have assigned their municipal bond ratings of "AAA" "Aaa" and "AAA," respectively, to the Series 1995A Bonds with the understanding that upon delivery of the Series 1995A Bonds, a policy insuring the payment when due of the principal of and interest on the Series 1995A Bonds will be issued by AMBAC Indemnity. Moody's expects to assign its municipal bond rating of "#Aaa" to the Taxable Series 1995B Bonds with the understanding that prior to or simultaneously with the issuance of the Taxable Series 1995B Bonds monies sufficient to pay the principal of and interest thereon, when due, will be deposited with the Trustee pursuant to the Escrow Agreement. Such ratings reflect only the views of S&P, Moody's and Fitch. An explanation of the significance of such ratings may be obtained from S&P at 25 Broadway, New York, New York 10004, from Moody's at 99 Church Street, New York, New York 10007 and from Fitch at One State Street Plaza, New York, New York. The ratings are not recommendations to buy, sell or hold the Series 1995 Bonds and there is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings given to the Series 1995 Bonds by such rating agencies may have an adverse effect on the market price of the Series 1995 Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the

Series 1995 Bonds any proposed revision or withdrawal of the ratings on the Series 1995 Bonds, or to oppose any such proposed revision or withdrawal.

Prior to the commitment by AMBAC Indemnity to issue its Municipal Bond Insurance Policy with respect to the Series 1995A Bonds and prior to the determination by the NMFA that the Taxable Series 1995B Bonds would be defeased upon issuance thereof, Moody's assigned a rating of "A" to the Series 1995 Bonds. An explanation of this rating given by Moody's may be obtained from Moody's at 99 Church Street, New York, New York 10007.

ADDITIONAL INFORMATION

The quotations from, and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period upon request directly to the NMFA at 1751 Old Pecos Trail, Suite K, Santa Fe, New Mexico 87501, Attention: Executive Director, or the Underwriters, c/o Rauscher Pierce Refsnes, Inc., 6200 Uptown Blvd., N.E., Suite 130, Albuquerque, New Mexico 87110, Attention: Public Finance Department.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 1995 Bonds.

APPROVAL BY THE NMFA

This Official Statement and its distribution and use by the Underwriters have been duly authorized and approved by the NMFA and this Official Statement has been executed and delivered on behalf of the NMFA by the Chairman of its Board of Directors and its Executive Director.

NEW MEXICO FINANCE AUTHORITY

By /s/ Robert Goodman
Chairman of the Board of Directors

By /s/ Tom K. Pollard
Executive Director

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA FOR THE FISCAL YEAR ENDED JUNE 30, 1994

MACIAS AND RIVERA
CERTIFIED PUBLIC ACCOUNTANTS
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Division for CPA Firms AICPA



James P. Macias, CPA
Robert J. Rivera, CPA

Exhibit A

INDEPENDENT AUDITORS' REPORT

Robert M. Goodman, Chairman
Board of Directors
New Mexico Finance Authority
and
Honorable Robert E. Vigil, CPA
New Mexico State Auditor

We have audited the accompanying general-purpose financial statements of the State of New Mexico, New Mexico Finance Authority (Authority) and the individual fund and account group financial statements of the Authority as of and for the year ended June 30, 1994, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned general-purpose financial statements present fairly, in all material respects, the financial position of the State of New Mexico, New Mexico Finance Authority at June 30, 1994 and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the aforementioned individual fund and account group financial statements present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Authority at June 30, 1994, and the results of operations of such funds for the year then ended in conformity with generally accepted accounting principles.

Macias and Rivera

November 30, 1994

STATE OF NEW MEXICO
NEW MEXICO FINANCE AUTHORITY
Combined Balance Sheet - All Fund Types and Account Groups

Exhibit A

STATE OF NEW MEXICO
NEW MEXICO FINANCE AUTHORITY

Combined Balance Sheet – All Fund Types and Account Groups
June 30, 1994
(With Comparative Totals for June 30, 1993)

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
ASSETS	General Fund	Special Revenue Fund	Debt Service Fund	General Fixed Assets	General Long-Term Debt	1994	1993
Cash on deposit (note 2)	$ 217,943	$ 991,192	$ 1,229,666	$ –	$ –	$ 2,438,801	$ 1,365,014
Interest receivable (note 3)	12,861	3,379	4,192	–	–	20,432	19,309
Due from other funds	–	129,698	–	–	–	129,698	970,262
Amount to be provided for compensated absences	–	–	–	–	3,748	3,748	–
Furniture, fixtures and equipment (note 4)	–	–	–	23,399	–	23,399	–
Total assets	$ 230,804	$ 1,124,269	$ 1,233,858	$ 23,399	$ 3,748	$ 2,616,078	$ 2,354,585
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	$ 86,829	$ –	$ –	$ –	$ –	$ 86,829	$ 21,130
Vouchers payable	6,983	–	–	–	–	6,983	1,431
Due to other funds	129,698	–	–	–	–	129,698	970,262
Accrued liabilities (note 5)	4,946	–	–	–	–	4,946	–
Compensated absences (note 6)	–	–	–	–	3,748	3,748	–
Total liabilities	228,456	–	–	–	3,748	232,204	992,823
Fund Equity: (note 7)							
Investment in general fixed assets	–	–	–	23,399	–	23,399	–
Fund balance:							
Unreserved:							
Designated for subsequent year's expenditures	–	–	–	–	–	–	391,500
Restricted for special projects	–	1,124,269	–	–	–	1,124,269	970,262
Reserved:							
Reserved for encumbrances (note 8)	2,348	–	–	–	–	2,348	–
Reserved for debt service	–	–	1,233,858	–	–	1,233,858	–
Total fund equity	2,348	1,124,269	1,233,858	23,399	–	2,383,874	1,361,762
Total liabilities and fund equity	$ 230,804	$ 1,124,269	$ 1,233,858	$ 23,399	$ 3,748	$ 2,616,078	$ 2,354,585

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
NEW MEXICO FINANCE AUTHORITY

Combined Statement of Revenues, Expenditures and Changes in
Fund Balances–All Governmental Fund Types
For the Year Ended June 30, 1994
(With Comparative Totals for the Year Ended June 30, 1993)

	Governmental Fund Types			Totals (Memorandum Only)	
	General Fund	Special Revenue Fund	Debt Service Fund	1994	1993
Revenues: (note 9)					
Interest	$ 25,763	$ 24,309	$ 13,050	$ 63,122	$ 19,309
Cigarette tax	–	–	1,220,808	1,220,808	–
Total revenues	25,763	24,309	1,233,858	1,283,930	19,309
Expenditures: (note 9)					
General government	285,217	–	–	285,217	31,547
Excess (deficiency) of revenues over expenditures	(259,454)	24,309	1,233,858	998,713	(12,238)
Other financing sources (uses): (note 10)					
Operating transfers in	–	129,698	–	129,698	–
Operating transfers out	(129,698)	–	–	(129,698)	–
Appropriations–other state funds	–	–	–	–	1,374,000
Total other financing sources (uses)	(129,698)	129,698	–	–	1,374,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(389,152)	154,007	1,233,858	998,713	1,361,762
Fund balances, beginning of year	391,500	970,262	–	1,361,762	–
Fund balances, end of year	$ 2,348	$ 1,124,269	$ 1,233,858	$ 2,360,475	$ 1,361,762

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
NEW MEXICO FINANCE AUTHORITY

Exhibit C

Combined Statement of Revenues and Expenditures
Budget (non-GAAP) Basis and Actual

Year Ended June 30, 1994

	General Fund		
	Budget	Actual - Budget Basis	Variance Favorable (Unfavorable)
Revenues: (note 9)			
Other state funds:			
Interest	$ -	$ 12,902	$ 12,902
Cash balance appropriated from prior-year	391,500		
	$ 391,500		
Expenditures: (note 9)			
Current:			
General government:			
Personal services	$ 97,200	$ 91,914	$ 5,286
Employee benefits	32,000	9,076	22,924
In-state travel	18,000	9,456	8,544
Maintenance and repairs	2,000	1,169	831
Supplies	7,000	5,735	1,265
Contractual services	139,500	113,397	26,103
Operating costs	56,000	31,471	24,529
Out-of-state travel	12,000	1,550	10,450
Capital outlay	27,800	23,797	4,003
Total expenditures	$ 391,500	$ 287,565	$ 103,935

The accompanying notes are an integral part of the financial statements.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
NEW MEXICO FINANCE AUTHORITY

Notes to Financial Statements
June 30, 1994

(1) Summary of Significant Accounting Policies (1)

A. Reporting Entity

Laws of 1992, Chapter 61, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico Finance Authority Act (Act), is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.

The Authority is composed of twelve members. The State Investment Officer, the Secretary of the Department of Finance and Administration, the Secretary of Economic Development, the Secretary of Energy, Minerals and Natural Resources, the Secretary of Environment, the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the Authority with voting privileges. The Governor, with the advice and consent of Senate, shall appoint to the authority the chief financial officer of an institution of higher education and four members who are residents of the state. The appointed members serve at the pleasure of the governor.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the state except as specifically provided in the New Mexico Finance Authority Act. The Act further states, "No use of the terms 'State agency' or 'instrumentality' in any other law of the state shall be deemed to refer to the Authority unless the Authority is specifically referred to in the law."

Since the Act specifically excludes the Authority from the definition of "state agency" or "instrumentality" in any other law of the state unless specifically referred to in the law, an Attorney General's Opinion was requested by the Authority. The Authority's request addressed the following:

(1) Summary of Significant Accounting Policies (Cont'd)

A. Reporting Entity (Cont'd)

1) Whether the Authority is a governmental agency for purposes of determining the propriety of the expenditure of funds appropriated to the Authority under the Act; and,

2) Whether the Authority is subject to the Open Meetings Act, the Procurement Code, Department of Finance and Administration (DFA) vouchering requirements and the Per Diem and Mileage Act.

Attorney General's Opinion dated December 23, 1992, concludes that the Authority is an agency of the state at least for certain purposes. The Opinion subjects the Authority to the Open Meetings Act and concludes that the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Opinion excludes the Authority from other sections of the Per Diem and Mileage Act, the Procurement Code and DFA vouchering requirements.

The Authority entered into a Memorandum of Understanding (MOU) with the Department of Finance and Administration (DFA) on January 28, 1993. Under the terms of the MOU, the DFA provided administrative services to the Authority during the 94th fiscal year. Cash accounts were established with the State Treasurer and all financial documents were processed by the DFA for the Authority.

B. **Basis of Presentation - Fund Accounting**

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental entities.

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The following fund types are used by the Authority.

(1) Summary of Significant Accounting Policies (Cont'd) (1)

B. Basis of Presentation - Fund Accounting (Cont'd)

GOVERNMENTAL FUND TYPES

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

General Fund - The General Fund is the general operating fund of the Authority and is used to account for all financial resources that are not required to be accounted for in another fund.

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Public Projects Revolving Special Revenue Fund: - The Public Projects Revolving Fund was created under the authority of Section 6-21-6, NMSA, 1978 Compilation. Except as otherwise provided in the New Mexico Finance Authority Act, the purpose of the fund is to make loans or grants and to purchase or sell securities to assist qualified entities in financing public projects in accordance with the New Mexico Finance Authority Act and pursuant to specific authorization by law for each project.

(1) Summary of Significant Accounting Policies (Cont'd)

B. Basis of Presentation - Fund Accounting (Cont'd)

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Cigarette Tax Revenue Bond Fund: - Section 7-1-6.11, NMSA, 1978 Compilation, provides for a distribution to the Authority of seven and one-eighth percent of the net receipts attributable to the cigarette tax with the first distribution to be made as of August 1, 1993. The cigarette tax monies are to be used by the Authority to finance the construction of an addition to the cancer research center at the University of New Mexico by issuing revenue bonds in an amount not to exceed $6.0 million. Monies in excess of principal and interest on the bonds and necessary reserves may be transferred to any other account of the Authority and used for the purposes of the Act.

ACCOUNT GROUPS

Fixed Assets and Long-Term Liabilities - The accounting and reporting treatment applied to fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

Fixed assets used in government fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at historical costs or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at their estimated fair value on the date donated.

STATE OF NEW MEXICO
NEW MEXICO FINANCE AUTHORITY

Notes to Financial Statements
June 30, 1994

(1) Summary of Significant Accounting Policies (Cont'd) (1)

B. Basis of Presentation - Fund Accounting (Cont'd)

The general long-term debt account group is used to account for the Authority's commitment to fund costs associated with unused annual leave.

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

C. Basis of Accounting

The modified accrual basis of accounting is followed by the governmental fund type for financial statement purposes. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available to finance expenditures of the current period. Expenditures are recorded when the related fund liability is incurred.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unused and excess encumbrances are adjusted in the year it is determined the funds will not be spent.

E. Accrued Compensated Absences

Employees are entitled to annual leave at a rate of 4.61 hours per pay period. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees

(1) Summary of Significant Accounting Policies (Cont'd)

E. Accrued Compensated Absences (Cont'd)

terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave an employee may accumulate. Accumulated sick leave is not compensated on termination of employment.

In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes) and are recorded in the General Long-Term Debt Account Group.

F. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations.

G. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis.

Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

STATE OF NEW MEXICO
NEW MEXICO FINANCE AUTHORITY

Notes to Financial Statements
June 30, 1994

(2) Cash on Deposit with State Treasurer

The following cash accounts were maintained by the Authority at June 30, 1994:

Name of Depository	Account Name	Account Number	Balance per Depository	Reconciling Items: Outstanding Warrants	Reconciling Items: Other	Balance per Books
State Treasurer	New Mexico Finance Authority	385-02	$ 222,296	$(4,353)	$ -	$217,943
State Treasurer	New Mexico Finance Authority	385-01	991,192	-	-	991,992
State Treasurer	New Mexico Finance Authority	385-03	1,229,666	-	-	1,229,666

All cash is on deposit with the State Treasurer. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. The State Treasurer is in compliance with this requirement.

Money in all funds of the Authority may be deposited with the State Treasurer for short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico or any political subdivision of the State or as otherwise provided by the trust indenture or bond resolution, if funds are pledged for or secure payment of bonds issued by the Authority.

(3) Interest Receivable

Interest receivable at June 30, 1994 consists of accrued interest on the Authority's interest bearing accounts with the New Mexico State Treasurer.

(4) General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance June 30, 1993	Additions	Deletions	Balance June 30, 1994
Furniture, fixtures and equipment	$ -	$23,399	$ -	$ 23,399

(5) Accrued Payroll and Benefits Payable

A portion of payroll expenditures pertaining to the year ended June 30, 1994, was paid on July 8, 1994. Since the disbursements did not occur until subsequent to June 30, 1994, accrued payroll and benefits payable totaling $4,946 have been reflected in the balance sheet.

(6) Changes in Long-Term Debt

A summary of changes in general-long term debt is as follows:

	Balance June 30, 1993	Additions	Reductions	Balance June 30, 1994
Compensated Absences Payable	$ -	$ 3,748	$ -	$ 3,748

(7) Fund Equity

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

(7) Fund Balance (Cont'd)

Reserved for encumbrances - This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the Authority but not completed as of the close of the fiscal year.

Reserved for debt service - This reserve was created to segregate a portion of the fund balance account for debt service, including necessary reserves and sinking funds. Amounts not necessary for debt service may be transferred to any other account of the Authority and used for purposes of the New Mexico Finance Authority Act.

The unreserved fund balance for the Public Project Revolving Special Revenue Fund represents the amount restricted to make loans or grants and to purchase or sell securities to assist qualified entities in financing public projects in accordance with the New Mexico Finance Authority Act and pursuant to specific authorization by law for each project.

(8) Outstanding Encumbrances

The following is a reconciliation of encumbrances as reported by the Department of Finance and Administration (DFA) to encumbrances and accounts payable as shown in the financial statements at June 30, 1994:

DFA			Financial Statements	
Unadjusted Encumbrances Balance	Audit Adjustments Increase (Decrease)	Adjusted Encumbrances Balance	Included in Accounts Payable	Reserved for Encumbrances
$127,279	$(38,102)	$89,177	$86,829	$2,348

(9) Reconciliation of GAAP Basis To Budgetary (non-GAAP) Basis

A reconciliation of revenue and expenditures presented on a generally accepted accounting principles (GAAP) basis to revenue and expenditures presented on a budgetary (non-GAAP) basis as reflected on Exhibits B and C is presented below.

General Fund
Adjustments to Budgetary (non-GAAP) Basis

	Actual GAAP Basis	Other Financing Sources	Current Year Accruals	Actual Budgetary (non-GAAP) Basis
REVENUES:				
Other State Funds:				
Interest	$ 25,763	$ –	$ (12,861)	$ 12,902

EXPENDITURES:	Actual GAAP Basis	Current Year Encumbrances	June 30 Accruals and Adjustments	Actual Budgetary (non-GAAP) Basis
Current:				
General government:				
Personal services	$ 91,914	$ –	$ –	$ 91,914
Employee benefits	9,076	–	–	9,076
In-state travel	9,456	–	–	9,456
Maintenance and repairs	1,169	–	–	1,169
Supplies	5,699	36	–	5,735
Contractual services	111,484	1,913	–	113,397
Operating costs	31,471	–	–	31,471
Out-of-state travel	1,550	–	–	1,550
Capital outlay	23,398	399	–	23,797
Total expenditures	$ 285,217	$ 2,348	$ –	$ 287,565

(10) Other Financing Sources (Uses)

The Laws of 1993, Chapter 365, appropriated $391,500 of the unexpended 1992 appropriation for agency operations during the 1993-94 fiscal year. The unexpended balance of this 1992 appropriation at June 30, 1994, was $116,837.

The balance of the 1992 unexpended appropriation ($116,837) was transferred to the Public Projects Revolving Fund subsequent to June 30, 1994, pursuant to the Laws of 1992, Chapter 61.

In addition, accrued interest earnings at June 30, 1994, amounting to $12,861 were transferred to the Public Projects Revolving Fund subsequent to June 30,1994.

(11) Operating Leases

The Authority is committed under various lease agreements for office space, copying equipment and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 1994 amounted to $16,310. Future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
1995	$ 22,642
1996	20,368
1997	8,121
1998	-
1999	-
Thereafter	-
Total	$ 51,131

(12) Revenue Bonds Authorization

The Laws of 1993, Chapter 367, Section 73, effective April 8, 1993, as amended by Laws of 1994, Chapter 91, authorized the New Mexico Finance Authority to issue and sell revenue bonds in an amount not to exceed $3,500,000 for planning, designing, constructing, equipping and furnishing a state office building for the workers' compensation administration that complies with the federal Americans with Disabilities Act of 1990. The 1994 amendment authorized the Authority to issue and sell additional revenue bonds in an amount not to exceed $2,500,000 when the property control division of the General Services Department certifies the need for issuance of the bonds. The bond proceeds are for acquiring land and making site improvements for the aforementioned state building. The parties have entered into a Joint Powers Agreement to accomplish this purpose. It is anticipated that the bonds will be issued by June 30, 1995. The first $.40 of the workers' compensation assessment imposed pursuant to Section 52-5-19, NMSA, 1978 that is distributed to the New Mexico Finance Authority is appropriated to be pledged irrevocably for payment of principal, interest, any premium and expenses related to the issuance and sale of the bonds. Revenue distributed to the New Mexico Finance Authority shall be deposited in a special bond fund and any money remaining in the fund at the end of each calendar quarter, after all current obligations and any sinking fund requirements are met, shall be transferred to the workers' compensation administration fund. Upon payment of all principal and interest and any other obligations or expenses related to issuance of the bonds, the New Mexico Finance Authority shall certify to the Taxation and Revenue Department that all obligations have been fully discharged and direct the Department to cease payments of workers' compensation assessment fee revenue to the Authority.

Also, the Laws of 1993, Chapter 358, Section 4, authorized the New Mexico Finance Authority to issue and sell revenue bonds in compliance with the New Mexico Finance Authority Act in an amount not exceeding six million dollars ($6,000,000) for the purpose of designing, constructing, equipping and furnishing an addition to the Cancer Center at the University of New Mexico. The parties have entered into a Joint Powers Agreement to accomplish this purpose. It is anticipated that the bonds will be issued by June 30, 1995. The cigarette tax proceeds distributed to the New Mexico Finance Authority pursuant to Section 7-1-6.11 NMSA 1978 are appropriated to the Authority to be pledged irrevocably for the payment of the

(12) Revenue Bonds Authorization (Cont'd) (14)

principal of or interest on the bonds or any payments for refunding or redemption premiums on the bonds and for payment of the costs incurred by the Authority related to authorization, issuance and sale of the bonds. The School of Medicine at the University of New Mexico shall notify the Authority when the project has developed sufficiently to justify issuance of the bonds.

(13) Primary Care Capital Fund

The Laws of 1994, Chapter 62, created the Primary Care Capital Fund to provide funding for capital projects to eligible entities in order to increase health care services in rural and other health care underserved areas in the state. The revolving fund, to be administered by the New Mexico Finance Authority, shall consist of appropriations, loan repayments, gifts, grants, donations and interest earned on investment of the fund. Money in the fund shall not revert at any fiscal year end. (15)

The State of New Mexico, Department of Health, and the Authority shall administer the loan programs and contracts for services established pursuant to the Primary Care Capital Funding Act. The Department, in conjunction with the Authority, shall adopt regulations to administer and implement the Act.

Laws of 1994, Chapter 147, appropriated $5,000,000 for the primary care capital fund for rural primary care capital funding. Laws of 1994, Chapter 6, appropriated $95,000 to the Department of Health to contract with the Authority for assistance to the Department and administration of the primary care capital fund.

(14) Governmental Gross Receipts Tax Proceeds

The Laws of 1994, Chapter 145, Section 1, effective August 1, 1994, provided that a distribution pursuant to Section 7-1-6.1, NMSA 1978 shall be made to the public project revolving fund (PPRF) administered by the Authority in an amount equal to seventy-five percent of the net receipts attributable to the governmental gross receipts tax (GGRT).

(14) Governmental Gross Receipts Tax Proceeds (Cont'd)

Of the GGRT revenues directed to the NMFA's public project revolving fund, an aggregate amount not to exceed thirty-five percent shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the wastewater facility construction loan fund, the rural infrastructure revolving loan fund and the solid waste facility grant fund. The remaining GGRT revenue deposited to the PPRF may be granted or loaned directly by the NMFA to qualified entities or "leveraged" by pledging the revenue stream to the issuance of bonds and granting, or lending, the bond proceeds. All projects to be financed from the PPRF must be approved by the Legislature.

(15) Insurance

The Authority carried the following types of insurance during the year ended June 30, 1994.

Type:	Fidelity Bond
Carrier:	United States Insurance Company
Coverage:	$100,000
Deductible:	$1,000
Type:	Automobile Insurance
Carrier:	Hartford Casualty
Coverage:	Liability $1,000,000 per accident Auto Medical - $5,000 per insured Uninsured Motorist - $1,000,000 Comprehensive - Actual cash value Collision - Actual cash value or cost of repair
Deductible:	Comprehensive - $1,000
Effective Dates:	12/16/93 - 12/16/94
Type:	Property Insurance
Carrier:	Hartford Fire Insurance Company
Coverage:	Appraisal value of equipment

(15) Insurance (Cont'd)

Deductible:	$250
Effective Dates:	01/01/94 to 01/01/95
Type:	Workers' Compensation and Employees Liability Policy
Carrier:	New Mexico Mutual Casualty Company
Effective Dates:	01/28/94 to 01/28/95

(16) Subsequent Event

The New Mexico Finance Authority issued $646,000 (Series 1994A) in certificates of participation in October 1994 under the NMFA Equipment Loan Program. The proceeds were loaned to various governmental entities to purchase equipment. The loans have been assigned to a trustee (First Security Bank) by NMFA. The certificates are secured by various sources of local government revenues and are further secured by intercept agreements which direct sources of revenues from state agencies directly to the trustee. The certificates are not an obligation of the State of New Mexico or of the New Mexico Finance Authority.

APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are extracts, supplementing the information in the body of the Official Statement, of certain provisions of the Indenture. These extracts do not purport to be complete and reference is made to the Indenture for a full and complete statement of such provisions. See "ADDITIONAL INFORMATION."

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APPENDIX B

The following are certain definitions contained in the Indenture and extracts of certain provisions contained in the General Indenture and is not to be considered as a full statement thereof. Reference is hereby made to the Indenture for full details of all of the terms of the Bonds, the security provisions appertaining thereto and the other terms thereof. During the offering period of the Series 1995 Bonds, copies of the Indenture will be available at the principal office of the Underwriters. Subsequent to the offering of the Series 1995 Bonds, copies of the Indenture may be obtained from the Trustee.

CERTAIN DEFINITIONS

"Account" or "Accounts" means one or more of the special trust accounts created and established pursuant to the Indenture.

"Act" means the New Mexico Finance Authority Act, being Sections 6-21-1 through 6-21-31, inclusive, NMSA 1978, as amended and as the same may hereafter be amended and supplemented.

"Additional Bonds" means any Bonds of the NMFA authorized and issued under the Indenture, except for the Series 1995 Bonds.

"Additional Pledged Loans" means any additional loans or securities which (i) were made or purchased by the NMFA from amounts on deposit in the Public Project Revolving Fund and (ii) the payments of principal and interest on which have been specifically pledged by the NMFA to the payment of the Bonds and other amounts due under the Indenture. No such loans or securities shall be deemed to be Additional Pledged Loans unless the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture.

"Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Agreement" or "Agreements" means, as the case may be, one or more Loan Agreements, Grant Agreements or Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of a Project by the NMFA under the General Indenture.

"Agreement Pledged Revenues" means the pledged revenues designated by a Governmental Unit for payments to be made pursuant to the respective Loan Agreement, Security Documents or Securities.

"Agreement Reserve Fund" means the Agreement Reserve Fund established by the Indenture and each Agreement Reserve Account, if any, created by an Agreement therein.

"Agreement Reserve Requirement" for each Agreement establishing an Agreement Reserve Account, means the amount, if any, required by such Agreement to be allocated to an Agreement Reserve Account (relating to such Agreement) within the Agreement Reserve Fund.

"Approval of Bond Counsel" means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

CATEGORY OF LOANS AND ADDITIONAL PLEDGED LOANS	APPLICABLE PERCENTAGE
CATEGORY I LOANS AND ADDITIONAL PLEDGED LOANS	100%
CATEGORY II LOANS AND ADDITIONAL PLEDGED LOANS	80%
CATEGORY III LOANS AND ADDITIONAL PLEDGED LOANS	50%
CATEGORY IV LOANS AND ADDITIONAL PLEDGED LOANS	0%

"Authorized Denominations" with respect to the Series 1995 Bonds, $5,000.

"Authorized Officer" means: (i) in the case of the NMFA, the Chair, any Vice Chair, Secretary, or Treasurer, and when used with reference to any act or document also means any other person authorized by resolution of the NMFA to perform such act or execute such documents; (ii) in the case of a Governmental Unit, means the person or persons authorized by resolution or ordinance of the Governmental Unit to perform any act or execute any document; and (iii) in the case of the Trustee or the Paying Agent any person authorized to perform any act or sign any document by or pursuant to the bylaws or any resolution of the governing body of the Trustee or the Paying Agent, respectively.

"Bond Counsel" means nationally recognized bond counsel experienced in matters of municipal law, satisfactory to the Trustee and listed in the list of municipal bond attorneys, as published semiannually by The Bond Buyer, or any successor publication.

"Bond Fund" means the fund by that name established by the Indenture, to be held by the Trustee and used to pay amounts due on the Bonds.

"Bond Fund Year" means a twelve-month period ending on June 1 of each year, except that the first Bond Year shall commence on the date of delivery of the Series 1995 Bonds and shall end on June 1, 1996.

"Bond Documents" means collectively, the Loan Agreements, the Grant Agreements, the Securities, the Security Documents, and the Indenture.

"Bond Registrar" or "Registrar" means the Trustee or any other registrar appointed under the Indenture.

"Bonds" means all Bonds issued under and secured by the Indenture.

"Business Day" shall mean any day, other than a day on which banks located in New York, New York or the cities in which the Principal Offices of the Trustee or the Paying Agent are located are required or authorized by law or executive order to close, or on which the New York Stock Exchange is closed.

"Cash Flow Statement" means an NMFA certificate (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and

(iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate:

(1) the amount of NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(2) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(3) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding;

and (b) showing that in each such Bond Fund Year, the aggregate of the amount set forth in clause (A) of the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of the definition. For purposes of the foregoing definition the following assumptions shall apply:

(a) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period in the 24 months next preceding the delivery of the Cash Flow Statement;

(b) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(c) Loans and Additional Pledged Loans will be assumed to remain in their then current category designations throughout the period projected in the Cash Flow Statement.

"Category I Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in at least the third highest full rating category or higher by the Rating Agency.

"Category II Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time

in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

"Category III Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are not designated or rated or are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Non-Performing Loans and Additional Pledged Loans and Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been fully replenished in accordance with the related Agreement.

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

"Covenant Default" has the meaning, if any, given in any Loan Agreement, Securities or Additional Pledged Loan.

"Debt Service Fund" means the fund by that name established by the Indenture to be held by the Trustee and each Account created therein.

"Funds and Accounts" means collectively, the Debt Service Fund and the Accounts created therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, and the Bond Fund.

"Governmental Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Governmental Units" means any "qualified entity" under the Act which has executed and delivered to the NMFA a Loan Agreement, Grant Agreement or Securities for the purpose of financing all or a portion of a Project.

"Grant Agreements" means a grant or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and does not require payments by the Governmental Unit to be made thereunder.

"Grants" means collectively, the Grants made pursuant to the Grant Agreements.

"Indenture" means the General Indenture of Trust and Pledge and all Supplemental Indentures thereto.

"Interest Component" means the portion of each Loan Payment representing interest on the related Loan.

"Interest Payment Date" shall, with respect to each Series 1995A Bond, each June 1 and December 1, commencing June 1 1996.

"Loan Agreement" means a loan or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and requires the Governmental Unit to repay the amounts advanced.

"Loan Payment" means the payments made by each Governmental Unit pursuant to the provisions of a Loan Agreement or Securities and which are to be used in accordance with the Indenture.

"Loan Payment Date" means the date specified in each Loan Agreement or Securities as the due date for Loan Payments.

"Loans" means collectively, the Loans made pursuant to the Loan Agreements and the Securities; excluding, however, all Additional Pledged Loans. Loans and Additional Pledged Loans may be evidenced by the same document containing two or more separate obligations.

"NMFA Portion of the Governmental Gross Receipts Tax" means an amount equal to 75% of the net receipts attributable to the governmental gross receipts tax levied pursuant to Section 7-9-4.3, NMSA 1978, as amended, and distributed to the NMFA pursuant to Section 7-1-6.38, NMSA 1978, as amended.

"Nonperforming Loans and Additional Pledged Loans" means Loan Agreements and Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a Covenant Default) or under which a delinquency exists in payments of principal or interest thereunder.

"Original Issue Date" means, with respect to the Series 1995 Bonds, July 1, 1995.

The terms "Outstanding" or "Bonds outstanding" mean all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(1) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(2) any Bond (or any portion thereof) (i) for the payment or redemption of which there shall be held in trust under the Indenture and set aside for such payment or redemption, moneys and/or Governmental Obligations (not callable at the option of the issuer thereof) maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Governmental Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or redemption price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any such Bond (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

(3) Bonds deemed paid pursuant to the provisions of the Indenture; and

(4) Bonds in lieu of which others have been authenticated pursuant to the Indenture.

"Participants" means underwriters, securities brokers and dealers, banks and trust companies, clearing corporations and other persons from time to time for which DTC or any successor Securities Depository holds Series 1995 Bonds as Securities Depository.

"Paying Agent" means the Trustee or any successor or additional paying agent appointed pursuant to the Indenture.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund and the Rebate Fund or any other fund created under the Indenture, the following to the extent permitted by New Mexico law:

(a) Governmental Obligations;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Farmers Home Administration* (FmHA)
Certificates of Ownership;

ii) *Federal Housing Administration (FHA) Debentures;*

iii) *General Services Administration* Participation certificates;

iv) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates);

v) *U.S. Maritime Administration* Guaranteed Title XI financing;

vi) *U.S. Department of Housing and Urban Development* (HUD)
Project Notes
Local Authority Bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Federal Home Loan Bank System*
Senior debt obligations (Consolidated debt obligations);

ii) *Federal Home Loan Mortgage Corporation* (FHLMC or "Freddie Mac")
Participation Certificates (Mortgage-backed securities)
Senior debt obligations;

iii) *Federal National Mortgage Association* (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

iv) *Student Loan Market Association* (SLMA or "Sallie Mae")
Senior debt obligations;

v) *Resolution Funding Corp.* (REFCORP) Only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

vi) *Farm Credit System*
Consolidated systemwide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's Ratings Group ("S&P") of "AAAm-G," "AAAm" or "AAm" or by Moody's Investors Service, Inc. ("Moody's) of "Aaa";

(e) Certificates of deposit ("CD") secured at all times by collateral described in (a) and/or (b) above. CD's must have a one-year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+"or better by S&P, and "Prime-1" or better by Moody's. The collateral must be held by a third party and the third party must have a perfected first security interest in the collateral:

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BID and SAIF;

(g) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P);

(h) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P) in one of the two highest long-term rating categories assigned by such agencies;

(i) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1+" by S&P;

(j) Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; provided, however, that the repurchase agreement must satisfy certain criteria articulated in writing to the NMFA by the Rating Agency;

(k) Investment contracts with providers the long term, unsecured debt organization of which are rated at least "A" by the Rating Agency; and

(l) deposits with the Treasurer of the State for investment in obligations described above.

"Prepayment" means the amount paid by a Governmental Unit pursuant to the provisions of its Loan Agreement or Securities as a prepayment of all or a portion of the principal balance due under its Loan Agreement or a prepayment of the principal amount of the Securities.

"Principal Component" means the portion of each Loan Payment representing principal on the related Loan.

"Program" means the NMFA's public project revolving fund program.

"Program Costs" means the fees and expenses payable to the Trustee, any Paying Agent and the NMFA.

"Program Fund" means the fund by that name which is created and established by the Indenture.

"Projects" means, collectively, the projects (i) authorized by the Legislature for financing by the NMFA from the Public Project Revolving Fund (to the extent required by law) and (ii) described in a Supplemental Indenture and a Loan Agreement, Grant Agreement or Securities.

"Public Project Revolving Fund" means the public project revolving fund established pursuant to the Act.

"Rating Agency" means Moody's Investor's Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

"Rebate Calculation Date" means, with respect to each Series of Bonds, the interest payment date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the Initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last bond for such Series.

"Rebate Fund" means the Fund so designated, which is created and established by the Indenture.

"Rebate Requirement" means the amount of arbitrage profits earned from the investment of gross proceeds of the Bonds in nonpurpose investments described in Section 148(f)(2) of the Code and defined as "Rebate Amount" in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 1995 Bonds maintained by the Registrar.

"Regular Record Date" means the fifteenth (15th) day immediately preceding each Interest Payment Date (or the Business Day immediately preceding such fifteenth (15th) day, if such fifteenth (15th) day is not a Business Day).

"Registered Owner" or "Bondowner" or "Owner" or "Bondholder" or "holder" means the person or persons in whose name or names a Bond shall be registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture.

"Revenue Fund" means the Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund so designated, which is created and established by the Indenture to be held by the Trustee.

"Revenues" means (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by

and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund).

"Securities" means the securities purchased or acquired by the NMFA in consideration for a Loan made pursuant to the Indenture.

"Security Documents" means the intercept agreements or other security documents delivered by Governmental Units to provide additional security for a Loan Agreement or Securities.

"Series 1995 Bonds" means the Series 1995A and the Taxable Series 1995B Bonds.

"Series 1995A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1995A, in an aggregate principal amount of $41,230,000.

"Special Record Date" means a special record date established pursuant to the Indenture.

"State" means the State of New Mexico.

"Supplemental Indenture" means any supplemental indenture approved by the NMFA in accordance with the Indenture amending or supplementing the Indenture or any Supplemental Indenture.

"Taxable Series 1995B Bonds" means the Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B, in an aggregate principal amount of $4,000,000.

"Trust Estate" means the property held in trust by the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means Sunwest Bank of Albuquerque, National Association, Albuquerque, New Mexico and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee hereunder.

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds shall be kept by the Trustee which is appointed the Bond Registrar with respect to the Bonds. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing and satisfactory to the Trustee, the NMFA shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new, fully registered Bond or Bonds for a like aggregate principal amount. Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series and the same maturity. The execution by the NMFA of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee shall not be required to transfer or exchange any Bond of a particular Series (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds of a particular Series for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The NMFA, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the NMFA, nor the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid

and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In each case the Trustee shall require the payment by the Registered Owner requesting exchange or transfer, only of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Nonpresentment of Bonds

In the event that any Bond shall not be presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the NMFA to the holder thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability to the holders of such Bonds for interest thereon, for the benefit of the holder of such Bond who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Moneys so deposited with the Trustee which remain unclaimed four (4) years after the date payment thereof becomes due shall, to the extent authorized by applicable law, at the request of the NMFA and if the NMFA is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture and if to the knowledge of the Trustee there has been no Event of Default, be repaid to the NMFA and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the NMFA; provided that the Trustee, before making payment to the NMFA, may cause a notice to be given to the Owners of the Bonds at their registered addresses, stating that the moneys remaining unclaimed will be returned to the NMFA after a specified date. Upon payment of such amounts to the NMFA by the Trustee, the NMFA shall deal with such money as required by applicable law.

Covenants of the NMFA

The NMFA will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or Supplemental Indenture or in any Bond, including the following covenants and agreements:

Covenant Against Creating or Permitting Liens. Except for the pledge of the Trust Estate to secure payment of the Bonds, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that (i) nothing contained in the Indenture shall prevent the NMFA from issuing, if and to the extent permitted by law, indebtedness having a lien on the

Trust Estate subordinated to that of the Bonds and (ii) Revenues constituting NMFA Portion of the Governmental Gross Receipts Tax and payments of Additional Pledged Loans not needed for payments hereunder in any Bond Year may be released to the NMFA free and clear of the lien as provided in the Indenture.

Existence; Compliance with Laws. The NMFA shall take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and shall comply will all valid and applicable laws, acts, rules, regulations, permits, orders, requirements, and directions of any legislative, executive, administrative, or judicial body which may relate to the execution and delivery of the Bonds and the performance of the NMFA's obligations hereunder.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions; Further Assurance. The NMFA and the Trustee shall not transfer any of the Loan Agreements, Grant Agreements, Security Documents and Securities except as specifically authorized in the Indenture in furtherance of the security for the Bonds; provided that, (i) once the Governmental Unit has repaid all amounts, if any, owing under its Loan Agreement, Grant Agreement, Securities, or Additional Pledge Loan and complied with the other provisions thereof, the NMFA and the Trustee may release such Agreement or Additional Pledge Loan and any Security Documents from the pledge created under the Indenture; and (ii) the NMFA may direct the release of any Agreement or Additional Pledged Loan from the lien and pledge of the Trust Estate under the Indenture upon the delivery to the Trustee of a Cash Flow Statement reflecting such release. Except to the extent otherwise provided in the Indenture, the NMFA shall not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and shall, from time to time, execute and deliver such further instruments and shall take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee shall cause the Indenture to be filed as a financing statement with the Secretary of State of the State, in such manner and at such places as may be required by law fully to protect the security interest of the Owners of the Bonds and the right, title, and interest of the Trustee in and to the Trust Estate. From time to time, the Trustee may, but shall not be required to, obtain an opinion of counsel setting forth what, if any, actions by the NMFA or Trustee should be taken to preserve such security. The NMFA shall execute or cause to be executed any and all further instruments as shall reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and shall furnish satisfactory evidence to the Trustee that such actions have been taken and shall take such other action as is necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds executed and delivered under

the Indenture shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds shall have been paid.

Rights Under Loan Agreements, Grant Agreements, Security Documents and Securities. The Loan Agreements, Grant Agreements, Security Documents and Securities set forth the covenants and obligations of the Governmental Units, including provisions that, subsequent to the issuance of a Series of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions of the Indenture, the Loan Agreements, Grant Agreements, Security Documents and Securities may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Trustee in accordance with the Indenture, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Governmental Units thereunder.

Bonds to be Tax-Exempt Obligations. The NMFA covenants and agrees to and for the benefit of the Owners that the NMFA (i) will not take any action that would cause interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the exemption from federal income taxation of interest on the Bonds. The provisions of this paragraph shall not apply to Bonds designated in the related Supplemental Indenture as bearing or accruing interest intended to be subject to Federal income taxation.

State Pledge of Non-Impairment. The State has pledged to and agreed with the Bondholders (as an obligation issued under the Act) that the State will not limit or alter the rights vested in the NMFA under the Act to fulfill the terms of the Indenture with the Bondholders or in any way impair the rights and remedies of those holders until the Bonds together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of those holders, are fully met and discharged.

Deposit and Advance of Funds.

The NMFA and the Trustee shall deposit the proceeds of the Bonds to the Accounts created under the Indenture and shall make the advances of funds thereunder to fund the Program and the NMFA shall enter into the Loan Agreements and Grant

Agreements with the Governmental Units and purchase and receive the Securities and Security Documents from the Governmental Units on the terms and conditions and upon submission of the documents as provided in the Indenture.

The following restrictions shall apply to financings made by the NMFA under the Indenture --

(a) The aggregate principal amount of each Loan Agreement, Grant Agreement and Security shall be in whole multiples of Authorized Denomination.

(b) Without the Approval of Bond Counsel, (i) no advance from the Program Fund shall be made or used to reimburse a Governmental Unit for amounts spent from such Governmental Unit's own funds prior to the date the Governmental Unit executed and delivered the Loan Agreement, Grant Agreement or Securities under the Program, and (ii) no Program Fund moneys shall be disbursed to refund or advance refund any obligations issued on behalf of a Governmental Unit.

(c) Each Agreement shall require that the final disbursement of moneys from the Governmental Unit's Account within the Program Fund to a Governmental Unit shall be made no later than the date which is three years after the execution and delivery of the Agreement, unless the NMFA and the Trustee have received the Approval of Bond Counsel for a later date.

(d) Each Governmental Unit shall agree not to take or permit any action which would cause the respective Agreement or the related Series of Bonds to be "arbitrage bonds" under Sections 103 and 148 of the Code.

(e) Without an Approval of Bond Counsel, no amounts disbursed from the Program Fund may be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit" within the meaning of Section 141(b)(6) of the Code.

(f) Amounts disbursed from each Governmental Units' Account within the Program Fund shall be used to finance the costs of the related Project and related expenditures on behalf of the Governmental Unit.

(g) Each Governmental Unit shall agree to pay the Rebatable Arbitrage relating to its Accounts in the Program Fund, the Agreement Reserve Fund and the Debt Service Fund.

(h) At the time of execution and delivery of each Agreement the related Governmental Unit shall execute and deliver a certificate to the effect that the Governmental Unit (i) will not take any action that would cause the interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Agreement in order to preserve the exemption from federal income taxation of the interest on the Bonds.

The provisions of Subsections (b), (c), (d), (e), (g) and (h) shall not apply to Agreements financed with proceeds of Bonds designated as intended to bear interest subject to Federal income taxes.

Loan Agreement and Securities - Loan Payments.

The Loan Payments shall be governed by the following provisions:

(a) Principal, Program Costs and Interest Components. A portion of each Loan Payment is paid as, and represents payment of, interest (the "Interest Component") on the related Loan and payment of a Program Cost component relating to each loan (the "Program Cost Component") and the balance of each Loan Payment is paid as, and represents payment of, principal (the "Principal Component") on the related Loan, all as set forth in the related Loan Agreement or Securities. Amounts due as the Principal, Program Costs, and Interest Components of Loan Payments due under each Loan Agreement or Securities shall be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement shall be the amount of interest based on a 360 day year comprised of twelve 30-day months, unless otherwise specified in the related Supplemental Indenture. The Program Cost Component may be included in the interest rate borne by a Loan.

(b) Loan Agreement and Securities Term. The "Term" of a Loan Agreement or Securities shall be defined in the Loan Agreement or Securities. The Term shall not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Securities shall provide that the related Governmental Unit shall pay Loan Payments directly to the Trustee. In the case of Securities, the Securities shall be registered in the name of the Trustee or properly assigned to the Trustee on the books of any

registrar for such Securities or if in bearer form delivered to and held by the Trustee.

(d) Prepayments. The Loan Agreements and Securities may contain a provision permitting the Governmental Unit to prepay the Principal Component of Loan Payments, in accordance with the provisions of the Loan Agreement and Securities by payment of Prepayments in whole on any date or in part on any Interest Payment Date, at any time when the related Series of Bonds are or are about to become subject to optional redemption upon not less than forty-five (45) days' prior written notice to the Trustee and subject to any other conditions set forth in the related Supplemental Indenture, Loan Agreement or Securities. Partial prepayments of the Principal Component of Loan Payments shall be made in multiples of the minimum Authorized Denomination. Each Prepayment shall include interest to the date upon which the Trustee has scheduled a related redemption of Bonds as provided in the related Supplemental Indenture.

(e) Use of Reserve at Final Payment. At the time of payment in full of each Loan Agreement or Securities, the applicable Agreement Reserve Account in the Agreement Reserve Fund shall be applied toward the final payment of amounts due under the related Loan Agreement or Securities.

Establishment of Funds and Accounts

There is established in the Indenture with the Trustee the following funds and accounts within funds, each of which shall be held, for the term of the Indenture, in Accounts segregated from all other moneys of the Trustee or the NMFA.

(a) a Program Fund and within such fund a separate Account for each Agreement;

(b) a Debt Service Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

(d) an Agreement Reserve Fund and within such fund, a separate Account for each Agreement which contemplates the establishment of an Agreement Reserve Account;

(e) an Expense Fund;

(f) a Rebate Fund and within such fund a separate Account for each Agreement; and

(g) a Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund (herein the "Revenue Fund") established as an account of the Public Project Revolving Fund.

In addition to the foregoing, with respect to Additional Pledged Loans the Trustee may, as directed in a Supplemental Indenture, establish subaccounts within the Program Fund, the Agreement Reserve Fund or the Debt Service Fund for such Additional Pledged Loans.

Flow of Funds

All Funds shall be accounted for and maintained by the NMFA in the Funds and Accounts established in the Indenture. Each Fund and Account shall be kept separate and apart from all other Funds and Accounts of the NMFA. The Funds shall be expended and used by the NMFA only in the manner of order and priority specified below:

Program Fund.

(a) Upon the issuance of a Series of Bonds the Trustee shall deposit the amount specified in the related Supplemental Indenture in the Program Fund and shall allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement. Disbursements from each Account within the Program Fund shall be made as provided below and may be made in stages.

(b) Disbursements from each Account within the Program Fund with respect to an Agreement with a Governmental Unit shall (except for amounts to be used for capitalized interest on the Loan and as may be directed in a Supplemental Indenture with respect to Grants) only be made upon the delivery to the Trustee of a requisition substantially in the form attached to each Agreement signed by an Authorized Officer of the Governmental Unit, as applicable: (1) stating the name and address of the payee, the amount to be paid and the purpose of the payment; (2) certifying that the amount to be paid is for costs of the Project and is due and payable, has not been the subject of any previous requisition and is a proper charge against the Account within the

Program Fund pursuant to this Paragraph (b); (3) certifying that all representations contained in the Agreement and the related documents remain true and correct and that the Governmental Unit is not in breach of any of the covenants contained therein; and (4) in the case of the final requisition, certifying that payment of costs of the Project is complete or that the Governmental Unit shall, and understands its obligation to, complete the acquisition or construction of the Project from other legally available funds.

(c) Without an Approval of Bond Counsel and except with respect to Agreements relating to Bonds designated in the related Supplemental Indenture as bearing or accruing interest subject to federal income taxation, no disbursement shall be made from the Governmental Unit's Account in the Program Fund:

(i) to reimburse the Governmental Unit's own funds for expenditures made prior to the date on which the governing body of the Governmental Unit executed and delivered the Agreement,

(ii) to refund or advance refund any obligations issued by or on behalf of the Governmental Unit, or

(iii) to be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit," within the meaning of Section 141(b)(6) of the Code.

(d) Moneys in the Governmental Unit's Account in the Program Fund following the payment of amounts due for the costs of the Project may be transferred to such Governmental Unit's Account in the Debt Service Fund for application to the payment of the principal of and interest on the Loan or the Prepayment of the Principal Component of the Loan Agreement or Securities and a related redemption of Bonds, as provided in the related Supplemental Indenture.

(e) The Trustee shall keep the Program Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

(f) Investment earnings on amounts held in each Account of the Program Fund shall be retained in such Account of the Program Fund and used as provided herein as other amounts on deposit therein or to be deposited to the Rebate Account.

(g) Moneys deposited in the Program Fund for the payment of capitalized interest on the Loan may be disbursed by the Trustee to the appropriate account in the Debt Service Fund to pay interest on the related Loan during construction of the related Project.

(h) If directed in the related Supplemental Indenture, amounts to be used to fund Grants may, in lieu of deposit to the Program Fund, be disbursed to the Governmental Unit upon the issuance of the related Series of Bonds.

(i) Proceeds of Additional Pledged Loans deposited to a separate subaccount of the Governmental Units Account within the Program Fund shall be accounted for and used as described above with respect to proceeds of Bonds; provided that the provisions of paragraph (c) above shall not apply to such amounts.

Application of Loan Payments.

The flow of funds is discussed in the forepart of this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS -- Flow of Funds".

All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), shall be deposited at least once each year in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement provided, however, that all earnings received on the Governmental Unit's Accounts shall be allocated solely to the benefit of such Governmental Unit. The Trustee shall notify the Governmental Unit at least fifteen (15) days prior to the due date of its next payment of Loan Payments of the amount of earnings so allocated.

In the event that the Trustee receives Prepayments under a Loan Agreement or Securities, the Trustee shall apply such Prepayments to the optional redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture.

At least once each year the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related

Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement shall be transferred at least annually to the related Account of the Debt Service Fund and credited against payments next coming due under such Loan Agreement or Securities.

Amounts on deposit in the respective Account of the Agreement Reserve Fund shall be applied toward the final payment of amounts falling due under the related Loan Agreement or Securities.

As provided in an Agreement, a Governmental Unit may (i) fund an Account in the Agreement Reserve Fund over time from deposits made by or on behalf of the Governmental Unit or (ii) may use any reserve fund surety or similar investments in lieu of a cash deposit to the Agreement Reserve Fund.

Amounts on deposit in each Agreement Reserve Account, if any, secure only the payments to be made under the related Agreement and may not be applied toward payments under any other Agreement or toward payment of the Bonds, except to the extent that amounts are due and owing under the related Agreement and amounts are not otherwise available for such payments in the related Account of the Debt Service Fund.

All moneys held by the Trustee in the Bond Fund shall be applied in accordance with the Indenture to pay the principal or redemption price of Bonds as they mature or become due, upon surrender thereof, and the interest on Bonds as it becomes payable. There shall be deposited into the Bond Fund all accrued interest received, if any, at the time of the execution, sale and delivery of the Bonds. Amounts remaining on deposit in the Bond Fund at the end of each Bond Fund Year and after payment of all amounts due on the Bonds for such Bond Fund Year shall be transferred to the Revenue Fund.

Investment of Moneys

Any moneys held as part of a Governmental Unit's Account in any of the Funds established under the Indenture shall be invested and reinvested by the Trustee at the direction of the related Governmental Unit in Permitted Investments in accordance with the following provisions.

Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the related Debt Service Account is insufficient to pay the principal

of and premium, if any, and interest on the related Loan Agreement or Securities when due. In the absence of an appropriate direction from a Governmental Unit as to investment of funds, the Trustee shall invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund shall be invested and reinvested by the Trustee at the direction of the NMFA only in Permitted Investments in accordance with the Indenture. Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of the investments on deposit in the Bond Fund whenever the cash balance in the Bond Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due.

All such investments shall at all times be a part of the account or fund from where the money used to acquire such investments was deposited and all gains thereon shall be credited to, and losses thereon shall be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments shall mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the owner on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes hereof.

The principal of the investments and the interest, income, and profits received in respect thereof shall be applied as follows:

(i) all interest, income, and profits received in respect of the investment of the amounts on deposit in a Governmental Unit's Account in any of the Funds established under the Indenture shall (after deduction of any losses) be retained in the applicable Governmental Unit's Account from which the investment was derived (except as otherwise required with respect to the Agreement Reserve Fund and deposits to be made to the Rebate Fund); and

(ii) all interest, income, and profits received in respect of the investment of the amounts on deposit in the Revenue Fund, the Rebate Fund or the Bond Fund shall (after deduction of any losses) be retained in such Fund; and

(iii) whenever any other transfer or payment is required to be made from any particular Fund or Account, such transfer or payment shall be made from such combination of maturing principal, redemption, or repurchase prices, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as future

transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any permitted investments to be redeemed, withdrawn, or sold, and any penalties, gains, or losses to be realized upon any such redemption, withdrawal, or sale.

The Trustee shall not be accountable for any depreciation in the value of the Permitted Investments or any losses incurred upon any authorized disposition thereof.

Method and Frequency of Valuation. In computing the amount in any fund or account, Permitted Investments shall be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there shall have been paid, or there shall be provisions for payment made to or for the holders and Owners of the Bonds, the principal of and premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein, and if there shall have been paid to the Trustee and any paying agents all sums of money due or to become due according to the provisions of the Indenture, then the presents and the estate and rights granted by the Indenture shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture and on demand of the NMFA shall execute such documents to evidence such release as shall be reasonably required by the NMFA and shall turn over to the NMFA all balances held by the Trustee under the Indenture (other than amounts required for return to the Governmental Units as provided in the Indenture).

Any Bond shall be deemed to be paid within the meaning of and for all purposes of the Indenture when (a) payment of the principal of and the applicable premium, if any, on such Bond, whether at maturity or prior redemption plus interest thereon to the due date thereof, either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent shall have irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) noncallable Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of

the Indenture, except for the purposes of any such payment from such moneys or noncallable Governmental Obligations.

All moneys so deposited with the Trustee (or other escrow agent) as provided in the defeasance provisions of the Indenture may at the direction of the NMFA also be invested and reinvested in noncallable Governmental Obligations, maturing in the amounts and at times as hereinbefore set forth, and all income from all noncallable Governmental Obligations in the hands of the Trustee which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Revenue Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

All moneys or noncallable Governmental Obligations set aside and held in trust pursuant to the defeasance provisions of the Indenture for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and noncallable Governmental Obligations have been so set aside in trust.

Neither the obligations nor the moneys deposited with the Trustee (or other escrow agent) pursuant to the defeasance provisions of the Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or redemption price of, and interest on, the Bonds or portions thereof.

Whenever moneys or obligations shall be deposited with the Trustee (or other escrow agent) for the payment or redemption of any Bonds more than sixty (60) days prior to the date that such Bonds are to mature or be redeemed, the Trustee shall mail a notice stating that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held, to all Owners of Bonds for the payment of which such moneys or obligations are being held.

No such deposit under the defeasance provisions of the Indenture shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an Approval of Bond Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Sections 148 of the Code.

If moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to the defeasance provisions of the Indenture for the payment of Bonds

and such Bonds shall not have in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture shall be made without the consent of the Registered Owner of each Bond affected thereby.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on any Series of Bonds shall be paid by a bond insurer with respect to such Series of Bonds pursuant to a municipal bond insurance policy, the Bonds of such Series shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the NMFA, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the NMFA to the Registered Owners of such Series of Bonds shall continue to exist and shall run to the benefit of such bond insurer, and such bond insurer shall be subrogated to the rights of such Registered Owners of such Series of Bonds.

Default Provisions and Remedies of the Trustee and Owners

Events of Default Defined. Each of the following events is an "Event of Default" under the Indenture:

(a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund hereunder or otherwise; or

(c) if the NMFA shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the NMFA, appointing a receiver or custodian for any of the Revenues of the NMFA, or approving a petition filed against the NMFA seeking reorganization of the NMFA under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the NMFA shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof; or

(e) if any proceeding shall be instituted, with the consent or acquiescence of the NMFA, for the purpose of effecting a composition between the NMFA and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(f) if (i) the NMFA is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the NMFA, a receiver, trustee or custodian of the NMFA or of the whole or any part of their property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the NMFA or of the whole or any substantial part of the property of the NMFA, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or the Indenture or any Supplemental Indenture on the part of the NMFA to be performed, other than as set forth above in this section and such Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the NMFA by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Remedies of the Trustee. If an Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name:

(a) by mandamus or other action or proceeding or suit at law or in equity enforce the rights of the Owners of the Bonds under the Indenture,

including enforcing any rights under the Agreements and Security Documents and the provisions of the Indenture for the benefit of the Owners of the Bonds against the NMFA and any related Governmental Unit, and compel the NMFA and any related Governmental Unit, to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained in the Indenture or in any Agreement (including the appointment of a receiver); or

(b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) intervene in judicial proceedings that affect the Bonds, the Agreements or the security therefor; or

(d) exercise any or all remedies permitted under the Agreements or Security Documents; or

(e) cause the NMFA or any related Governmental Unit to account as if it were the trustee of an express trust for all of the Revenues or Agreement Pledged Revenues, pledged under the Indenture or pursuant to the Agreements and any Security Documents.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Owners, the Trustee, the Owners, the NMFA, and the Governmental Units shall be restored to the former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be

extended without exhausting and without regard to any other remedy conferred by any law.

No Liability by the Governmental Units to the Owners. Except for the payment when due of the Loan Payments and the performance of the other agreements and covenants required to be performed by it contained in the Agreements and Security Documents, the Governmental Units will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Loan Payments, by the Trustee, or with respect to the performance by the NMFA of any right or obligation required to be performed by it contained in the Indenture or for the performance by any other Governmental Unit of such other Governmental Unit's obligations under an Agreement or Security Documents.

Limitation of Owners' Right to Bring Suit. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, for the appointment of a receiver or trustee or for any other remedy, at law or in equity, unless;

(a) such Owner has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Owners of not less than a majority of the aggregate principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee;

(c) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of interest on such Bond when due in accordance with the terms of the Bonds and the

Indenture and the principal of such Bond at the stated maturity of the Bonds and to institute suit for the enforcement of any such payment in accordance with the provisions of the Indenture and such rights shall not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding hereunder shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee, provided that such direction shall not be in conflict with any rule of law or with the Indenture or unduly prejudice the rights of minority Owners of Bonds.

Application of Funds Upon Default. All moneys received by the Trustee or by any receiver pursuant to any right given or action taken under the default provisions of the Indenture or under the provisions of the related Agreements, shall, after payment of the reasonable costs and fees of, and the reasonable expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys deposited to the Bond Fund for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee under the Indenture, shall be applied as follows;

Unless the principal of all Bonds shall have become due and payable, all such moneys shall be applied, as follows:

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

Second: To the payment to the persons or entity entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for prepayment for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on such Bonds at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of

principal and interest due on such date, to the persons or entities entitled thereto without any discrimination or privilege;

Third: To be held for the payment to the persons entitled thereto as the same shall become due of the principal of, the premium, if any, and interest on the Bonds which may thereafter become due at maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

If the principal of all the Bonds shall have become due all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with the interest on overdue principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bonds over any other certificates, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such moneys it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such date and of the Special Record Date in accordance with the Indenture. The Trustee shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate principal amount of all the Bonds then outstanding in respect of which Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any Event of Default in the payment of the principal of any Bonds at the date of maturity

specified therein, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Owners. The NMFA and the Trustee may, without consent of, or notice to, any of the Owners enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;

(b) To cure any ambiguity or formal defect or omission in the Indenture;

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee;

(d) To subject to the Indenture additional revenues, properties or collateral;

(e) To evidence the appointment of a separate Trustee or paying agent or the succession of a new Trustee or paying agent under the Indenture;

(f) To make any other change which in the judgement of the Trustee is not materially adverse to the interests of the Trustee or any of the Owners;

(g) To make any amendments with the prior written confirmation from the Rating Agency that such amendments will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment; and

(h) To add additional covenants of the NMFA or any Governmental Unit or to surrender any right or power conferred upon the NMFA in the Indenture or any Governmental Unit or to grant additional powers or rights to the Trustee.

Supplemental Indentures Requiring Consent of Owners. Exclusive of supplemental indentures covered by the foregoing section and subject to the following terms and provisions and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the NMFA and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the NMFA for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in this section or in the foregoing section shall permit, or be construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond, or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures, or (v) permit the creation of any lien ranking prior to the lien of the Indenture on the Trust Estate or any part thereof, or (vi) deprive the Owner of any Bond then outstanding of the lien created by the Indenture on the Trust Estate without the prior consent of 100% of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which adversely affects the Trustee's rights, duties or immunities under the Indenture or the Agreements.

If at any time the NMFA shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given by registered or certified mail to the owner of each Bond shown by the list of Owners kept at the office of the Trustee. Such notices shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Owners. If, within one hundred twenty (120) days or such longer

period as the holders of not less than a majority in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Governmental Units from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA shall have the right to amend an Agreement and any existing Security Documents with the Consent of the Trustee and the related Governmental Unit without Bond Owners' consent, for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred upon the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in the Indenture or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgement of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

(b) If the NMFA or a Governmental Unit propose to amend an Agreement or related Security Documents in a manner not contemplated by (a) above the Trustee shall notify the Owners of the Bonds of the proposed amendment and may consent thereto with the consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding.

Fees, Charges and Expenses of the Trustee

Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the Trustee's advances, fees, costs and expenses incurred.

APPENDIX C

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE

The statistics and other information pertaining to the State set forth in this Appendix D have been included in this Official Statement for informational purposes only and are not intended to imply that the Series 1995 Bonds constitute a general obligation of the State or are payable from any sources other than the Trust Estate. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS." The statistics set forth in this Appendix D have been obtained from the referenced sources and represent the most current information available from such sources. Historical figures provided under this caption have not been adjusted to reflect economic trends such as inflation. The NMFA has assumed that the information obtained from sources other than the NMFA is accurate without independently verifying it. **The following information is not to be relied upon as a representation or guarantee of the NMFA or the Underwriters.**

Generally

The State of New Mexico (the "State") was admitted as the forty-seventh state on January 6, 1912. It is the fifth largest state, containing approximately 121,593 square miles. The State's terrain varies widely and incorporates six of the seven life zones between its northern mountains and its arid southern plains.

The State's climate is characterized by sunshine and warm bright skies in both winter and summer. Every part of the State receives no less than 70% sunshine year-round. Humidity ranges from 60% (mornings) to 30% (afternoons). Evenings are crisp and cool in all seasons because of the low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of its moisture. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains).

Governmental Organization

The State's government consists of the three branches characteristic of the American political system; executive, legislative and judicial. The executive branch is headed by the Governor, who is elected for a four-year term. A governor may succeed himself in office only once. Following a reorganization plan implemented in 1978 to reduce and consolidate some 390 agencies, boards and commissions, the primary functions of the executive branch are now carried out by sixteen cabinet departments, each headed by a cabinet secretary appointed by the Governor.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected to four-year terms, members of the House to two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to sixty calendar days in odd-numbered years and thirty calendar days in even-numbered years. In addition, special sessions of the Legislature may be convened by the Governor under certain limited circumstances. Legislators receive no salary, but do receive per diem and mileage allowances while in session or on official State business.

The judicial branch is composed of a statewide system of Magistrate and District Courts, the Court of Appeals and the Supreme Court. The district court is the trial court of record with general jurisdiction.

Principal Economic Activities

Major industries in the State include energy resources, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing, and mining. In 1993, the value of energy resources production (crude petroleum, natural gas, uranium, and coal) was approximately $4.28 billion. Other mineral production was more than $788 million. The mining industry employed about 16,683 New Mexicans in 1994. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy.

The State has a thriving tourist industry. In 1994 there were approximately 2.29 million visits to national parks and about 4.9 million visits to various parts of the State. According to a 1991 estimate by the U.S. Travel Data Center, the State's tourist industry generated about $2,3 billion in revenue and more than 38,370 jobs.

Agriculture is a major part of the State's economy, with crop and livestock sales in excess of $1.6 billion in 1993. As a high, relatively dry region with extensive grasslands, the State is ideal for raising cattle, sheep, and other livestock. Because of irrigation and a variety of climatic conditions, the State's farmers are able to produce a diverse assortment of quality products. The State's farmers are major producers of alfalfa hay, wheat, chile peppers, cotton, fruits and pecans. Agricultural businesses include chile canneries, wineries, alfalfa pellets, chemical and fertilizer plants, farm machinery, feed lots, and commercial slaughter plants.

Economic And Demographic Information

The State's population at the time of the official 1990 United States Census was 1,515,069. Set out below is certain historical population information and certain additional historical economic information concerning the State.

State of New Mexico
Population Trends

	New Mexico (000)		United States (000)		% Urban	
Year	Population	% Change	Population	% Change	New Mexico	U.S.
1970	1,017.1	6.9%	203,302	13.4%	69.8%	73.6%
1980	1,302.3	28.0	226,546	11.4	72.2	73.7
1990 (unadjusted)	1,515.1	16.3	248,710	9.8	73.0	75.2
1991	1,547.0	2.1	252,137	1.4	N/A	N/A
1992	1,582.0	2.3	255,078	1.2	N/A	N/A
1993	1,616.0	2.1	257,908	1.1	N/A	N/A
1994	1,654.0	2.4	260,341	1.0	N/A	N/A

Source: U.S. Department of Commerce, Bureau of the Census

State of New Mexico
Wages and Salaries by Industry Sector, 1983-1993
($ in millions)

	New Mexico		% Change		Distribution of 1993 Wages and Salaries	
	1983	1993	N.M.	U.S.	N.M.	U.S.
Totals	$8,390	$14,969	77.2%	83.4%	100.0%	100.0%
Farm	69	92	32.5	28.6	0.6	0.4
Agriculture	33	82	147.0	125.2	0.5	0.5
Mining	543	564	3.9	(4.7)	3.8	0.9
Construction	583	771	32.4	59.7	5.2	4.4
Manufacturing	596	1,056	77.2	45.5	7.1	18.8
Durable*	408	783	91.9	40.4	5.3	11.3
Non-Durable*	188	274	45.8	53.9	1.8	7.5
Transportation	703	947	34.7	61.2	6.4	6.5
Wholesale*	394	676	71.7	81.8	4.5	6.8
Retail*	896	1,645	83.5	78.3	11.1	9.6
Finance, Insurance and Real Estate	368	679	84.4	116.8	4.6	7.9
Services	1,611	3,886	141.3	146.6	26.1	25.4
Government	2,595	4,473	72.4	82.8	30.1	18.8
Federal*	645	1,100	70.5	61.0	7.4	3.7
Military*	348	514	47.8	51.5	3.5	1.7
State and Local*	1,602	2,859	78.5	95.2	19.2	13.4

* The indented sectors are components of the encompassing sector immediately above.
Source: U.S. Department of Commerce, Bureau of Economic Analysis

State of New Mexico
Civilian Labor Force, Employment and Unemployment
in New Mexico and the United States, 1982-1994

Year	Civilian Labor Force (000) N.M.	Civilian Labor Force (000) U.S.	Number Employed (000) N.M.	Number Employed (000) U.S.	Unemployment Rate N.M.	Unemployment Rate U.S.	NM as % of U.S. Rate
1982	596	110,204	541	99,526	9.2%	9.7%	95%
1983	609	115,530	547	100,834	10.2	12.7	80
1984	628	113,544	581	105,005	7.5	7.5	100
1985	644	115,461	587	107,150	8.8	7.2	122
1986	678	117,834	616	109,597	9.2	7.0	131
1987	682	119,865	622	112,440	8.9	6.2	144
1988	688	121,669	635	114,968	7.8	5.5	142
1989	698	123,869	651	117,342	6.7	5.3	126
1990	707	124,787	662	117,914	6.3	5.5	115
1991	725	125,303	675	116,877	6.9	6.7	103
1992	741	126,982	691	117,598	6.8	7.4	92
1993	756	128,040	700	119,306	7.5	6.8	110
1994	784	151,062	741	123,065	5.5	6.1	90

Source: New Mexico Department of Labor, Economic Research and Analysis

State of New Mexico
Per Capita Personal Income in New Mexico
and the U.S., 1980-1994

Year	Per Capita Income New Mexico	Per Capita Income U.S.	New Mexico as a % of U.S.	Annual % Change New Mexico	Annual % Change U.S.
1980	$ 8,147	$ 9,940	82%	10.0%	10.2%
1981	9,064	11,009	82	11.3	10.8
1982	9,604	11,583	83	6.0	5.2
1983	9,987	12,223	82	4.0	5.5
1984	10,648	13,332	80	6.6	9.1
1985	11,322	14,155	80	6.3	6.2
1986	11,562	14,906	78	2.1	5.3
1987	11,893	15,638	76	2.9	4.9
1988	12,554	16,610	76	5.6	6.2
1989	13,338	17.690	75	6.2	6.5
1990	14,213	18,667	76	6.6	5.5
1991	14,781	19,163	77	4.0	2.7
1992	15,458	20,105	77	4.6	4.9
1993	16,297	20,817	78	5.4	3.5
1994	17,106	21,809	78	6.0	4.8

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

State of New Mexico
Earnings Growth by Standard Industrial Classification
% Change, 1992 - 1993

	New Mexico	Southwest Region (1)	U.S.
Farm Earnings	25.4%	27.9%	-2.5%
Nonfarm Earnings	8.3	5.8	4.5
Private	9.3	5.9	4.4
Ag. Serv, Forestry & Fisheries	10.7	5.7	5.6
Mining	10.0	2.8	1.4
Construction	20.5	8.0	7.4
Manufacturing	5.7	2.6	0.8
Non-durable Goods*	6.3	2.3	1.0
Durable Goods*	5.4	2.8	0.7
Transportation & Public Utilities	4.9	5.2	4.4
Wholesale Trade	6.4	5.3	4.0
Retail Trade	9.2	6.7	4.6
Finance, Insurance, Real Estate	8.4	4.5	1.6
Services	9.6	8.1	7.3
Government	5.6	5.6	4.7
Federal, Civilian*	5.8	4.0	4.1
Military*	2.2	3.2	0.2
State & Local*	6.1	6.5	5.4
Total Earnings	8.7	6.2	4.4

(1) Southwest Region: Defined by the U.S. Department of Commerce as Arizona, New Mexico, Oklahoma and Texas.

* The indented sectors are components of the encompassing sectors immediately above.

Source: Regional Economic Information System, Bureau of Economic Analysis

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APPENDIX D

CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE PLEDGED REVENUES

This Appendix contains certain information concerning the 1995 Governmental Units. Also set forth in this Appendix is information concerning the Agreement Pledged Revenues. The information concerning each 1995 Governmental Unit was provided by the respective 1995 Governmental Unit and other sources believed to be reliable. While NMFA believes that such information is a fair summary of the matters presented, NMFA cannot guarantee its accuracy or completeness. In addition, such information is current only as of the date of this Official Statement and is subject to change at any time. The information in this Appendix should be read in conjunction with the other information contained this Official Statement, including all of the other Appendices.

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APPENDIX D -1

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OF THE STATE OF NEW MEXICO

Generally

The Energy, Minerals and Natural Resources Department of the State of New Mexico (the "Energy Department") is a cabinet-level department within the executive branch of government of the State of New Mexico (the "State") established by the State Legislature in 1987. It is administered by the Secretary of Energy, Minerals and Natural Resources who is appointed by the Governor, with the consent of the State Senate. The Energy Department consists of six divisions, including a State Park and Recreation Division (the "Division") which is responsible for developing, maintaining, managing and supervising all State parks and State-owned or State-leased recreation areas.

The 1995 Project

Pursuant to the Indenture, a portion of the proceeds of the Series 1995 Bonds are to be used by the NMFA to purchase the Division's State of New Mexico Park and Recreation Division Revenue Bonds, Series 1995A (the "1995A Securities). In addition, NMFA will purchase the Division's State of New Mexico Park and Recreation Division Revenue Bonds, Series 1995B (the "1995B Securities"), which securities constitute an Additional Pledged Loan under the Indenture. The 1995A Securities and the 1995B Securities collectively are referred to herein as the "1995 Securities." The Division is to use the proceeds of the 1995 Securities to make various capital improvements to park and recreational facilities throughout the State. Such improvements are expected to be the first of a total of four such capital improvement projects to be funded through the issuance of Securities and Additional Pledged Loans to the NMFA under the Public Project Revolving Fund Program. The improvements expected to be funded from the proceeds of the 1995 Securities include the following:

Park Name or Project Location	**Project Scope**
Statewide	ADA compliance modifications
Statewide	vault toilet construction
Statewide	campsite furnishings
Statewide	access gates/vehicular controls
Statewide	playground replacements/improvements
Statewide	water & wastewater facility improvements
Statewide	modular residences for park staff
Statewide	campsite modernization
Statewide	replace fee collection stations and regulatory signage
Rio Grande Nature Center	land acquisition at park entrance
Coronado	renovate sewerwater systems

City Of Rocks	replace office & restroom building & water line extension
Oliver Lee, Ute, Conchas, And Navajo	
Living Desert	restroom renovations
	access pathways & water feature improvements
Hyde Memorial	resurface existing gravel roads & erosion control
Fenton	road paving & campsite development
Bluewater, Coronado, Conchas And Leasburg	
Navajo	restroom renovation
Caballo	workshop expansion & equipment storage
Living Desert	rv rally site restroom replacement
	interpretive exhibit replacement in visitor center
Navajo	rehabilitate water treatment and storage systems
Fenton	repair sewage treatment system
Bluewater	repair sewage treatment system
Conchas	replace water supply system in lake

Security for Payments on 1995 Securities

Generally

Pursuant to the Act, 25% of the net governmental gross receipts tax which is imposed pursuant to State law is allocated to the Energy Department. Of such 25% portion, 60% (the "Energy Department Portion of the Governmental Gross Receipts Tax") is distributed pursuant to the Act to the Energy Department for State park and recreational area capital improvements. The 1995 Securities will be secured by a first, but not necessarily an exclusively first, pledge of the Energy Department Portion of the Governmental Gross Receipts Tax collections. For certain information concerning the governmental gross receipts tax, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS - Revenues - The Governmental Gross Receipts Tax."

Parity Obligations

As of the date of issuance of the Series 1995 Bonds, the only obligation payable from the Energy Department Portion of the Governmental Gross Receipts Tax on a parity with the 1995A Securities will be the 1995B Securities. The 1995B Securities bear interest at the rate of 3% per annum and finally mature on June 1, 2015.

Pursuant to the proceedings authorizing the issuance of the 1995 Securities, additional parity objections may be issued if (i) all payments required to be made by the Energy Department into the Debt Service Fund and the Agreement Reserve Fund have been made; (ii) no default exists in connection with any of the covenants or requirements set forth in such proceedings; (iii) the Energy Department Portion of the Governmental Gross Receipts Tax received or credited to the Division for the fiscal year, or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such parity obligations, shall have been sufficient to pay an amount representing 125% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor); and (iv) an appropriately pledged and funded reserve fund for such parity obligations has been provided for and funded. The Division may not issue bonds or other obligations payable from the Energy Department Portion of the Governmental Gross Receipts Tax having a lien thereon prior and superior to the 1995 Securities.

Financial Information

Set forth below is information concerning the Energy Department Portion of the Governmental Gross Receipts Tax for fiscal years 1991-1992 through 1994-1995. For information concerning the most significant payers of governmental gross receipts tax in the State, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS - Revenues - The Governmental Gross Receipts Tax."

Governmental Gross Receipts Taxes
Collections - Fiscal Years 1991-1992 through 1994-1995

	Fiscal Year 1991-1992(1)	Fiscal Year 1992-1993(1)	Fiscal Year 1993-1994(1)	Fiscal Year 1994-1995(2)
Total Collections	$12,232,610	$12,347,181	$12,835,203	$13,725,021
Energy Department Portion of the Governmental Gross Receipts Tax	$ 1,834,892	$ 1,852,077	$ 1,925,280	$2,058,753

(1) Although the governmental gross receipts tax was first imposed in 1991, pursuant to the Act, the Energy Department did not being receiving the Energy Department Portion of the Governmental Gross Receipts Tax until August 1, 1994. Therefore, these amounts are shown for informational purposes only.

(2) Estimated based upon actual receipts for the period July 1, 1994 through March 31, 1995 and projected receipts for the period April 1, 1995 through June 30, 1995.

Set forth below are the debt service requirements with respect to the 1995 Securities and coverage ratios based on estimated fiscal year 1994-1995 receipts of the Energy Department Portion of the Governmental Gross Receipts Tax.

Debt Service Schedule and Coverage Ratios

	1995A Securities Debt Service Requirements			1995B Securities Debt Service Requirements	Aggregate 1995A Securities & 1995B Securities Debt Service Requirements	Estimated Fiscal Year 1994-1995 Receipts of the Energy Department Portion of the Governmental Gross Receipts Tax(1)	Coverage Ratio
	Principal	Interest	Total				
1996	$115,000	$169,738	$284,738	$22,384	$307,122	$2,058,753	6.70x
1997	100,000	180,799	280,799	22,324	303,123	2,058,753	6.79
1998	105,000	176,599	281,599	22,324	303,923	2,058,753	7.31
1999	110,000	172,084	282,084	22,325	304,409	2,058,753	7.30
2000	120,000	164,989	284,989	22,325	307,313	2,058,753	7.22
2001	125,000	157,489	282,489	22,324	304,813	2,058,753	7.29
2002	130,000	151,676	281,676	22,324	304,001	2,058,753	7.31
2003	135,000	145,501	280,501	22,325	302,826	2,058,753	7.34
2004	145,000	138,920	283,920	22,325	306,245	2,058,753	7.25
2005	155,000	130,365	285,365	22,325	307,690	2,058,753	7.21
2006	160,000	121,220	281,220	22,325	303,545	2,058,753	7.32
2007	170,000	112,660	282,660	22,325	304,985	2,058,753	7.28
2008	180,000	103,310	283,310	22,324	305,634	2,058,753	7.27
2009	190,000	93,230	283,230	22,325	305,555	2,058,753	7.27
2010	200,000	82,305	282,305	22,325	304,630	2,058,753	7.29
2011	210,000	70,805	280,805	22,325	303,130	2,058,753	7.33
2012	225,000	58,310	283,310	22,324	305,634	2,058,753	7.27
2013	240,000	44,923	284,923	22,324	307,247	2,058,753	7.23
2014	250,000	30,643	280,643	22,325	302,967	2,058,753	7.34
2015	265,000	15,768	280,768	22,325	303,093	2,058,753	7.33
	$3,330,000	$2,321,332	$5,651,332	$446,553	$6,097,884		

(1) Estimated based upon actual receipts for the period July 1, 1994 through March 31, 1995 and projected receipts for the period April 1, 1995 through June 30, 1995.

Economic and Demographic Information

For certain economic and demographic information concerning the State, see Appendix C, "CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE."

e 1995
Energy

Coverage
Ratio

6.70x
6.79
7.31
7.30
7.22
7.29
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ceipts

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APPENDIX D-2

DEPARTMENT OF ENVIRONMENT OF THE STATE OF NEW MEXICO

The Department of Environment of the State of New Mexico (the "Environment Department") is a cabinet-level department within the executive branch of the government of the State of New Mexico, established by the State Legislature in 1991. It is administered by the Secretary of the Environment, who is appointed by the Governor, with the consent of the State Senate. The Environment Department was established to administer the laws and exercise the functions relating to the environment formerly administered and exercised by the Health and Environment Department.

Pursuant to the Act, the Environment Department and the NMFA will enter into a Joint Powers Agreement for the purpose of describing and allocating dates and responsibilities with respect to the creation of an integrated loan and grant program for water, solid waste and waste water system improvements for local governments within the state. In connection with this program, NMFA will make the 1995 Grants to the Environment Department from proceeds of the Series 1995 Bonds. The proceeds of the Series 1995A Bonds received by the Environment Department are to be used to fund grants to local governments for solid waste system improvements and the proceeds of the Taxable Series 1995B Bonds received by the Environment Department are to be used to fund loans to local governments for water and wastewater system improvements. That portion of the Series 1995 Bonds used to fund such 1995 Grants will be repaid from the NMFA Portion of the Governmental Gross Receipts Tax. For certain information concerning the NMFA Portion of the Governmental Gross Receipts Tax, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS - Revenues - The Governmental Gross Receipts Tax."

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APPENDIX D-3

CITY OF LAS VEGAS

Generally

The City of Las Vegas ("Las Vegas") was incorporated in 1835 as a body politic and corporate under the laws of the State of New Mexico. Las Vegas was consolidated with the Town of Las Vegas in 1970. It comprises approximately 5.23 square miles and is located in north-central New Mexico, approximately 123 miles northeast of the City of Albuquerque and 68 miles northeast of the City of Santa Fe. As of 1990, its population was estimated to be 14,753. It serves primarily as one of several retail trade and service centers for central New Mexico and is the twelfth largest municipality in the State, the largest community in San Miguel County and serves as the County seat.

Las Vegas operates under a Council-Manager form of government and is governed by the City Council, comprised of eight Councilors and a Mayor. Councilors are elected for staggered four-year terms and the Mayor is elected for a two-year term.

Las Vegas will be obtaining two Loans from the NMFA through the Public Project Revolving Fund Program. The proceeds of such Loans will be used to fund two projects: (i) improvements to the City's water system (the "1995 Water System Project") and (ii) the construction of a solid waste transfer/recycling facility (the "1995 Solid Waste System Project"). The Loan which will fund the Water System Project will be made pursuant to a Loan Agreement (such Loan Agreement to be referred to herein as the "Water System Loan Agreement"), and will be referred to herein as the "Water System Loan." The Loan which will fund the Solid Waste Project will be made pursuant to a Loan Agreement (such Loan Agreement to be referred to herein as the "Solid Waste System Loan Agreement"), and will be referred to herein as the "Solid Waste System Loan." All amounts due pursuant to the Water System Loan Agreement are payable from net revenues of Las Vegas' water system (the "Water System") and all amounts due pursuant to the Solid Waste System Loan Agreement are payable from net revenues of Las Vegas' solid waste system (the "Solid Waste System").

The 1995 Water System Project

Las Vegas is to use the proceeds of its Water System Loan to improve water quality at its water treatment plant. Clarifiers will be acquired and installed to improve filter pre-treatment, the waste solids handing system will be improved to increase the backwash water storage capacity, and modifications will be made to existing sludge lagoons.

Security for Water System Loan Payments

Generally

Pursuant to its Water System Loan Agreement, Las Vegas has pledged all of the revenues of the Water System, after the payment of operation and maintenance expenses, for payment of all amounts due under the Water System Loan Agreement.

Parity Obligations

Pursuant to its Water System Loan, Las Vegas may issue obligations payable from the net revenues of the Water System on a parity with amounts due under its Water System Loan upon satisfaction of the following requirements:

(i) It is then current in all of the accumulations required to be made into the Bond Fund and Reserve Fund for its outstanding 1989 Water System Improvement Bonds and the Debt Service Account and the Agreement Reserve Account for the Water System Loan; and

(ii) The net revenues of the Water System received by or credited for the fiscal year immediately preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing 130% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

For purposes of clause (ii) above, if there has been adopted a schedule of rate increases with respect to the Water System during the twelve months immediately prior to the issuance of the proposed bonds or other obligations, and if any revenues collected pursuant to such schedule are not part of the revenues of the fiscal year used for the test described in clause (ii) above, there may be added to the actual revenues for said fiscal year an estimated sum equal to the estimated increase in revenues which would have been realized during said fiscal year had such rate increase governed the revenues received during said entire fiscal year.

The Water System

The Water System currently supplies water to over 17,000 people and other commercial, institutional and industrial users located in and around the Las Vegas city limits. The water supply is 100 percent treated surface water diverted from the Gallinas River. The system utilizes approximately 105 miles of water transmission and distribution mains, ranging in size from 18 inches to 1/2 inch. Approximately 7 miles of such main utilizes 1/2 inch to 2-1/2 inch diameter main, almost all of which is galvanized pipe. Approximately 86 miles of main is 3 inch to 18 inch, almost all of which is cast iron with some ductile iron asbestos cement and PVC installed in more recent years. Most of the piping has been in the system more than 20 years and some almost 50 years. The Water System includes a water treatment plan designed to produce or

treat 5 million gallons per day. As of June 30, 1994, the total number of customer connections was 5,314.

Set forth below is information concerning the number and type of customers of the Water System as of June 30 of the years shown:

Water System Customers

Year	Residential	Industrial	Commercial	Other	Total
1990	4,424	237	292	1	4,954
1991	4,527	245	296	1	5,069
1992	4,647	255	307	1	5,210
1993	4,714	238	280	1	5,233
1994	4,822	266	327	1	5,416

Set out below is certain information concerning the ten largest customers of the Water System for the fiscal year ended June 30, 1994.

Ten Largest Customers of the Water System

Name	Business	Annual Billings	Percentage of Total Billings
Medite of New Mexico	fiber board production	$112,496.23	5.23%
New Mexico Highlands University	education	60,057.00	2.79
City of Las Vegas	city government	56,768.00	2.63
Las Vegas Medical Center	mental hospital	53,834.00	2.50
Don Swanson	Enchanted Hills Trailer Park	23,353.49	1.08
Las Vegas City Schools	school district	21,411.00	1.00
Luna Voc. Tech. Inst.	education	16,158.57	.75
West Las Vegas City Schools	school district	14,482.00	.67
Monarch Properties	Monte Vista Apartments	9,657.74	.50
New Mexico Adhesive	glue supplies for Medite	5,415.40	.25
	Total	$373,633.43	17.40%

Water System Financial Information

Historical Revenues and Expenditures. All activities of the Water System are accounted for in Las Vegas' Water Enterprise Fund. Such activities include, but are not limited to, administration, maintenance, financing and related debt service and billing and collection. Set out below are summaries of historical revenues and expenditures of the Water Enterprise Fund.

On May 18, 1995, the City Council of Las Vegas approved a rate increase for its Water System which would become effective July 1, 1995 and result in an increase in revenues

to Las Vegas of approximately $1.3 million per year. On July 14, 1995, the Las Vegas City Council is expected to approve a modification to such rates which will reduce the total increase in revenues as a result of such rates by approximately $350,000 and result in a total overall increase of approximately $950,000 per year. Rates for residential users located within Las Vegas would increase approximately 11 - 30%, depending on usage. Rate for commercial users located within Las Vegas would increase approximately 30-40%. Both residential and commercial users located outside of Las Vegas would be subject to a 20% surcharge in addition to the rate increases previously described. The rate increase was based upon a rate design study performed for Las Vegas by Molzen-Corbin & Associates.

Water Enterprise Fund
Summary of Revenues And Expenditures

	Fiscal Year ended June 30,		
	1992	1993	1994
Operating Revenues (1):			
Sales and Service	1,837,357	$ 1,817,237	$ 1,962,392
Service Charge	369	0	0
Processing Fees	11,815	0	0
Other	41,632	57,147	0
Total Operating Revenues	$1,891,173	$1,874,384	$1,962,392
Operating Expenses:			
Personnel	398,265	450,129	478,681
Operating	1,071,303	1,239,967	1,110,998
Capital Outlay	113	40,820	410
Total Operating Expenses	$1,469,681	$1,730,916	$1,590,089
Operating Income (Loss)	421,492	143,468	372,303
Non-Operating Revenues (Expenses):			
Interest Income	$ 34,196	$ 23,086	$ 18,647
Interest Expense	0	0	(107,308)
Total Non-Operating Revenue (Expense)	$ 34,196	$ 23,086	$ (88,661)
Net Income (Loss) Before Transfers	455,688	166,554	283,642
Operating Transfers:			
Transfers In	271,640	273,958	315,834
Transfers Out	(446,312)	(547,291)	(502,893)
Net Income (Loss)	261,016	(106,779)	96,583
Retained Earnings as Previously Reported July 1	746,534	1,007,550	895,716
Restatement (2)	0	(5,055)	(105,882)
Retained Earnings, July 1 as Restated	746,534	1,002,495	789,834
Retained Earnings, June 30	$1,007,550	$ 895,716	$ 886,417

(1) Beginning in fiscal year 1992-1993, the amounts reflected in the Categories Service Charge and Processing Fees were combined with Sales and Service

(2) The restatement in fiscal year 1992-1993 adjusts for reconciliation to amortization schedule ($3,983) and prior period computational error ($9,038). The restatement in fiscal year 1993-1994 corrects note payable balances.

Outstanding Financial Obligations and Coverage Ratios. As of the date of issuance of the Series 1995 Bonds, Las Vegas will have the following outstanding financial obligations payable from net revenues of the Water System in addition to amounts due under the Water System Loan Agreement. Such financial obligations are referred to herein as the "Water System Parity Obligations."

Water System Parity Obligations

Financial Obligation	Principal Amount Outstanding	Interest Rate(s)	Final Maturity/ Term
1989 Water System Improvement Bonds	$1,025,000	6.85%-7.30%	2002
Water Supply Construction Loan	$276,474	7%	2010
New Mexico Finance Authority Additional Pledged Loan	$425,500	3%	2015

Set forth below are the principal and interest payments due with respect to Las Vegas' Water System Loan, the total debt service requirements due with respect to Las Vegas' Water System Parity Obligations, and the resulting coverage ratios based upon projected fiscal year 1995-1996 net revenues of the Water System. Such 1995-1996 net revenues assume full receipt of the revenue increase expected as a result of the recent rate increases. See "Water System Financial Information," above.

Debt Service Schedule and Coverage Ratios

Fiscal Year	Debt Service Requirements Water System Loan Principal	Interest	Total	Water System Parity Obligations Total Debt Service Requirements	Aggregate Water System Loan and Water System Parity Obligations Debt Service Requirements	Projected 1995-1996 Water System Net Revenues(1)	Annual Coverage Ratios
1996	$145,000	$216,788	$361,788	$196,843	$558,631	$1,175,678	2.10x
1997	130,000	230,986	360,986	196,849	557,836	1,175,678	2.11
1998	135,000	225,526	360,526	196,849	557,375	1,175,678	2.11
1999	140,000	219,721	359,721	196,849	556,571	1,175,678	2.11
2000	150,000	210,691	360,691	196,850	557,541	1,175,678	2.11
2001	160,000	201,316	361,316	196,849	558,165	1,175,678	2.11
2002	170,000	193,876	363,876	196,849	560,725	1,175,678	2.10
2003	175,000	185,801	360,801	196,849	557,650	1,175,678	2.11
2004	185,000	177,270	362,270	196,849	559,119	1,175,678	2.10
2005	195,000	166,355	361,355	196,850	558,205	1,175,678	2.11
2006	205,000	154,850	359,850	196,849	556,699	1,175,678	2.11
2007	220,000	143,883	363,883	56,849	420,732	1,175,678	2.79
2008	230,000	131,783	361,783	56,849	418,632	1,175,678	2.81
2009	240,000	118,903	358,903	56,850	415,752	1,175,678	2.83
2010	255,000	105,103	360,103	56,850	416,952	1,175,678	2.82
2011	270,000	90,440	360,440	28,531	388,971	1,175,678	3.02
2012	285,000	74,375	359,375	28,532	387,907	1,175,678	3.03
2013	305,000	57,418	362,418	28,531	390,949	1,175,678	3.01
2014	320,000	39,270	359,270	28,531	387,801	1,175,678	3.03
2015	340,000	20,230	360,230	28,531	388,761	1,175,678	3.02
	$4,255,000	$2,964,584	$7,219,584	$2,535,390	$9,754,974		

(1) Projected 1995-1996 net revenues were calculatd by Las Vegas. Such revenues assume annual total water usage will decrease compared to the prior year and full implementation as of July 1, 1995 of the rate increases described above under "Historical Revenues and Expenditures."

The 1995 Solid Waste System Project

Las Vegas is to use the proceeds of its Solid Waste System Loan to construct and equip a recycling center and construct a solid waste transfer station for its solid waste disposal system.

Security for Solid Waste System Loan Payments

Generally

Pursuant to its Solid Waste System Loan Agreement, Las Vegas has pledged all of the revenues of the Solid Waste System, after the payment of operation and maintenance expenses, for payment of all amounts due under its Solid Waste System Loan Agreement.

Parity Obligations

Pursuant to its Solid Waste Agreement, Las Vegas may issue obligations payable from the net revenues of the Solid Waste System on a parity with amounts due under its Solid Waste System Loan upon satisfaction of the following requirements:

(i) Las Vegas is then current in all of the accumulations required to be made into the Debt Service Account and the Agreement Reserve Account for the Solid Waste System Loan;

(ii) Net revenues of the Solid Waste System for the fiscal year immediately preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing 130% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

For purposes of clause (ii) above, if there has been adopted a schedule of rate increases with respect to the Solid Waste System during the twelve months immediately prior to the issuance of the proposed bond or other obligations, and if any revenues collected pursuant to such schedule are not part of the revenues of the fiscal year used for the test described above, there may be added to the actual revenues for said fiscal year an estimated sum equal to the estimated increase in revenues which would have been realized during said entire fiscal year had such rate increase governed the revenues received during said entire fiscal year.

The Solid Waste System

The Solid Waste System includes a 41.3 acre landfill located on land leased from the Las Vegas Land Grant, and a collection system consisting of numerous trucks and utility vehicles. The estimated annual tonage of waste generated and/or collected by the Solid Waste System is 98,000 cubic yards. As of May 1995, the total number of customers served by the Solid Waste System was 5,010.

Las Vegas has entered into a joint powers agreement with certain other local governments to create a regional solid waste authority. It is expected that such authority will become functional with the next two to five years and that it will coordinate the planning and construction of, and eventually be the operator of, a regional landfill to be utilized by Las Vegas in addition to the other local governments participating in the authority. It is currently anticipated that the costs of the planning and construction of such a regional landfill would be paid by tax revenues of the participating local governments and not by revenues of such local government's solid waste systems. Las Vegas does not expect the operations of such regional landfill to adversely affect the revenues of its solid waste system.

Set out below is information concerning the number and type of customers of the Solid Waste System as of June 30 of the years shown:

Solid Waste System Customers

Year	Residential	Industrial	Commercial	Other	Total
1990	4,000	1	200	20	4,221
1991	4,000	1	220	20	4,221
1992	4,400	2	260	25	4,687
1993	4,750	3	260	25	5,038
1994	4,750	3	260	25	5,038

Set out below is certain information concerning the 10 largest customers of the Solid Waste System for the fiscal year ended June 30, 1994.

Ten Largest Customers of the Solid Waste System

Name	Business	Annual Billings	Percentage of Total Billings
Highlands University	higher education	$ 73,044	4.56%
Las Vegas Medical Center	mental hospital	59,189	3.70
City of Las Vegas Housing	city government	47,568	2.97
West Las Vegas Schools	education	35,117	2.19
Northeastern Regional Hospital	hospital	22,201	1.39
Las Vegas City Schools	education	17,973	1.12
McDonalds	restaurant	7,930	.50
Medite	industrial	6,797	.42
New Mexico Highway & Transportation Department	state government	4,531	.28
MDE Molding	industrial	4,000	.25
	Total	$278,350	17.38%

Solid Waste System Financial Information

Historical Revenues and Expenditures. All activities of the Solid Waste System are accounted for in the Solid Waste Enterprise Fund. Such activities include, but are not limited to, administration, operations, maintenance, financing and related debt service and billing and collections. Set out below are summaries of historical revenues and expenditures of the Solid Waste Enterprise Fund.

Solid Waste Enterprise Fund
Summary Of Revenues And Expenditures

	Fiscal Year Ended June 30,		
	1992	1993	1994
Operating Revenues:			
Sales and Service	$ 642,007	$ 655,493	$ 697,585
Taxes	82,467	89,915	99,225
State Source	39,685	25,000	0
Other	0	12,030	17,576
Total Operating Revenues	$ 764,159	$ 729,584	$ 814,386
Operating Expenses:			
Personal	$ 286,438	$ 319,817	$ 347,255
Operating	194,697	266,393	254,483
Capital Outlay	0	29,088	0
Total Operating Expenses	$ 481,135	$ 614,298	$ 601,738
Operating Income (Loss)	283,024	168,140	212,648
Non-Operating Revenues (Expenses):			
Interest Income	$ 6,572	$ 9,335	$ 11,964
Interest Expense	0	0	(23,804)
Total-Non Operating Revenue (Expense)	$ 6,572	$ 9,335	$ (11,840)
Net Income (Loss) Before Transfers	289,596	177,475	200,808
Operating Transfers:			
Transfers In	80,366	109,000	0
Transfers Out	(142,115)	(178,783)	(112,642)
Net Income (Loss)	227,847	107,693	88,166
Retained Earnings as Previously Reported, July 1	(2,928)	224,919	311,129
Restatement (1)	0	0	12,036
Retained Earnings, July 1 as Restated	(2,928)	224,919	323,165
Retained Earnings, June 30	$ 224,919	$ 332,612	$ 411,331

(1) The restatement for fiscal year 1993-1994 adjusts for prior years unrecorded asset ($9,111) and prior periods posting error ($2,925).

Outstanding Financial Obligations and Coverage Ratios. As of the date of issuance of the Series 1995 Bonds, Las Vegas will have the following outstanding financial obligation payable from net revenues of the Solid Waste System on a parity with the lien thereon for amounts due under the Solid Waste System Loan Agreement. Such obligations are referred to herein as the "Solid Waste System Parity Obligations."

Solid Waste System Parity Obligations

Financial Obligation	Principal Amount	Interest Rate(s)	Final Maturity/Term
New Mexico Finance Authority Additional Pledged Loan	$84,500	3%	2015

In addition, the following obligations are payable from the net revenues of the Solid Waste System on a subordinate basis to amounts due under the Solid Waste System Loan Agreement.

Solid Waste System Subordinate Obligations

Financial Obligation	Principal Amount	Interest Rate(s)	Final Maturity/Term
Truck Loan	$ 13,742	8.25%	1995
Equipment Lease/Purchase	328,110	6.00%	1999
Equipment Lease/Purchase	73,510	6.50%	1997
Truck Loan	29,525	7.50%	1996

Set forth below are the debt service requirements due with respect to the Solid Waste System Loan and the Solid Waste System Parity Obligations and the resulting coverage ratios based upon fiscal year 1993-1994 net revenues of the Solid Waste System.

Debt Service Schedule and Coverage Ratios

Fiscal Year	Solid Waste System Loan Debt Service Requirements Principal	Interest	Total	Solid Waste System Parity Obligations Total Debt Service Requirements	Aggregate Solid Waste System Loan and Solid Waste System Parity Obligations Debt Service Requirements	Fiscal Year 1993-1994 Solid Waste System Net Revenues(1)
1996	$25,000	$43,181	$68,181	$5,665	$ 73,845	$248,416
1997	25,000	46,156	71,156	5,666	76,822	248,416
1998	25,000	45,106	70,106	5,666	75,772	248,416
1999	30,000	44,031	74,031	5,666	79,697	248,416
2000	30,000	42,096	72,096	5,666	77,762	248,416
2001	30,000	40,221	70,221	5,666	75,887	248,416
2002	35,000	38,826	73,826	5,666	79,492	248,416
2003	35,000	37,164	72,164	5,666	77,829	248,416
2004	35,000	35,458	70,458	5,666	76,124	248,416
2005	40,000	33,393	73,393	5,666	79,058	248,416
2006	40,000	31,033	71,033	5,666	76,698	248,416
2007	45,000	28,893	73,893	5,667	79,559	248,416
2008	45,000	26,418	71,418	5,666	77,084	248,416
2009	50,000	23,898	73,898	5,666	79,564	248,416
2010	50,000	21,023	71,023	5,666	76,688	248,416
2011	55,000	18,148	73,148	5,666	78,814	248,416
2012	55,000	14,875	69,875	5,666	75,541	248,416
2013	60,000	11,603	71,603	5,666	77,268	248,416
2014	65,000	8,033	73,033	5,666	78,699	248,416
2015	70,000	4,165	74,165	5,666	79,831	248,416
	$845,000	$593,717	$1,438,717	$113,320	$1,552,036	$4,968,320

Economic and Demographic Information

Set out below is certain historical economic and demographic information concerning Las Vegas, and San Miguel County (the "County"), in which Las Vegas is located.

Population

Year	Las Vegas(1)	County	State
1940	12,362	27,910	531,818
1950	13,763	26,512	681,187
1960	13,818	23,468	951,023
1970	13,835	21,951	1,017,055
1980	14,322	22,751	1,303,303
1990	14,753	25,743	1,515,069
1991	N/A	28,062	1,547,438
1992	15,064	28,483	1,580,966
1993	N/A	26,678	1,615,613

(1) The former City of Las Vegas and the Town of Las Vegas were consolidated in 1970 into the City of Las Vegas. 1940-1960 figures combine the former City of Las Vegas and Town of Las Vegas data

Source: 1940-1993 U.S. Department of Commerce, Bureau of Census.

Age Distribution - Percent of Population(1)

Age	County	State
0-17	30.8%	29.9%
18-24	10.8	9.3
25-34	14.6	15.7
35-49	20.4	21.9
50 and older	23.4	23.2

(1) Data not available for Las Vegas
Source: Sales & Marketing Management, Survey of Buying Power, August 30, 1994.

Per Capita Personal Income(1)

Year	County	State	United States
1989	$9,080	$13,388	$17,690
1990	9,888	14,213	18,667
1991	10,432	14,817	19,163
1992	11,010	15,538	20,105
1993	11,771	16,346	20,817

(1) Data not available for Las Vegas
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Median Household Effective Buying Income (1)(2)

Year	County	State	United States
1989	$12,879	$20,309	$25,975
1990	13,979	21,961	27,912
1991	19,865	26,104	32,073
1992	20,173	26,920	33,178
1993	21,822	28,677	35,056

(1) The 1991-1993 Medium Household EBI figures are based on 1990 U.S. Census Data, while figures for prior years are based on 1980 U.S. Census Data. The change in benchmark years should be taken into account when comparing 1991-1993 figures with those from previous years.
(2) Data not available for Las Vegas
Source: Sales & Marketing Management, Survey of Buying Power, 1989-1994.

Retail Sales (in thousands)(1)

Year	County	% Change	State	% Change
1989	91,536	-- %	$ 8,944,868	-- %
1990	102,490	11.97	9,377,582	4.84
1991	108,463	5.83	9,645,014	2.85
1992	126,374	16.51	10,933,866	13.36
1993	144,212	14.12	12,336,623	12.83

(1) Data not available for Las Vegas
Source: Sales & Marketing Management, Survey of Buying Power, 1989-1994.

Assessed And Estimated Actual Value Of Property
Last Five Fiscal Years
(Amounts Expressed In Thousands)

	Total	
Fiscal Year	Assessed Value	Estimated Actual Value
1990-1991	$76,693	$230,079
1991-1992	74,432	223,296
1992-1993	75,769	227,307
1993-1994	73,321	219,963
1994-1995	75,147	225,441

Source: State of New Mexico Department of Finance & Administration-Local Government Division, County and Municipal Government Finances, Fiscal Year 1990-1994 Annual Report

San Miguel County
Principal Property Taxpayers

Taxpayer	Type of Business	1994 Assessed Valuation	Percent of Total Assessed Value (1)
Medite of New Mexico	fiber board production	$6,426,297	5.54%
Public Service Co. New Mexico	utility	4,432,700	2.44
U.S. West	telecommunications	3,029,824	1.67
AT&SF Railway Co.	railroad	2,664,325	1.47
Henry Singleton	real estate	2,155,678	1.19
Bell Ranch	ranch	1,592,051	.88
MCI Telecommunications	telecommunications	614,530	.34
Plains Electric	utility	509,035	.28
Farmer's Electric	utility	439,312	.24
Total		$21,863,75212.05%	

(1) Based upon 1993-1994 fiscal year Total Assessed Valuation
Source: San Miguel County Treasurer's Office

Ten Largest Employers
Las Vegas Area
as of February 1995

Employer	Type of Business	Approximate Number of Employees	Percentage (1)
Las Vegas Medical Center	mental hospital	1001	8.44%
New Mexico Highlands University	education	512	4.32
East Las Vegas City Schools	school district	366	3.09
New Mexico Highway Department	state government	354	2.98
West Las Vegas City Schools	school district	348	2.93
Northeastern Regional Hospital	hospital	238	2.01
City of Las Vegas	city government	236	1.99
Medite of New Mexico	fiber board production	165	1.39
Luna Technical Institute	education	160	1.35
Northern New Mexico Rehabilitation Center	healthcare	100	.84
TOTAL		3,480	28.50%

(1) These percentages are based on a total civilian labor force (San Miguel County) of 11,860.
Source: Las Vegas Chamber of Commerce

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APPENDIX D-4

NORTHWEST NEW MEXICO SOLID WASTE AUTHORITY (COUNTY OF CIBOLA, CITY OF GALLUP, CITY OF GRANTS, THE COUNTY OF MCKINLEY AND THE VILLAGE OF MILAN)

Generally

The Northwest New Mexico Solid Waste Authority (the "Authority") was established in 1993 by the County of Cibola ("Cibola County"), the City of Gallup ("Gallup"), the City of Grants ("Grants"), the Village of Milan ("Milan") and the County of McKinley ("McKinley County") (collectively the "Authority Participants") pursuant to a Joint Powers Agreement (the "Joint Powers Agreement") dated June 1, 1993 by and among the Authority Participants. The Authority was created by the Authority Participants to provide for the disposition of solid waste through the development of modern recycling and disposal facilities. The Authority is not a governmental entity and has no taxing or other powers, except as established by the Joint Powers Agreement. It is governed by a five-person Board of Directors (the "Board") consisting of representatives from each of the Authority Participants.

The 1995 Project

The proceeds of the Authority's Loan are to be used to develop a comprehensive solid waste program for the Authority and the Authority Participants, including (i) a cost analysis study of waste collection, transportation and disposal, including a determination of costs per household and site locations for recycling centers and a regional landfill to be located in Thoreau, New Mexico, (ii) the permitting, construction, equipping and staffing of the landfill and transfer stations to serve Gallup and Grants/Milan, (iii) re-design of an existing convenience station in McKinley County, and (iv) implementation of a recycling program at the transfer stations and/or convenience station.

Security for Loan Payments

Generally

The Authority's Loan Agreement, will be executed by the Authority and all of the Authority Participants. Pursuant to such Loan Agreement, the Authority Participants have pledged all of their respective Environmental Services Gross Receipts Tax receipts ("EGRT") for payment of amounts due under the Loan Agreement. Each of the Authority Participants will be jointly and severally liable to NMFA under the Authority's Loan Agreement to the extent of their respective EGRT receipts. Accordingly, pursuant to its respective Intercept Agreement, each Authority Participant has authorized and directed the appropriate State official to pay all of the Authority Participant's EGRT revenues, upon collection, directly to the Trustee. For certain information concerning the EGRT generally, see "THE AGREEMENT PLEDGED REVENUES," below in this Appendix D. In addition, the Authority has pledged all net solid waste system revenues from the landfill to be constructed with the proceeds of its Loan (the

"Facility") for payments of all amounts due under its Loan Agreement. The Facility is anticipated to begin operation in mid-1996.

Parity Obligations

Pursuant to the Authority's Loan Agreement, the Authority Participants may not issue additional obligations payable from each Authority Participant's respective EGRT revenues. In addition, obligations may not be issued on a parity with the net revenues of the Facility unless each of the following requirements have been met:

(i) The Authority Participants and the Authority are then current in all of the accumulations required to made into the Debt Service Account and the Agreement Reserve Account as provided in the Indenture;

(ii) No default exists in connection with any of the covenants or requirements of the ordinances authorizing the Authority Participants and the Authority to enter into the Authority's Loan Agreement;

(iii) The net revenues of the Facility received by or credited to the Authority Participants and the Authority for the fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing 130% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

For purposes of clause (iii) if there has been adopted a schedule of rate increases with respect to the Facility during the twelve months immediately prior to the issuance of the proposed bonds or other obligations, and if any revenues collected pursuant to such schedule are not part of the revenues of the fiscal year used for the test described above, there may be added to the actual revenues for said fiscal year an estimated sum equal to the estimated increase in revenues which would have been realized during said fiscal year had such rate increase governed the revenues received during said entire fiscal year; and

(iv) The proceedings authorizing the additional parity obligations must provide for an appropriately pledged reserve fund for such additional parity obligations in an amount no less than an amount equivalent to the loan agreement reserve requirement for the additional parity obligations proposed to be issued, and must require the accumulation of such amount in the appropriately pledged reserve fund to be accomplished at the time of issuance of the additional parity obligations.

The Authority Participants

Cibola County. Cibola County was created in 1981 under the laws of the State. It comprises approximately 4,540 square miles and is located in west-central New Mexico. As of 1991, its population, including Grants and Milan, was estimated to be 23,794.

Cibola County operates under a Commission-Manager form of government and is governed by the Board of Commissioners, comprised of four members and a Chairman. Commissioners are elected for a four-year term and the Chairman is elected from among the Commissioners for a two-year term.

Gallup. Gallup was incorporated in 1891 as a body politic and corporate under the laws of the State. It comprises approximately 9.4 square miles and is located in west-central New Mexico, approximately 20 miles from the Arizona border and approximately 138 miles from the City of Albuquerque. Gallup's economy is based on government activity, coal mining, tourism and retail trade. It is the largest community in McKinley County and serves as the county seat. As of 1990, its population was estimated to be 19,154.

Gallup operates under a Council-Manager form of government and is governed by the City Council, comprised of four members and a Mayor. Councilors are elected from districts for a four-year term of office with staggered terms and the Mayor is elected at large for a two-year term.

Grants. Grants was incorporated in 1933 as a body politic and corporate under the laws of the State. It comprises approximately 14 square miles and is located in west-central New Mexico, approximately 78 miles from the City of Albuquerque and 137 miles from the City of Santa Fe. Grants is the economic center of Cibola County, whose economy is based on mining, tourism, retail trade and some light manufacturing. It is also the Cibola County seat. As of 1990, its population was estimated to be 8,626.

Grants operates under a Council-Manager form of government and is governed by the City Council, comprised of four members and a Mayor. Councilors are elected at large for a four-year term and the Mayor is elected at large for a four-year term.

McKinley County. McKinley County was established by the laws of the territory of New Mexico in 1899. It comprises approximately 5,442 square miles and is located in northwest New Mexico, on the border with Arizona. The area's economy is based primarily on retail trade, tourism, mining and government and related activities. As of 1991, its population, including Gallup, was estimated to be 60,686.

McKinley operates under a Commission-Manager form of government and is governed by the Board of Commissioners, comprised of three members. Commissioners are elected for a four-year term and the Chairman is elected for a one-year term.

Milan. Milan was incorporated in 1957 as a body politic and corporate under the laws of the State. It comprises approximately 2.81 square miles and is located in the west-central New Mexico, approximately 81 miles from the City of Albuquerque and two miles from Grants. As of 1990 its population was estimated to be 1,911.

Milan operates under a Mayor-Board of Trustees form of government and is governed by a Board of Trustees, comprised of four members and a Mayor. Trustees are elected for a four-year term and the Mayor is elected or a four-year term.

Financial Information

Historical and Projected Tax Revenues. Set out below is certain historical and projected information concerning total revenues attributable to each Authority Participant from its respective EGRT. Such information has been derived from total taxable gross receipts revenues information attained from the State and may not be indicative of actual receipts by each such entity. Such information also does not account for certain administrative fees deducted by the State. See "THE AGREEMENT PLEDGED REVENUES."

EGRT Revenues
Authority Participants(1)(2)

	Fiscal Year					
Authority Participant	1989-1990	1990-1991	1991-1992	1992-1993	1993-1994	Projected 1994-1995(3)
Cibola	$ 38,968	$ 45,778	$ 42,512	$ 37,378	$ 56,918	$ 61,089
Gallup	204,026	212,554	232,092	245,062	258,661	275,751
Grants	48,802	49,844	56,392	53,125	55,855	58,534
McKinley	367,582	332,527	367,634	395,853	401,638	427,368
Milan	12,695	13,124	13,744	15,376	17,211	17,217
Total	$672,073	$653,827	$712,375	$746,794	$790,283	$839,959
% Increase/Decrease From Previous Year	--	(2.71)%	8.95%	4.83%	5.82%	6.29%

(1) The amounts shown have been derived by applying the EGRT tax rate to total taxable gross receipts amounts as represented by the State, and may not be indicative of the actual EGRT revenues of each such entity.
(2) The effective dates for each Authority Participant's EGRT is: Cibola-July, 1991; Gallup-January, 1991; Grants-July, 1991: McKinley-January, 1991; Milan-July, 1992.
(3) Fourth quarter fiscal year 1995 data is projected.

Total Taxable Gross Receipts Reported By Standard Industrial Classification. The following tables show the total taxable gross receipts attributable to the Authority Participants as reported by standard industrial classification, during the years indicated:

Cibola County

	1989-1990	1990-1991	1991-1992	1992-1993	1993-1994
Agriculture	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)
Mining	(1)	700,139	(1)	(1)	(1)
Construction	8,282,088	19,685,412	16,149,299	10,548,917	24,265,308
Manufacturing	735,821	610,773	1,885,758	4,613,314	5,497,343
Transportation, Communication and Utilities	10,981,125	4,525,731	4,944,810	4,980,197	4,970,625
Wholesale Trade	2,205,627	1,806,912	2,502,345	2,587,144	2,424,037
Retail Trade	4,546,122	4,058,333	5,083,474	4,022,180	4,550,119
Finance, Insurance and Real Estate	(1)	48,289	69,370	30,852	27,634
Services	3,199,892	2,857,610	3,030,843	2,329,133	3,315,926
Government	(2)	(2)	(2)	(2)	(2)
Nonclassifiable	(2)	(2)	(2)	(2)	(2)
Total (3)	$31,174,409	$36,622,241	$34,009,855	$29,902,440	$45,534,185

Gallup

	1989-1990	1990-1991	1991-1992	1992-1993	1993-1994
Agriculture	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)
Mining	(1)	(1)	(1)	(1)	(1)
Construction	17,774,243	15,452,750	17,886,266	18,705,323	22,905,155
Manufacturing	5,787,506	5,712,234	6,544,068	7,684,855	8,119,675
Transportation, Communication and Utilities	14,481,422	15,069,319	14,773,314	14,494,690	15,046,510
Wholesale Trade	5,445,731	7,112,981	8,458,492	9,372,694	11,255,897
Retail Trade	219,917,158	228,867,566	251,666,833	268,044,744	281,131,551
Finance, Insurance and Real Estate	4,106,746	4,529,439	4,661,363	4,711,405	5,295,627
Services	37,110,974	51,773,236	57,751,555	59,322,050	60,854,347
Government	3,566,092	2,544,319	4,756,716	(2)	4,343,621
Nonclassifiable	(2)	(2)	(2)	52,776	4,458
Total (3)	$326,441,575	$340,086,892	$371,347,589	$392,099,099	$413,857,044

Grants

	1989-1990	1990-1991	1991-1992	1992-1993	1993-1994
Agriculture	$ (1)	$ (1)	$ (1)	$ (1)	$ 34,397
Mining	(1)	(1)	(1)	(1)	(1)
Construction	2,903,781	3,631,043	8,221,352	6,315,745	2,880,151
Manufacturing	697,028	748,170	1,396,923	2,301,997	2,625,593
Transportation, Communication and Utilities	9,591,464	9,750,473	10,003,976	8,892,302	8,738,573
Wholesale Trade	2,213,757	1,504,142	306,256	312,537	387,326
Retail Trade	42,579,829	43,156,674	47,330,893	44,036,804	47,671,436
Finance, Insurance and Real Estate	1,030,205	1,013,205	1,580,416	1,063,463	1,396,465
Services	18,316,328	19,522,272	20,796,266	19,857,788	24,600,782
Government	(2)	(2)	(2)	(2)	(2)
Nonclassifiable	(2)	(2)	(2)	(2)	(2)
Total (3)	$78,082,662	$79,750,331	$90,227,702	$85,000,385	$89,368,439

McKinley County

	1989-1990	1990-1991	1991-1992	1992-1993	1993-1994
Agriculture	$ (1)	$ (1)	$ (1)	$ (1)	(1)
Mining	2,507,399	8,659,722	8,244,183	913,648	468,100
Construction	25,576,443	23,794,418	30,511,136	39,429,170	29,119,237
Manufacturing	19,023,157	21,563,554	17,374,083	19,033,085	17,475,620
Transportation, Communication and Utilities	20,174,646	18,474,640	23,616,113	19,738,387	13,673,619
Wholesale Trade	22,228,167	21,739,259	24,057,891	22,613,857	21,321,588
Retail Trade	197,989,884	163,101,872	178,327,061	206,669,191	223,306,266
Finance, Insurance and Real Estate	(1)	133,833	296,516	281,894	304,910
Services	3,366,379	4,047,430	10,243,577	6,468,935	14,231,969
Government	868,503	659,000	(2)	(2)	(2)
Nonclassifiable	(2)	(2)	(2)	(2)	(2)
Total (3)	$294,065,341	$266,021,311	$294,107,456	$316,682,156	$321,310,518

Milan

	1989-1990	1990-1991	1991-1992	1992-1993	1993-1994
Agriculture	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)
Mining	(1)	(1)	(1)	(1)	(1)
Construction	486,263	974,523	133,623	1,233,768	1,608,919
Manufacturing	45,363	35,348	78,894	107,807	157,315
Transportation, Communication and Utilities	2,130,088	2,489,166	2,074,730	1,968,945	1,995,204
Wholesale Trade	1,435,857	1,376,128	1,702,322	1,975,428	2,581,268
Retail Trade	14,203,720	13,702,040	15,755,274	16,794,581	18,301,878
Finance, Insurance and Real Estate	12,784	37,464	19,719	176,744	224,475
Services	1,827,965	2,220,732	2,070,286	2,121,543	2,525,300
Government	(2)	(2)	(2)	(2)	(2)
Nonclassifiable	(2)	(2)	(2)	(2)	(2)
Total (3)	$20,312,723	$20,998,310	$21,989,959	$24,601,026	$27,537,818

(1) Data withheld to protect confidentiality of entity filing return.
(2) No returns filed with this classification.
(3) Columns may not total due to withholding of data to protect confidentiality of single entities filing returns in a particular category
Source: State of New Mexico, Taxation and Revenue Department.

Outstanding Financial Obligations and Coverage Ratios. As of the date of issuance of the Series 1995 Bonds, the Authority Participants will have the following financial obligations payable from their respective ERGT revenues on a parity with the lien thereon for the amounts due under the Authority's Loan Agreement. Such obligations are referred to herein as the "Authority Parity Obligations."

Authority Parity Obligations

Financial Obligations	Principal Amount	Interest Rate(s)	Final Maturity/Term
New Mexico Finance Authority Additional Pledged Loan	$ 745,500	3%	2015

Set forth below are the principal and interest payments due with respect to the Authority's Loan and the Authority Parity Obligation and coverage ratios based upon the projected aggregate fiscal year 1994-1995 EGRT revenues of all of the Authority's Participants calculated as described under "Financial Information - Historical and Projected Tax Revenues," above.

Fiscal Year	
1996	$
1997	
1998	
1999	
2000	
2001	
2002	
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2005	
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2007	
2008	
2009	
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2011	
2012	
2013	
2014	
2015	
	$7

(1) Estimat
April 1,

Debt Service Schedule and Coverage Ratios

Fiscal Year	Authority's Loan Debt Service Requirements Principal	Interest	Total	Authority Parity Obligations Debt Service Requirements	Aggregate Authority Loan & Authority Parity Obligations Debt Service Requirements	Projected Aggregate Fiscal Year 1994-1995 EGRT Revenues of all Authority Participants(1)	Annual Coverage Ratio
1996	$ --	$ 380,241	$ 380,241	$20,501	$400,743	$839,959	2.10x
1997	235,000	414,809	649,809	52,046	701,855	839,959	1.20
1998	245,000	404,939	649,939	52,047	701,985	839,959	1.20
1999	255,000	394,404	649,404	52,046	701,450	839,959	1.20
2000	270,000	377,956	647,956	52,046	700,002	839,959	1.20
2001	285,000	361,081	646,081	52,047	698,128	839,959	1.20
2002	300,000	347,829	647,829	52,047	699,875	839,959	1.20
2003	315,000	333,579	648,579	52,046	700,625	839,959	1.20
2004	330,000	318,223	648,223	52,046	700,269	839,959	1.20
2005	350,000	298,753	648,753	52,046	700,798	839,959	1.20
2006	370,000	278,103	648,103	52,046	700,148	839,959	1.20
2007	390,000	258,308	648,308	52,046	700,354	839,959	1.20
2008	410,000	236,858	646,858	52,046	698,904	839,959	1.20
2009	435,000	213,898	648,898	52,046	700,943	839,959	1.20
2010	460,000	188,885	648,885	52,046	700,931	839,959	1.20
2011	485,000	162,435	647,435	52,047	699,482	839,959	1.20
2012	515,000	133,578	648,578	52,046	700,623	839,959	1.20
2013	545,000	102,935	647,935	52,047	699,982	839,959	1.20
2014	575,000	70,508	645,508	52,047	697,554	839,959	1.20
2015	610,000	36,295	646,295	52,046	698,341	839,959	1.20
	$7,380,000	$5,313,613	$12,693,613	$1,009,380	$13,702,993		

(1) Estimated based upon actual receipts for the period July 1, 1994 through March 31, 1995 and projected receipts for the period April 1, 1995 through June 30, 1995.

Economic and Demographic Information

Set out below is certain economic and demographic information concerning the Authority Participants. When available, information is provided for each Authority Participant. However, certain data is not available for cities and villages. Therefore, in certain instances, information is provided only for Cibola County and McKinley County. Grants and Milan are located in Cibola County and Gallup is located in McKinley County.

Population

Year	Cibola County(1)	Gallup	Grants(2)	Milan(2)	McKinley County	State
1940	--	7,041	--	--	23,641	531,818
1950	--	9,133	2,251	--	27,451	681,023
1960	--	14,089	10,274	2,658	37,209	951,023
1970	--	14,596	8,768	2,222	43,208	1,017,055
1980	--	18,167	11,439	3,747	56,536	1,303,303
1990	23,794	19,154	8,626	1,911	60,686	1,515,069
1991	23,397	N/A	N/A	N/A	62,833	1,547,438
1992	23,656	20,133	8,509	1,888	64,935	1,580,966
1993	24,118	N/A	N/A	N/A	64,849	1,615,813

(1) Prior to 1981, Cibola County was part of Valencia County.
(2) Population growth in the 1980's is attributed to an increase in uranium mining.
Source: U.S. Department of Commerce, Bureau of Census.

Age Distribution - Percent of Population (1)

Age	Cibola County(2)	McKinley County(3)	State
0-17	34.3%	39.7%	29.9%
18-24	8.5	9.7	9.3
25-34	15.3	15.6	15.7
35-49	20.6	18.8	21.9
50 and older	21.3	16.2	23.2

(1) Data not available for Gallup, Grants or Milan individually.
(2) Includes Grants and Milan.
(3) Includes Gallup.
Source: Sales & Marketing Management, Survey of Buying Power, August 30, 1994.

Per Capita Personal Income(1)

Year	Cibola County(2)	McKinley County(3)	State	U.S.
1989	$9,188	$8,448	$13,388	$17,690
1990	8,620	8,809	14,213	18,667
1991	9,285	9,276	14,817	19,163
1992	9,805	9,640	15,538	20,105
1993	10,166	10,256	16,346	20,817

(1) Data not available for Gallup, Grants or Milan, individually.
(2) Includes Grants and Milan.
(3) Includes Gallup.
Source: U.S. Department of Commerce, Bureau of Economic Development

Median Household Effective Buying Income (1) (2)

Year	Cibola County(3)	McKinley County(4)	State	U.S.
1989	$21,479	$13,160	$20,309	$25,975
1990	23,489	13,814	21,961	27,912
1991	18,713	19,590	26,104	32,073
1992	18,696	20,442	26,920	33,178
1993	19,569	21,621	28,677	35,056

(1) The 1991-1993 Medium Household EBI figures are based on 1990 U.S. Census Data, while figures for prior years are based on 1980 U.S. Census Data. The change in benchmark year should be taken into account when comparing 1991-1993 figures with those from previous years.
(2) Data not available for Gallup, Grants or Milan individually.
(3) Includes Grants and Milan.
(4) Includes Gallup.
Source: Sales & Marketing Management, Survey of Buying Power, 1989-1994.

Retail Sales (in thousands) (1)

Year	Cibola County(2)	% Change	McKinley County(3)	% Change	State	% Change
1989	$83,543	--%	$335,835	--%	$8,944,868	--%
1990	88,942	6.46	369,155	9.92	9,377,582	4.84
1991	90,283	1.51	373,113	1.07	9,645,014	2.85
1992	105,281	16.61	425,931	14.16	10,933,866	13.36
1993	110,998	5.38	474,439	11.39	12,336,623	12.83

(1) Data not available for Gallup, Grants or Milan, individually.
(2) Includes Grants and Milan.
(3) Includes Gallup.
Source: Sales & Marketing Management, Survey of Buying Power, 1989-1994.

Cibola County
Assessed And Estimated Actual Value Of Property
Last Five Fiscal Years
(Amounts Expressed In Thousands)

Fiscal Year	Total Assessed Value	Total Estimated Actual Value
1989 - 1990	$89,790	$269,370
1990 - 1991	90,842	272,526
1991 - 1992	90,150	270,450
1992 - 1993	91,662	274,986
1993 - 1994	92,360	277,080

Source: State of New Mexico, Department of Finance & Administration, County and Municipal Governments Finances, Fiscal Year 1990-1994 Annual Reports.

McKinley County
Assessed And Estimated Actual Value Of Property
Last Five Fiscal Years
(Amounts Expressed In Thousands)

Fiscal Year	Total Assessed Value	Total Estimated Actual Value
1989 - 1990	$522,177	$1,566,531
1990 - 1991	532,680	1,598,040
1991 - 1992	537,075	1,611,225
1992 - 1993	554,828	1,664,484
1993 - 1994	551,854	1,655,562

Source: State of New Mexico, Department of Finance & Administration, County and Municipal Governments Finances, Fiscal Year 1990-1994 Annual Reports.

Cibola County
Principal Property Taxpayers

Taxpayer	Type of Business	1994 Assessed Valuation	Percent of Total Assessed Value (1)
The AT & SF Railway Company	railroad	$4,541,790	4.92%
U.S. West Communications	telecommunications	4,421,473	4.79
El Paso Natural Gas Co.	utility	3,310,745	3.58
Continental Divide Electric Co-op	utility	3,278,431	3.55
Transwestern Pipeline Co.	pipeline	1,189,632	1.29
Homestake Mining Co.	mining	1,028,883	1.11
Tucson Electric Power Co.	utility	962,282	1.04
Gas Company of New Mexico	utility	853,478	.92
Petro PSC Property	truckstop	817,512	.89
James Hamilton Const. Co.	construction	808,256	.88
Total		$21,212,482	22.97%

(1) Based upon 1994 - 1995 fiscal year Total Assessed Valuation.
Source: Cibola County Assessor's Office

McKinley County
Principal Property Taxpayers

Taxpayer	Type of Business	1994 Assessed Valuation	Percent of Total Assessed Value (1)
Plains Electric	utility	$127,406,190	23.09%
Pittsburgh-Midway Mining Company	mining	80,102,070	14.52
Santa Fe Pacific Coal Corp.	mining	53,796,250	9.75
El Paso Natural Gas Co.	utility	16,542,560	3.00
Transwestern Pipeline Co.	pipeline	13,405,300	2.43
Giant Industries	gas station/ restaurant	8,164,360	1.48
Tucson Electric Power Co.	utility	6,989,500	1.27
AT & SF Railway Company	railroad	5,888,810	1.07
US West Communication	telecommunication	5,288,070	.96
Public Service Co.	utility	4,450,700	.81
Total		$322,033,810	58.38%

(1) Based upon 1994 - 1995 fiscal year Total Assessed Valuation.
Source: McKinley County Assessor's Office

Cibola County
Ten Largest Employers
as of June 30, 1994

Employer	Type of Business	Approximate Number of Employees	Percentage (1)
Grants Public Schools	school district	465	4.81%
New Mexico Highway Department	state government	300	3.11
Western New Mexico Correction Facility	state government	250	2.59
Santa Fe Coal Company	mining	218	2.26
Laguna Industries	manufacturing	172	1.78
Acoma Canoncita Laguna Hospital	hospital	150	1.55
Plains Electric	utility	137	1.42
City of Grants	city government	110	1.14
Cibola County Correction Facility	county government	101	1.05
Correction Corporation of America	correctional facility	101	1.05
Cibola General Hospital	hospital	100	1.04
TOTAL		2,104	21.80%

(1) These percentages are based on a total civilian labor force (Cibola County) of 9,658.
Source: Grants Chamber of Commerce

McKinley County
Ten Largest Employers
as of February 1993

Employer	Type of Business	Approximate Number of Employees	Percentage (1)
U.S. Bureau of Indian Affairs	government agency	1,650	6.75%
Gallup - McKinley School	school district	1,600	6.54
U.S. Gallup Indian Medical Center	medical facility	830	3.39
Giants Refinery and Truckstop	gas station/restaurant	550	2.25
Pittsburgh & Midway Coal Mine	coal mine	437	1.79
City of Gallup	city government	410	1.68
Navajo Tribe	tribal government	406	1.66
Rehoboth - McKinley Christian Hospital	hospital	349	1.43
Wal-Mart	retail store	300	1.23
Navajo Forest Products Industries	wood manufacturing	293	1.20
TOTAL		6,825	27.92%

(1) These percentages are based on a total civilian labor force (McKinley County) of 24,456.
Source: Individual employers

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APPENDIX D-5

CITY OF SANTA FE

Generally

The City of Santa Fe ("Santa Fe") was founded in 1610 and chartered in 1891 as a body politic and corporate under the laws of the State. Santa Fe, which is the capital of the State, comprises approximately 35 square miles and is located in north-central New Mexico, approximately 60 miles northeast of the City of Albuquerque. Santa Fe's economy is diversified, with government, tourism, retail trade and industry being predominant. As of 1994, its population was estimated to be 64,296.

Santa Fe has a Mayor/Council/City Manager form of government with a Mayor and an eight-member City Council elected on a district basis for four-year overlapping terms. The City Manager is appointed by the Mayor and approved by the City Council.

The 1995 Project

Two projects are to be funded from the proceeds of Santa Fe's Loan. Set out below are brief descriptions of these projects.

Wastewater System Project.

The wastewater system project consists of (i) replacement of approximately 70 to 100 miles of sewer lines, and (ii) improvements to the wastewater treatment plant, including (a) installation of an ultra violet light disinfection system, (b) a grit removal system upgrade, (c) grease removal operations, (d) construction of a septic tank waste receiving station, (e) construction of a collection system operation facility and plant storage building, (f) construction of a division administration building, and a Class A sludge treatment, secondary clarification improvements and a sludge thickening/dewatering facility.

Solid Waste System Project.

The solid waste project consists of (i) closure of an existing landfill, including intermediate and final capping, methane monitoring, groundwater monitoring, and well construction and leachate monitoring, and (ii) construction of a new solid waste transfer station and access roads and (iii) construction, in conjunction with Santa Fe County, of a new regional landfill.

Security for Loan Payments

Generally

Santa Fe has pledged all of the revenues attributable to its Environmental Services Gross Receipts Tax receipts ("EGRT") and its Infrastructure Gross Receipts Tax receipts ("IGRT") for the payment of all amounts due under its Loan Agreement. The EGRT and IGRT were imposed by Santa Fe in January 1994 and each consists of a 1/16 of 1% tax which must be paid by any person engaging in business in Santa Fe. For certain information concerning the EGRT and the IGRT generally, see "THE AGREEMENT PLEDGED REVENUES," below in this Appendix D.

Parity Obligations

Pursuant to its Loan Agreement, Santa Fe may enter into or issue obligations payable from its EGRT and IGRT on a parity with its obligations under its Loan Agreement upon satisfaction of the following requirements:

(i) It is current in all of the accumulations required to be made into the Debt Service Account and the Agreement Reserve Account as provided in the Indenture:

(ii) No default exists in connection with any of the covenants or requirements of the ordinance approving its Loan Agreement or its Loan Agreement.

(iii) Unless waived by the NMFA in writing, the EGRT and IGRT revenues received by or credited for the current fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing 135% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor); and

(iv) Unless waived by the NMFA in writing, the proceedings authorizing the additional parity obligations must provide for an appropriately pledged reserve fund for such additional parity obligations in an amount no less than an amount equivalent to the loan agreement reserve requirement for the additional parity obligations proposed to be issued, and must require the accumulation of such amount in the appropriately pledged reserve fund to be accomplished at the time of issuance of the additional parity obligations.

Financial Information

Historical Tax Revenues. Set out below is information concerning total gross receipts collections within Santa Fe and the resulting EGRT and IGRT collections which are or which would have been attributable to such collections. Since Santa Fe has only collected EGRT

and IGRT receipts since January 1994, information prior to such time is shown based upon total taxable gross receipts information obtained from the State and is provided for informational purposes only. Such information does not account for certain administrative fees deducted by the State. See "THE AGREEMENT PLEDGED REVENUES" in this Appendix D.

	Fiscal Year 1989-1990	Fiscal Year 1990-1991	Fiscal Year 1991-1992	Fiscal Year 1992-1993	Fiscal Year 1993-1994	Fiscal year 1994-1995(1) Projected
Total Taxable Gross Receipts	$1,285,140,976	$1,398,447,662	$1,486,524,908	$1,606,784,082	$1,825,695,339	$1,846,419,222
EGRT Collections	803,213	874,030	929,078	$1,004,240	1,141,060	1,185,262
IGRT Collections	803,213	874,030	929,078	1,004,240	1,14106,0	1,185,262
Total EGRT and IGRT Collections	$ 1,606,426	$ 1,748,060	$ 1,858,156	$ 2,008,480	$ 2,282,119	$ 2,370,525

Total Taxable Gross Receipts Reported by Standard Industrial Classification. The following table shows the total taxable gross receipts by standard industrial classification category as reported in Santa Fe during the fiscal years set forth below:

	1989-1990	1990-1991	1991-1992	1992-1993	1993-1994
Agriculture	$ 7,153,653	$ 7,967,304	$ 8,637,998	$9,202,036	$9,846,366
Mining	(1)	87,575	412,691	424,898	432,531
Construction	107,329,271	144,903,687	131,037,264	126,373,477	174,929,645
Manufacturing	25,344,932	27,173,047	28,986,026	32,885,524	37,410,457
Transportation, Communications & Utilities	94,257,398	96,411,124	99,189,542	102,283,735	109,718,090
Wholesale Trade	28,176,482	33,935,435	32,866,186	31,961,955	38,589,955
Retail Trade	588,703,506	629,372,747	696,809,451	760,374,580	842,718,537
Finance, Insurance & Real Estate	67,875,807	56,185,009	62,143,611	72,396,273	82,726,388
Services	366,121,873	402,131,273	424,487,343	468,568,271	526,692,332
Government	(2)	250,438	821,390	306,520	347,094
Nonclassifiable	(2)	(2)	999,740	1,666,309	1,283,946
Total (3)	$1,285,140,976	$1,398,447,662	$1,486,524,908	$1,606,784,082	$1,825,695,339

(1) Data withheld to protect confidentiality of entity filing return
(2) No returns filed with this classification
(3) Columns may not total due to withholding of data to protect confidentiality of single entities filing returns in a particular category.
Source: State of New Mexico, Taxation and Revenue Department

Outstanding Financial Obligations and Coverage Ratios. As of the date of issuance of the Series 1995 Bonds, Santa Fe will have no other financial obligations payable from its EGRT or IGRT revenues other than amounts due under its Loan Agreement.

Set out below are the principal and interest payments due with respect to Santa Fe's Loan and coverage ratios based upon total fiscal year 1993-1994 EGRT and IGRT revenues.

Debt Service Schedule and Coverage Ratios

	Santa Fe's Loan Debt Service Requirements			Aggregate Fiscal Year 1993-1994 EGRT and IGRT	Annual Coverage
	Principal	Interest	Total	Revenues(1)	Ratios
1996	$1,035,000	$1,046,898	$2,081,898	$2,370,524	1.14x
1997	980,000	1,102,740	2,082,740	2,370,524	1.14
1998	1,035,000	1,061,580	2,096,580	2,370,524	1.13
1999	1,085,000	1,017,075	2,102,075	2,370,524	1.13
2000	1,145,000	947,093	2,092,093	2,370,524	1.13
2001	610,000	875,530	1,485,530	2,370,524	1.60
2002	525,000	847,165	1,372,165	2,370,524	1.73
2003	570,000	822,228	1,392,228	2,370,524	1.70
2004	600,000	794,440	1,394,440	2,370,524	1.70
2005	525,000	759,040	1,284,040	2,370,524	1.85
2006	405,000	728,065	1,133,065	2,370,524	2.09
2007	430,000	706,398	1,136,398	2,370,524	2.09
2008	450,000	682,748	1,132,748	2,370,524	2.09
2009	475,000	657,548	1,132,548	2,370,524	2.09
2010	505,000	630,235	1,135,235	2,370,524	2.09
2011	535,000	601,198	1,136,198	2,370,524	2.09
2012	565,000	569,365	1,134,365	2,370,524	2.09
2013	600,000	535,748	1,135,748	2,370,524	2.09
2014	635,000	500,048	1,135,048	2,370,524	2.09
2015	670,000	462,265	1,132,265	2,370,524	2.09
2016	710,000	422,400	1,132,400	2,370,524	2.09
2017	755,000	379,800	1,134,800	2,370,524	2.09
2018	800,000	334,500	1,134,500	2,370,524	2.09
2019	845,000	286,500	1,131,500	2,370,524	2.10
2020	900,000	235,800	1,135,800	2,370,524	2.09
2021	950,000	181,800	1,131,800	2,370,524	2.09
2022	1,010,000	124,800	1,134,800	2,370,524	2.09
2023	1,070,000	64,200	1,134,200	2,370,524	2.09
	$20,420,000	$17,377,203	$37,797,203		

(1) Estimated based upon actual receipts for the period July 1, 1994 through March 31, 1995 and projected receipts for the period April 1, 1994 through June 30, 1995

Economic and Demographic Information

Set out below is certain historical economic and demographic information concerning Santa Fe and Santa Fe County (the "County"), in which Santa Fe is located.

Population

Year	Santa Fe	County	State
1940	20,325	30,826	531,818
1950	27,998	38,153	681,187
1960	34,676	44,970	951,023
1970	41,167	54,774	1,017,055
1980	48,953	75,519	1,303,303
1990	55,859	98,928	1,515,069
1991	57,286	100,214	1,605,808
1992	58,210	98,928	1,608,310
1993	62,424	99,650	1,613,218
1994	64,296	102,640	1,661,615

Source: 1940-1990 U.S. Department of Commerce, Bureau of Census. 1991-1994 City of Santa Fe Planning Department.

Age Distribution - Percent of Population

Age	Santa Fe	County	State
0-17	26.1%	26.0%	29.9%
18-24	8.0	7.5	9.3
25-34	15.2	14.9	15.7
35-49	27.6	27.9	21.9
50 and older	23.1	23.7	23.2

Source: Sales & Marketing Management, Survey of Buying Power, August 30, 1994.

Per Capita Personal Income(1)

Year	County	State	United States
1989	$16,679	$13,388	$17,690
1990	18,119	14,213	18,667
1991	19,090	14,817	19,163
1992	20,315	15,536	20,105
1993	21,170	16,346	20,817

(1) Data for Santa Fe not available
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Median Household Effective Buying Income

Year	Santa Fe	State	United States
1989	$23,689	$20,309	$25,975
1990	26,213	21,961	27,912
1991	31,761	26,104	32,073
1992	33,130	26,920	33,178
1993	35,155	28,677	35,056

Source: Sales & Marketing Management, Survey of Buying Power, 1989 - 1994.

Retail Sales (in thousands)

Year	Santa Fe	% Change	County	% Change	State	% Change
1989	$749,215	-- %	$827,269	-- %	$ 8,944,868	-- %
1990	794,944	6.10	878,967	6.25	9,377,582	4.84
1991	835,792	5.14	920,812	4.76	9,645,014	2.85
1992	962,400	15.15	1,053,360	14.39	10,933,866	13.36
1993	1,099,449	14.24	1,194,384	13.39	12,336,623	12.83

Source: Sales & Marketing Management, Survey of Buying Power, 1989 - 1994.

Assessed And Estimated Actual Value Of Property
Last Five Fiscal Years
(Amounts Expressed In Thousands)

Fiscal Year	Total Assessed Value	Total Estimated Actual Value
1990-1991	$905,412	$2,716,236
1991-1992	928,143	2,784,429
1992-1993	1,115,271	3,345,813
1993-1994	1,169,105	3,510,825
1994-1995	1,205,726	3,617,178

Source: Santa Fe County Assessor's Office

Property Value And Construction Permits
Last Five Calendar Years

Calendar Year	Property Value (1)	Construction Permits (2) Issued	Construction Permits (2) Value
1989	$867,702,206	990	$57,146,328
1990	1,448,581,524	1,748	103,549,993
1991	1,476,455,267	1,526	71,132,994
1992	1,827,817,346	1,663	85,252,530
1993	1,940,240,005	1,736	109,547,169

(1) Source: Santa Fe County Assessor. Amounts shown are the assessed, not actual, value of property.

(2) Source: City of Santa Fe Building Inspector's Office

Santa Fe
Principal Property Taxpayers

Taxpayer	Type of Business	1993 Assessed Valuation	Percent of Total Assessed Value (1)
Mountain States Telephone	utility	$47,560,650	3.9446%
Public Service Co.	utility	39,482,227	3.2746%
Public Service Co.	utility	32,345,955	2.6827%
Villa Linda Mall	shopping center	15,590,085	1.2930%
El Dorado Partnership	hotel	14,456,012	1.1989%
Gas Co. of New Mexico	utility	15,450,477	1.2814%
La Fonda Hotel	hotel	10,204,427	0.8463%
Inn of Loretto	hotel	9,780,862	0.8112%
De Vargas Center Venture	shopping center	9,163,500	0.7600%
New Mexico Hotels (Hilton)	hotel	9,039,784	0.7497%
Total		$203,073,979	16.84%

(1) Based upon 1993-1994 fiscal year Total Assessed Valuation
Source: Santa Fe County Assessor's Office

Ten Largest Employers
Santa Fe Metropolitan Area
as of June 30, 1994

Employer	Type of Business	Approximate Number of Employees	Percentage (1)
State of New Mexico	government	8,400	9.50%
United States Government	government	1,750	2.19%
Santa Fe Public Schools	education	1,650	2.06%
St. Vincent Hospital	hospital	1,093	1.36%
City of Santa Fe	government	1,027	1.35%
Presbyterian Medical Services	healthcare	772	0.96%
Santa Fe Community College	education	740	0.90%
Santa Fe County	government	299	0.37%
Santa Fe Indian School	education	298	0.37%
El Dorado Hotel	hotel	270	0.33%
TOTAL		16,299	19.39%

(1) These percentages are based on a total civilian labor force (Santa Fe County) of 79,791.
Source: Santa Fe Economic Development, Inc.

APPENDIX D-6

THE AGREEMENT PLEDGED REVENUES

Generally

Certain of the 1995 Governmental Units have pledged revenues of certain taxes, including an Environmental Services Gross Receipts Tax and an Infrastructure Gross Receipts Tax, for payment of all amounts due under their respective Loan Agreements. Certain information concerning the Environmental Services Gross Receipts Tax and the Infrastructure Gross Receipts Tax is set forth below. Amounts due with respect to the 1995 Securities and the 1995 Grants are payable from the Energy Department Portion of the Governmental Gross Receipts Tax and the NMFA Portion of the Governmental Gross Receipts Tax, respectively. See "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 1995 BONDS."

Authority

Chapter 7, Articles 19D and 20E NMSA 1978, as amended, authorize municipalities and counties, respectively, to impose certain taxes on the gross receipts of any person engaging in business within their boundaries. These taxes include an Environmental Services Gross Receipts Tax ("EGRT"). Municipalities are also authorized to impose an Infrastructure Gross Receipts Tax ("IGRT"). The EGRT and the IGRT are collectively referred to herein as the "Local Option Gross Receipts Taxes". Local Option Gross Receipts Taxes are imposed by ordinance adopted by a majority of the members of the governing body of the municipality or county imposing the tax.

Rates and Use of Receipts

EGRT

The rate of EGRT imposed by municipalities may not exceed one-sixteenth of one percent (.0625%) and the rate imposed by counties may not exceed one-eighth of one percent (.125%). The ordinance imposing an EGRT must dedicate the revenues received therefrom for the acquisition, construction, operation and maintenance of solid waste facilities, water facilities, wastewater facilities, sewer systems and related facilities.

IGRT

The rate of IGRT imposed by municipalities may not exceed one-eighth of one percent (.125%). IGRT revenues may be dedicated for the (i) payment of special obligation bonds issued pursuant to a revenue bond act, (ii) repair, replacement, construction or acquisition of infrastructure improvements, including but not limited to sanitary sewer lines, storm sewers and other drainage improvements, water, water rights, water lines and utilities, streets, alleys,

rights of way, easements, international ports of entry and land within the municipality or within the extraterritorial zone of the municipality, or (iii) municipal general purposes.

Gross Receipts Subject To Local Option Gross Receipts Taxes

The Local Option Gross Receipts Taxes are among several state and local taxes on gross receipts authorized by State statutes. All of these gross receipts taxes are collected on behalf of the taxing authority, and subsequently disbursed to the taxing authority, by the Revenue Division of the State Taxation and Revenue Department (the "Revenue Division") pursuant to Section 7-1-6 NMSA 1978, as amended. The administration of the various gross receipts taxes is facilitated by Sections 7-19D-4 and 7-20E-4, NMSA 1978, as amended, which require ordinances imposing a municipal gross receipts tax such as the Local Option Gross Receipts Taxes to adopt by reference the same definitions and the same provisions relating to exemptions and deductions as are contained in the Gross Receipts and Compensating Tax Act (Chapter 7, Article 9 NMSA 1978, as amended).

"Gross Receipts" is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or the value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing property located in the State, from performing services in the State, and from selling services performed outside the State, the product of which is initially used in the State. The definition excludes, among other items, cash discounts allowed and taken, the State gross receipts tax payable on transactions for the reporting period and any county gross receipts tax, county fire protection excise tax, municipal gross receipts tax, any type of time-price differential and certain gross receipts or sales taxes imposed by an Indian tribe or pueblo.

Some activities and industries are exempt from the State and local gross receipts taxes, many by virtue of their taxation under other laws. Exemptions include, but are not limited to, receipts of governmental agencies and certain organizations, and receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends and interest, and receipts from the sale or leasing of natural gas, oil or mineral interests. Various deductions are allowed, including but not limited to, receipts from various types of sales or leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from the sale of certain construction services, receipts from processing certain agricultural products, receipts from certain publication sales, and certain receipts from interstate commerce transactions. There are over fifty specified exceptions and deductions from gross receipts taxation; nevertheless, the general presumption is that all receipts of a person engaging in business are subject to the State and local gross receipts taxes.

Specifically excluded from Local Option Gross Receipts Taxes are gross receipts arising from transportation of persons or property for hire by railroad, motor vehicle, air transportation or any other means from one point within the municipality to another point outside the municipality. Gross receipts arising from business located outside the boundaries of a municipality on land owned by that municipality for which a State gross receipts tax distribution

is made pursuant to Section 7-1-6.4 NMSA 1978, as amended, are also excluded from gross receipts imposed by municipalities. .

Collection and Distribution

Businesses must make their payments of gross receipts taxes to the Revenue Division on or before the 25th of each month for taxable events occurring in the prior month. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. On the last day of each month, the balance in the suspense fund is transferred to the State general fund, less disbursements to local governments in the State of amounts attributable to Local Option Gross Receipts Taxes and certain other payments.

Remedies for Delinquent Taxes

The State Revenue Division may assess gross receipts taxes to a taxpayer who has not paid the taxes due the State or local taxing authority. If any taxpayer to whom gross receipts taxes have been assessed or upon whom demand for payment has been made does not make payment, or protests the assessment or demand for payment, or fails to provide security for payment within 30 days after the date of assessment or demand for payment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Revenue Division may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 36 months. Interest is due on any delinquent taxes from the first day following the day on which they are due at the rate of 1.25% per month until paid, without regard to any installment agreement. However, if the gross receipts tax is paid within ten days after demand is made, no interest shall be imposed for the period after the date of the demand. The Revenue Division may levy upon all property or rights of a delinquent taxpayer and sell the same in order to collect the delinquent tax. The amount of delinquent gross receipts taxes is also a lien in favor of the State upon all property and rights to property of the delinquent taxpayer which lien may be foreclosed as provided by State statutes.

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APPENDIX E

FORMS OF OPINIONS OF CO-BOND COUNSEL

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Form of Co-Bond Counsel Opinion of
Modrall, Sperling, Roehl, Harris & Sisk, P.A.

July 20, 1995

New Mexico Finance Authority
1751 Old Pecos Trail, Suite K
Santa Fe, New Mexico 87501

Sunwest Bank of Albuquerque, National Association
Corporate Trust Department
500 4th Street, N.W., Third Floor
Albuquerque, New Mexico 87102

Re: $41,230,000 New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 1995A; and $4,000,000 New Mexico Finance Authority Public Project Revolving Fund Revenue bonds, Taxable Series 1995B

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 1995A in the aggregate principal amount of $41,230,000 (the "Series 1995A Bonds") and its Public Project Revolving Fund Taxable Revenue Bonds, Series 1995B in the aggregate principal amount of $4,000,000 (the "Series 1995B Bonds", and collectively with the Series 1995A Bonds, the "Series 1995A-B Bonds"). The Series 1995A-B Bonds are being issued for the purpose of providing funds (i) to finance public projects authorized by law for the use and benefit of certain governmental units (the "Governmental Units") within the State of New Mexico (the "State"), (ii) to fund certain reserves and (iii) to pay costs of issuance.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 61-21-1 et. seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 1995A-B Bonds are authorized to be issued under and

secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 (the "General Indenture") between the NMFA and Sunwest Bank of Albuquerque, National Association, as trustee (the "Trustee"), and a First Supplemental Indenture of Trust, dated as of June 1, 1995 between the NMFA and the Trustee (the "First Supplemental Indenture", and collectively with the General Indenture, the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, an opinion of counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, it is our opinion that:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 1995A-B Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged therefor under the Indenture, to secure the payment of the principal of and interest on the Series 1995A-B Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 1995A-B Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a debt or liability of the State of New Mexico or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 1995A-B bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Series 1995A-B Bonds; and

(c) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 1995A-B Bonds or any other offering material relating to the Series 1995A-B Bonds and we express no opinion relating thereto. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Respectfully submitted,

Modrall, Sperling, Roehl, Harris & Sisk, P.A.

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(b) we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Series 1995A-B Bonds; and

(c) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 1995A-B Bonds or any other offering material relating to the Series 1995A-B Bonds and we express no opinion relating thereto. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Respectfully submitted,

Modrall, Sperling, Roehl, Harris & Sisk, P.A.

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Form of Co-Bond Counsel Opinion of
Ballard Spahr Andrews & Ingersoll

July __, 1995

New Mexico Finance Authority
1751 Old Pecos Trail, Suite K
Santa Fe, New Mexico 87501

Sunwest Bank of Albuquerque, National Association
500 4th Street, N.W., Third Floor
Corporate Trust Department
Albuquerque, New Mexico 87102

Re: $41,230,000 New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 1995A; and $4,000,000 New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 1995A in the aggregate principal amount of $41,230,000 (the "Series 1995A Bonds") and its Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B in the aggregate principal amount of $4,000,000 (the "Series 1995B Bonds", and collectively with the Series 1995A Bonds, the "Series 1995A-B Bonds"). The Series 1995A-B Bonds are being issued for the purpose of providing funds (i) to finance public projects authorized by law for the use and benefit of certain governmental units (the "Governmental Units") within the State of New Mexico (the "State") (ii) to fund certain reserves and (iii) to pay costs of issuance.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 61-21-1 et. seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 1995A-B Bonds are authorized under

and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 (the "General Indenture") between the NMFA and Sunwest Bank of Albuquerque, National Association, as trustee (the "Trustee"), and a First Supplemental Indenture of Trust, dated as of June 1, 1995 between the NMFA and the Trustee (the "First Supplemental Indenture", and collectively with the General Indenture, the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, an opinion of the Attorney General of the State, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 1995A Bonds. The NMFA and the Governmental Units have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 1995A Bonds to be come includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 1995A Bonds. We have assumed continuing compliance by the NMFA and the Governmental Units with such requirements and restrictions in rendering our opinion regarding the tax exempt status of interest on the Series 1995A Bonds.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, it is our opinion that:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 1995A-B Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged therefor under the Indenture, to secure the payment of the principal of and interest on the Series 1995A-B Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 1995A-B Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a general obligation or other indebtedness of the State or any Governmental Unit within the meaning of the any constitutional or statutory debt limitation.

4. Based on an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Series 1995A Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 1995A Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

Interest on the Series 1995B Bonds, however, it not excluded from gross income for federal income tax purposes.

5. Interest on the Series 1995B Bonds is not excluded from gross income of the owners thereof for federal income tax purposes.

6. Under the laws of the State as enacted and construed on the date hereof, interest on the Series 1995A-B Bonds is excluded from net income of the owners thereof for State income tax purposes.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 1995A-B Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) although we have rendered an opinion that interest on the Series 1995A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 1995A Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's tax liability;

(c) we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1995A-B Bonds; and

(d) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 1995A-B Bonds or any other offering material relating to the Series 1995A-B Bonds and we express no opinion relating thereto. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Respectfully submitted,

EXHIBIT F

SPECIMEN OF AMBAC INDEMNITY MUNICIPAL BOND INSURANCE POLICY

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AMBAC Municipal Bond Insurance Policy

AMBAC Indemnity Corporation
c/o CT Corporation Systems
44 East Mifflin St., Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, NY 10004
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

SPECIMEN

AMBAC Indemnity Corporation (AMBAC) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to the United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

AMBAC will make such payments to the Insurance Trustee within one (1) business day following notification to AMBAC of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, AMBAC shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholders' rights to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of AMBAC or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to AMBAC all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. AMBAC shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from AMBAC to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of AMBAC, nor against any risk other than Nonpayment.

In witness whereof, AMBAC has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon AMBAC by virtue of the countersignature of its duly authorized representative.

President

AMBAC INDEMNITY CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Representative

Authorized Officer

NEW ISSUE — BOOK-ENTRY ONLY

In the opinion of Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 1996A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. ALSO, IN THE OPINION OF SUCH CO-BOND COUNSEL, INTEREST ON THE TAXABLE SERIES 1996B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. In the opinion of such Co-Bond Counsel, under existing laws, interest on the Series 1996 Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes. Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1996 Bonds. See "TAX MATTERS."

$17,625,000
NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
SERIES 1996A

$3,500,000
NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
TAXABLE SERIES 1996B

Dated: September 1, 1996

Due: June 1, as shown on inside front cover

The New Mexico Finance Authority's Public Project Revolving Fund Revenue Bonds, Series 1996A and Taxable Series 1996B (collectively, the "Series 1996 Bonds"), are being issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Depository Trust Company will act as securities depository for all of the Series 1996 Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each Series and maturity of the Series 1996 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 1996 Bonds will be made in book-entry form only, and beneficial owners of the Series 1996 Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Series 1996 Bonds.

The Series 1996 Bonds will be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995, as supplemented by a Third Supplemental Indenture of Trust, dated as of September 1, 1996 (collectively, the "Indenture"), between the New Mexico Finance Authority and Sunwest Bank of Albuquerque, National Association, as Trustee. Principal of and interest (and premium, if any) on the Series 1996 Bonds will be payable to DTC, or its nominee, as owner of the Series 1996 Bonds, by the Trustee. Interest on the Series 1996 Bonds is payable on June 1 and December 1 of each year, commencing June 1, 1997, as more fully described herein. Principal of the Series 1996 Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedules set forth on the inside front cover.

SEE MATURITY SCHEDULES ON INSIDE FRONT COVER

The Series 1996A Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity as more fully described herein. The Taxable Series 1996B Bonds are subject to mandatory sinking fund redemption as more fully described herein.

The Series 1996 Bonds are being issued by the NMFA to finance all or a portion of certain projects for the 1996 Governmental Units, to fund deposits to the respective accounts of the Agreement Reserve Fund and to pay the costs of issuing the Series 1996 Bonds. The principal of, premium, if any, and interest on the Series 1996 Bonds are payable solely from and secured solely by the Trust Estate, which includes the NMFA Portion of the Governmental Gross Receipts Tax, certain amounts payable pursuant to agreements between the NMFA and certain of the 1996 Governmental Units and other Governmental Units heretofore or hereafter entering into agreements with NMFA and certain moneys in funds and accounts described herein. Additional parity bonds have heretofore been issued and may hereafter be issued pursuant to the Indenture with a lien on the Trust Estate on a parity with the lien of the Series 1996 Bonds.

The Series 1996 Bonds are special, limited obligations of the NMFA, payable, together with additional bonds heretofore or hereafter issued, solely from and secured solely by the Trust Estate pledged under the Indenture. The Series 1996 Bonds do not constitute nor create a general obligation or other indebtedness of the State of New Mexico or (except as expressly provided in an Agreement) any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 1996 Bonds or the Indenture is to be construed or interpreted as creating a delegation of governmental powers or as a donation by or lending of the credit of the NMFA, the State or any 1996 Governmental Unit within the meaning of the State Constitution.

The scheduled payment of principal of and interest on the Series 1996 Bonds when due will be guaranteed under separate insurance policies to be issued concurrently with the delivery of the Series 1996 Bonds by FINANCIAL SECURITY ASSURANCE INC.

FSA

The NMFA has undertaken, for the benefit of owners of the Series 1996 Bonds, to provide certain annual and periodic disclosure as described herein under the caption "CONTINUING DISCLOSURE UNDERTAKING."

Approval of certain legal matters will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Co-Bond Counsel, Albuquerque, New Mexico. Certain legal matters, including certain legal matters with respect to the tax status of the interest paid on the Series 1996 Bonds, will be passed on by Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel, Salt Lake City, Utah. Certain legal matters will be passed on for the NMFA by the Office of the Attorney General of the State of New Mexico and for the Underwriters by Squire, Sanders & Dempsey. Certain legal matters will be passed on for the 1996 Governmental Units by Modrall, Sperling, Roehl, Harris & Sisk, P.A. Gardiner & Clancy, LLC and Public Financial Management have acted as financial advisors to the NMFA in connection with the Series 1996 Bonds. It is expected that a single certificate for each maturity of each Series of the Series 1996 Bonds will be issued to DTC in New York, New York on or about September 17, 1996. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 1996 Bonds.

Merrill Lynch & Co.
Principal Financial Securities, Inc.

Rauscher Pierce Refsnes, Inc.
Smith Barney Inc.

The date of this Official Statement is August 22, 1996.

MATURITY SCHEDULES

New Mexico Finance Authority
Public Project Revolving Fund
Revenue Bonds

$17,625,000 Series 1996A

$11,025,000 Serial Bonds

Year (June 1)	Principal Amount	Interest Rate	Price or Yield	Year (June 1)	Principal Amount	Interest Rate	Price or Yield
1997	$485,000	5.00%	3.75%	2005	$ 750,000	5.15%	4.95%
1998	550,000	4.00	100	2006	785,000	6.00	5.05
1999	565,000	4.25	100	2007	830,000	5.20	100
2000	595,000	4.40	100	2008	880,000	5.30	100
2001	620,000	4.55	100	2009	920,000	5.40	100
2002	655,000	4.65	100	2010	975,000	5.50	100
2003	680,000	4.75	100	2011	1,025,000	5.50	5.55
2004	710,000	4.85	100				

$6,075,000 Series 1996A Term Bonds due July 1, 2016 at 5.75% Price 99.756%
$525,000 Series 1996A Term Bonds due July 1, 2021 at 5.75% Price 99.337%

$3,500,000 Taxable Series 1996B

$3,500,000 Taxable Series 1996B Term Bonds due June 1, 2001 at 6.67% Price 100%

(Accrued Interest from September 1, 1996)

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 1996 Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the NMFA or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been obtained from the NMFA, the 1996 Governmental Units and other sources which are believed to be reliable, but it is not guaranteed as to completeness or accuracy by, and is not to be construed as a representation by, the Underwriters. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the NMFA, the 1996 Governmental Units or others since the date hereof.

THE PRICES AT WHICH THE SERIES 1996 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE SERIES 1996 BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 1996 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Series 1996 Bonds have not been registered under the Securities Act of 1933, nor has the Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such Acts. The registration and qualification of the Series 1996 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 1996 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 1996 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

NEW MEXICO FINANCE AUTHORITY
1751 Old Pecos Trail, Suite L
Santa Fe, New Mexico 87505
telephone: (505) 984-1454
telecopy: (505) 984-0002

Board of Directors

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Jack A. Martines, Vice Chairman
William F. Fulginiti, Secretary
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Mary L. Thompson
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Executive Director

Tom K. Pollard, Ph.D.

NMFA Counsel

Office of the Attorney General
State of New Mexico

Financial Advisor

Gardiner & Clancy, LLC
Portland, Oregon

Public Financial Management
Austin, Texas

Co-Bond Counsel

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
Albuquerque, New Mexico

Ballard Spahr Andrews & Ingersoll
Salt Lake City, Utah

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OFFICIAL STATEMENT

$17,625,000
New Mexico Finance Authority
Public Project Revolving Fund
Revenue Bonds
Series 1996A

$3,500,000
New Mexico Finance Authority
Public Project Revolving Fund
Revenue Bonds
Taxable Series 1996B

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale of the Public Project Revolving Fund Revenue Bonds, Series 1996A (the "Series 1996A Bonds") and Taxable Series 1996B (the "Taxable Series 1996B Bonds) being issued by the New Mexico Finance Authority (the "NMFA"). The Series 1996A Bonds and the Taxable Series 1996B Bonds are collectively referred to herein as the "Series 1996 Bonds." The Series 1996 Bonds, together with additional bonds heretofore or hereafter issued on a parity therewith, are collectively referred to herein as the "Bonds." Capitalized terms used herein and not defined have the meanings specified in the General Indenture of Trust and Pledge dated as of June 1, 1995 (the "General Indenture") between the NMFA and Sunwest Bank of Albuquerque, National Association, as trustee (the "Trustee") and the Third Supplemental Indenture of Trust dated as of September 1, 1996 (the "Supplemental Indenture") between the NMFA and the Trustee supplementing the General Indenture and are set forth under "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - CERTAIN DEFINITIONS" in Appendix B hereto. The General Indenture and the Supplemental Indenture are collectively referred to herein as the "Indenture." See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 1996 Bonds to potential investors is made only by means of the entire Official Statement.

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality created to coordinate the planning and financing of state and local public projects. The NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the State, except that a legislative oversight committee is empowered to monitor and oversee its operations. For additional information concerning the

NMFA, see "NEW MEXICO FINANCE AUTHORITY" herein and the financial statements included as Appendix A hereto.

Purposes of the Series 1996 Bonds; The 1996 Governmental Units; Other Governmental Units

Proceeds from the sale of the Series 1996 Bonds will be used by the NMFA (i) to make a loan (the "1996 Loans") to the Central Solid Waste Authority and certain of its participating entities including the City of Belen, the Village of Bosque Farms, the Village of Magdalena and the Village of Los Lunas, (ii) to make grants (the "1996 Grants") to the Department of Environment of the State, and (iii) to purchase securities (the "1996 Securities") from the Park and Recreation Division of the Energy, Minerals and Natural Resources Department of the State, and thereby provide funds to such participating governmental entities (the "1996 Governmental Units") to pay all or a portion of the costs of certain projects (the "1996 Projects"), as more fully described herein. Proceeds will also be used to fund deposits to certain 1996 Governmental Units' accounts within the Agreement Reserve Fund and to pay capitalized interest and costs of issuance of the Series 1996 Bonds. For certain information concerning the 1996 Governmental Units and their respective 1996 Projects see "THE PLAN OF FINANCING" herein and "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS" in Appendix D hereto. The 1996 Governmental Units will each execute an individual loan agreement (the "1996 Loan Agreements") or grant agreements (the "1996 Grant Agreements") or will issue Securities (the "1996 Securities"), as appropriate (collectively the "1996 Agreements"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The 1996 Agreements, together with loan agreements, grant agreements and securities relating to parity bonds heretofore or hereafter issued, are referred to herein as the "Agreements". 1996 Governmental Units together with other governmental units entering into Agreements are herein collectively referred to as "Governmental Units."

Parity Bonds have previously been issued to provide loans and grants to and to purchase securities from certain other Governmental Units. See "PLAN OF FINANCING - Governmental Units and Projects". For certain information concerning the City of Santa Fe, a Governmental Unit with respect to the outstanding parity Bonds, see "CERTAIN INFORMATION CONCERNING CERTAIN OTHER GOVERNMENTAL UNITS" in Appendix E hereto. For a description of the parity bonds currently outstanding, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" - Outstanding Parity Bonds.

Authority for Issuance

The Series 1996 Bonds are being issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMFA 1978, as amended (the "Act"), and the Indenture. For a description of the Public Project Revolving Fund Program, see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein.

Terms of the Series 1996 Bonds

Payments

The Series 1996 Bonds will be dated September 1, 1996. Interest on the Series 1996 Bonds is payable on June 1 and December 1 of each year, commencing June 1, 1997. The Series 1996 Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear the interest rates shown on the inside front cover hereof.

Denominations

The Series 1996 Bonds are issuable in denominations of $5,000, or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only, and purchasers of the Series 1996 Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 1996 Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 1996 Bonds, all as more fully described in "THE SERIES 1996 BONDS - Book-Entry-Only System." *When reading this Official Statement, it should be understood that while the Series 1996 Bonds are in book-entry-only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participants (as hereinafter defined) and indirect participants acquire an interest in the Series 1996 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system as described more fully herein, and (ii) notices that are to be given to Owners by the NMFA, the Trustee, the Registrar or the Paying Agent will be given only to DTC.*

Redemption of the Series 1996 Bonds

The Series 1996A Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity. The Taxable Series 1996B Bonds are subject to mandatory sinking fund redemption prior to maturity. The Taxable Series 1996B Bonds are not subject to optional redemption. See "THE SERIES 1996 BONDS - Redemption of the Series 1996 Bonds."

Security and Sources of Payment for the Bonds

Special, Limited Obligations

The Bonds are special, limited obligations of the NMFA payable solely from the Trust Estate, which includes the Revenues and certain funds and accounts created and maintained

pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special, Limited Obligations."

Revenues

Revenues are defined by the General Indenture to mean: (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the Funds and Accounts created under the Indenture. For a description of the Agreements, the NMFA Portion of the Governmental Gross Receipts Tax and the Additional Pledged Loans, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues." For a description of the funds and accounts created by the Indenture see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Flow of Funds." See also "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

Additional Bonds

The NMFA must meet certain requirements prior to the issuance of Additional Bonds or other obligations with a lien on the Trust Estate on a parity with the lien of the Series 1996 Bonds. For a description of these requirements, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Bonds." For a discussion of the outstanding parity Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Outstanding Parity Bonds." The NMFA may not issue bonds or other indebtedness payable on a priority senior to the lien on the Trust Estate for the payment of the Bonds without the written consent of 100% of the owners of Outstanding Bonds. The NMFA may issue, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinate to that of the Series 1996 Bonds.

Bond Insurance

For information concerning Financial Security Assurance Inc. and the separate Municipal Bond Insurance Policies to be issued in connection with the Series 1996 Bonds, see "BOND INSURANCE" herein. See Appendix G for a specimen of the Municipal Bond Insurance Policy.

Continuing Disclosure

The NMFA has undertaken for the benefit of the Bondowners that, so long as the Series 1996 Bonds remain outstanding, the NMFA will provide certain annual financial information with respect to NMFA and any Governmental Unit whose repayment obligations to the NMFA will represent more than 5% of the estimated annual Revenues for any year during which the Series 1996 Bonds are outstanding to each nationally recognized municipal securities information repository and notice of certain material events to the Municipal Securities Rulemaking Board in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as described in "CONTINUING DISCLOSURE UNDERTAKING."

Tax Considerations

In the opinion of Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 1996A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

IN THE OPINION OF BALLARD SPAHR ANDREWS & INGERSOLL, CO-BOND COUNSEL, INTEREST ON THE TAXABLE SERIES 1996B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.

In the opinion of such Co-Bond Counsel, under existing laws of the State of New Mexico as currently enacted and construed, interest on the Series 1996 Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1996 Bonds.

The form of opinion to be delivered by Ballard Spahr Andrews & Ingersoll, as Co-Bond Counsel, is included in Appendix F hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 1996 Bonds, see "TAX MATTERS" herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 1996 Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel, will deliver the opinion included in Appendix F hereto and Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel, will deliver the opinion discussed under "TAX MATTERS" and included in Appendix F hereto. Certain legal matters relating to the Series 1996 Bonds will be passed upon for the Underwriters by their counsel, Squire, Sanders & Dempsey. Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. Certain legal matters will be passed on for the 1996 Governmental Units by Modrall, Sperling, Roehl, Harris & Sisk, P.A. See "LEGAL MATTERS." Gardiner & Clancy, LLC and Public Financial Management have acted as financial advisors to the NMFA in connection with its issuance of the Series 1996 Bonds. See "EXPERTS." The NMFA's financial statements for the Fiscal Year ended June 30, 1995, included in Appendix A hereto, have been audited by Macias & Rivera, certified public accountants, Santa Fe, New Mexico.

Offering and Delivery of the Series 1996 Bonds

The Series 1996 Bonds are offered when, as and if issued, subject to approval as to their legality by Co-Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each Series and maturity of the Series 1996 Bonds will be issued to DTC in New York, New York, on or about September 17, 1996.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 1751 Old Pecos Trail, Suite L, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 1996 Bonds.

THE SERIES 1996 BONDS

Generally

Set forth below is a summary of certain provisions of the Series 1996 Bonds. Other information describing the Series 1996 Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Indenture and the Series 1996 Bonds. For a description of certain provisions of the Indenture, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto. Copies of the approved forms of the Indenture are available as provided in "ADDITIONAL INFORMATION."

The Series 1996 Bonds are being issued pursuant to the Act, the Indenture and resolutions adopted on July 25, 1996 and on August 22, 1996. The Series 1996 Bonds are being issued to provide loans and grants to and to purchase securities from the 1996 Governmental Units as more particularly described herein as part of the NMFA's Public Project Revolving Fund Program. For a description of such program see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein.

Proceeds will also be used to fund deposits to certain 1996 Governmental Units' accounts within the Agreement Reserve Fund and to pay capitalized interest and costs of issuance of the Series 1996 Bonds. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Description of the Series 1996 Bonds

The Series 1996 Bonds are being issued pursuant to the Indenture and will be dated September 1, 1996. Interest on the Series 1996 Bonds will accrue from the dated date of the Series 1996 Bonds at the rates set forth on the cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), on June 1 and December 1 of each year, commencing June 1, 1997. The Series 1996 Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts shown on the front cover (unless redeemed prior to maturity). The Series 1996 Bonds are issuable in denominations of $5,000 or integral multiples thereof.

As long as no Event of Default (as defined in the Indenture) exists under the Indenture and so long as Financial Security is not in payment default under the Policy, Financial Security will be considered to be an owner of the Series 1996 Bonds and will have the same rights as owners of the Series 1996 Bonds. In the event that an Event of Default exists under the Indenture and so long as Financial Security is not in payment default under the Policy, Financial Security will be deemed to be the sole owner of the Series 1996 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Series 1996 Bonds would be entitled to take pursuant to the Indenture.

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 1996 Bonds. One fully registered bond for each maturity of each series in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC, and will be deposited with DTC.

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

is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 1996 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 1996 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 1996 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 1996 Bonds are to be accomplished by entries made on the books of Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 1996 Bonds, except in the event that use of the book-entry system for the Series 1996 Bonds is discontinued.

To facilitate subsequent transfers, all Series 1996 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 1996 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 1996 Bonds. DTC's records reflect only the identity of the Participants to whose accounts such Series 1996 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

For every transfer and exchange of Series 1996 Bonds or an interest therein, the Beneficial Owner may be charged a service charge together with a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Series 1996 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 1996 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 1996 are credited on the record date

(identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the Series 1996 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the NMFA or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants and Indirect Participants.

So long as Cede & Co. or its registered assign is the registered owner of the Series 1996 Bonds, the NMFA and the Trustee will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the NMFA or the Trustee and the NMFA and the Trustee will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Series 1996 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC.

Neither the NMFA nor the Trustee have any responsibility or obligation to the DTC participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 1996 Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 1996 Bonds; or (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bondowner.

DTC may discontinue providing its services as securities depository with respect to the Series 1996 Bonds at any time by giving reasonable notice to the NMFA or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

Redemption of the Series 1996 Bonds

Generally

The Series 1996A Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth below. The Taxable Series 1996B Bonds are subject to mandatory sinking fund redemption as set forth below. The Taxable Series 1996B Bonds are not subject to optional redemption.

Optional Redemption of the Series 1996A Bonds

The Series 1996A Bonds maturing on or after June 1, 2007 are subject to prepayment and redemption at any time on and after June 1, 2006, in whole or in part, in such order of maturity as may be selected by the NMFA and by lot within each maturity (if in part, in integral multiples of $5,000), at the option of the NMFA, upon notice as provided in the Indenture and at the redemption price of 100% of the principal amount of the Series 1996A Bonds to be redeemed, plus accrued interest to the redemption date, but without premium.

Mandatory Redemption of the Series 1996A Bonds Upon Prepayment under a 1996 Agreement

In the event a 1996 Governmental Unit makes a Prepayment in whole or in part under a 1996 Agreement, the Series 1996A Bonds are subject to mandatory redemption, in whole or in part, on the dates and upon Prepayment of an amount equal to the redemption price set forth under "Optional Redemption," above. The maturity dates of the Series 1996A Bonds to be redeemed are to correspond to the principal amounts and due dates of the Principal Component of such prepayment, and the Series 1996A Bonds to be redeemed within each maturity are to be selected by lot in such manner as the Trustee deems appropriate. ***No 1996 Governmental Unit shall have the option to make a Prepayment prior to the date on which the Series 1996A Bonds are subject to optional redemption or in an amount less than the applicable redemption price.***

The NMFA is to recalculate the Loan Payments due under any 1996 Agreement in the case of a partial Prepayment of Loan Payments under such 1996 Agreement in a manner which is consistent with the manner in which the Series 1996A Bonds are redeemed.

Mandatory Sinking Fund Redemption of the Series 1996A Bonds

The Series 1996A Bonds maturing on June 1, 2016, are subject to mandatory sinking fund redemption on June 1 in the years 2012 through 2015, at a price equal to the principal amount of each Series 1996A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to Be Redeemed
2012	$1,080,000
2013	1,145,000
2014	1,215,000
2015	1,280,000
2016	1,355,000*

* Final Maturity

If less than all of the Series 1996A Bonds maturing on June 1, 2016 then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA, as follows: (i) if the Series 1996A Bonds are redeemed upon a Prepayment or imputed Prepayment of all or a portion of a 1996 Agreement, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments or imputed Prepayments and (ii) if the Series 1996A Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

The Series 1996A Bonds maturing on June 1, 2021, are subject to mandatory sinking fund redemption on June 1 in each of the years 2017 through 2020, at a price equal to the principal amount of each Series 1996A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to Be Redeemed
2017	$ 95,000
2018	100,000
2019	105,000
2020	110,000
2021	115,000*

* Final Maturity

If less than all of the Series 1996A Bonds maturing on June 1, 2021 then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA, as follows: (i) if the Series 1996A Bonds are redeemed upon a Prepayment or imputed Prepayment of all or a portion of a 1996A Agreement, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments or imputed Prepayments and (ii) if the Series 1996A Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

Mandatory Sinking Fund Redemption of the Taxable Series 1996B Bonds

The Taxable Series 1996B Bonds maturing on June 1, 2001, are subject to mandatory sinking fund redemption on June 1 in the years 1997 through 2000, at a price equal to the principal amount of each Taxable Series 1996B Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to Be Redeemed
1997	$610,000
1998	655,000
1999	695,000
2000	745,000
2001	795,000*

* Final Maturity

Notice of Redemption

In the event any of the Series 1996 Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 1996 Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar at least 30 days, but not more than 60 days, prior to the date fixed for redemption.

In addition, further notice of any redemption of Series 1996 Bonds is to be given by the Trustee, at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 1996 Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 1996 Bonds. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

If at the time of mailing of any notice of redemption there is not on deposit with the Trustee moneys sufficient to redeem all the Series 1996 Bonds called for redemption, such notice is to state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

A second notice of redemption is to be given, not later than 90 days subsequent to the redemption date, to Registered Owners of Series 1996 Bonds or portions thereof redeemed but who failed to deliver Series 1996 Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Series 1996 Bonds receives the notice. Receipt of such notice

is not a condition precedent to such redemption, and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 1996 Bonds.

Partially Redeemed Series 1996 Bonds

In case any Series 1996 Bond is redeemed in part, upon the presentation of such Series 1996 Bond for such partial redemption, the NMFA is to execute and the Trustee is to authenticate and deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the NMFA, a Series 1996 Bond or Series 1996 Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 1996 Bond. A portion of any Series 1996 Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or an integral multiple thereof and in selecting portions of such Series 1996 Bonds for redemption, the Trustee will treat each such Series 1996 Bond as representing that number of Series 1996 Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 1996 Bonds by $5,000.

If less than all the Series 1996 Bonds of any one maturity is called for redemption, the particular denominations to be redeemed are to be selected by the Trustee in such manner as the Trustee, in its discretion, may deem appropriate and fair.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special, Limited Obligations

The Bonds are special, limited obligations of the NMFA payable solely from the Revenues, proceeds of the Bonds (until used as provided in the Indenture) and other moneys held in certain funds and accounts held by the Trustee under the Indenture (the "Trust Estate"). **The Bonds shall not constitute nor create a general obligation or other indebtedness of the State or (except as expressly provided in an Agreement) any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Bonds shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or lending of the credit of the NMFA, the State or any Governmental Unit within the meaning of the Constitution of the State. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Bonds shall not constitute or give rise to a pecuniary liability on the part of the directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA shall impose a pecuniary liability or a charge upon the general credit or taxing power of the State or any political subdivision of the State.**

Revenues

Generally

Revenues include (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the funds and accounts created under the Indenture. As discussed under "Flow of Funds" below, revenues received from a Governmental Unit by the Trustee on behalf of the NMFA pursuant to an Agreement are deposited directly in a separate account of the Debt Service Fund established for that Governmental Unit and are periodically transferred by the Trustee to the Bond Fund and used to make debt service payments on the Bonds. All revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax and from any Additional Pledged Loans are transferred to the Trustee and deposited in the Revenue Fund. Moneys in the Revenue Fund are used each Bond Fund Year to pay debt service on the Bonds to the extent that moneys in the several accounts of the Debt Service Fund are insufficient and to pay debt service on the portions of the Bonds used to finance grants. At the end of each Bond Fund Year moneys in the Revenue Fund in excess of the requirements for such moneys under the Indenture are transferred to the NMFA and are no longer part of the Trust Estate. For a more complete description of the funds and accounts into which Revenues are deposited, see "Flow of Funds" below under this caption, and EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts" in Appendix B hereto.

The Agreements and the Agreement Pledged Revenues

Generally. The Agreements consist of Loan Agreements and Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of their respective projects by the NMFA. (Under the Indenture "Agreements" also includes Grant Agreements, however the Grant Agreements contain no repayment provisions.) Under each Loan Agreement or issue of Securities, the respective Governmental Unit pledges to the NMFA for payment of all amounts due under their respective Agreements (i) revenues of specific enterprise systems or revenues attributable to certain taxes (such pledged revenues the "Agreement Pledged Revenues") and (ii) moneys in certain funds and accounts held by the Trustee. Each Government Unit executing a Loan Agreement or issuing Securities warrants to promptly pay principal of and interest on its loan from its Agreement Pledged Revenues and to continue such payments until its loan is paid in full.

Agreement Reserve Fund. Pursuant to the Indenture, an Agreement Reserve Fund has been created which will be held by the Trustee. Within such fund currently are accounts relating to each Governmental Unit having a repayment obligation to the NMFA pursuant to a Loan Agreement or Securities. Amounts in a Government Unit's account of the Agreement Reserve Fund will be withdrawn by the Trustee and deposited into that Governmental Unit's account of the Debt Service Fund to the extent of any shortfall in payments by such Governmental Unit under its Loan Agreement or Securities and any Additional Pledged Loans. **Amounts in a**

Governmental Unit's account of the Agreement Reserve Fund will not be used to cover shortfalls in payments of other Governmental Units and will not otherwise be available to defray deficiencies in the Bond Fund. See "PLAN OF FINANCING - Sources and Uses of Funds" herein and "Flow of Funds" below under this caption.

For a discussion of the separate reserve account established within the Revenue Fund see "Flow of Funds" below under this caption.

Agreements with 1996 Governmental Units. Each 1996 Government Unit either entering into a 1996 Loan Agreement (Central Solid Waste Authority and certain of its participating entities including the City of Belen, the Village of Bosque Farms, the Village of Magdalena and the Village of Los Lunas) or issuing 1996 Securities (the Park and Recreation Division of the Energy, Minerals and Natural Resources Department of the State) has pledged specific Agreement Pledged Revenues to the repayment of its Loan. A brief description of the Agreement Pledged Revenues and the applicable 1996 Loan Agreement or 1996 Securities for each such 1996 Governmental Unit is set forth in the entry for each such 1996 Governmental Unit under "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENT UNITS" in Appendix D hereto. The amount, if any, required to be deposited in the Agreement Reserve Fund account established with respect to each 1996 Governmental Unit is set forth under "THE PLAN OF FINANCING - Sources and Uses of Funds" herein. Financial information and operating data are not set forth for any 1996 Governmental Unit since no 1996 Governmental Unit will be providing more than 5% of estimated annual Revenues in any year when Bonds will be Outstanding.

Agreements with Other Governmental Units. In connection with the issuance of NMFA's $41,230,000 Public Project Revolving Fund Revenue Bonds, Series 1995A (the "Series 1995A Bonds") Agreements were entered into with other Governmental Units. For a description of such Agreements, including a brief description of the Agreement Pledged Revenues for such Governmental Units, see "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D of the NMFA's final Official Statement dated June 28, 1995 relating to its Public Project Revolving Fund Revenue Bonds, Series 1995A and Series 1995B (the "1995 Official Statement") on file with the Municipal Securities Rulemaking Board ("MSRB"). For a description of the Agreement Pledged Revenues and the Loan Agreement and certain other information with respect to the City of Santa Fe, currently the only Governmental Unit whose repayment obligations constitute more than 5% of the estimated annual Revenues in any year when Bonds will be Outstanding, see "CERTAIN INFORMATION CONCERNING CERTAIN OTHER GOVERNMENTAL UNITS" in Appendix E hereto. The City of Santa Fe is currently considering a restructuring of certain of its outstanding obligations and such restructuring could result in the defeasance of its Loan Agreement. No assurance can be given that the City will determine to proceed with such restructuring; however, if it determines to proceed, such defeasance could occur as early as October, 1996. For a listing of each Governmental Unit which has an outstanding Agreement with the NMFA see "THE PLAN OF FINANCING - Governmental Units and Projects" herein.

No Obligation of Nondefaulting Governmental Units to Cover Shortfalls. A nondefaulting Governmental Unit is not required to make up any Loan Payment not paid in full by a defaulting Governmental Unit or to make up any insufficiency in the NMFA Portion of the Governmental Gross Receipts Tax.

The Governmental Gross Receipts Tax

Generally. Pursuant to Section 7-1-6.38, NMSA 1978, the NMFA is allocated 75% of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-3.2, NMSA 1978. For purposes of this Official Statement, the 75% net receipts which is allocated to NMFA is referred to as the "NMFA Portion of the Governmental Gross Receipts Tax." Under the Indenture, the NMFA Portion of the Governmental Gross Receipts Tax, along with payments attributable to Additional Pledged Loans, if any, shall be paid when received by NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund created under the Indenture within the Public Project Revolving Fund and are available (i) to pay debt service on the Bonds to the extent Loan Payments paid by the Governmental Units pursuant to the Agreements are not sufficient to pay debt service when due and (ii) to pay debt service on the portions of the Bonds issued to fund Grants. See "Flow of Funds" under this caption. Pursuant to Section 7-9-43.3, NMSA 1978, the governmental gross receipts tax is imposed on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except school districts and certain health care entities. See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Exhibit B hereto for certain information concerning the Revenue Fund and allocation of amounts therein to payment of principal and interest on the Bonds.

Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State of New Mexico or any agency, institution, instrumentality or public subdivision thereof except any school district and any entity licensed by the State Department of Health that is particularly engaged in providing health care services, from:

(a) the sale of tangible personal property other than water from facilities open to the general public;

(b) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public;

(c) refuse collection, refuse disposal or both;

(d) sewage services; and

(e) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State of New Mexico.

The definition of governmental gross receipts includes receipts from the sale of tangible personal property handled on consignment when sold from facilities open to the general public,

but excludes cash discounts taken and allowed, governmental gross receipts tax payable on transactions reportable for the period and any type of time-price differential.

The governmental gross receipts tax was enacted into law and first imposed in 1991. It is imposed at a rate of 5% on governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services. In addition, the governmental gross receipts tax is not imposed on: (i) receipts from transactions involving tangible personal property or services on which the gross receipts tax, compensating tax, motor vehicle excise tax, gasoline tax, special fuel tax, special fuel excise tax, oil and gas emergency school tax, resources tax, processors tax, service tax, or the excise tax imposed under Section 66-12-6.1 NMSA 1978, are imposed; or (ii) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision or on receipts from operation of a cable television system owned or operated by a municipality, because those receipts are subject to the regular gross receipts tax under Section 7-9-13, NMSA 1978. Significant deductions from the governmental gross receipts tax include: (i) receipts from selling tangible personal property to the United States government or the State or any governmental unit or subdivision, agency, department or instrumentality thereof (which may be deducted from governmental gross receipts); (ii) receipts from selling tangible personal property to an Indian tribe, nation or pueblo or any governmental subdivision, agency, department or instrumentality thereof for use on Indian reservations or pueblo grants; (iii) receipts from a sale made to a person engaged in the business of manufacturing or to receipts from selling tangible personal property or licenses if the sale is made to a person that delivers a non-taxable transaction certificate to the seller; and (iv) receipts from transactions in interstate commerce.

Collection and Distribution Information. Governmental agencies are treated as taxpayers under the provisions of the Tax Administration Act, Section 7-1-1, et seq., NMSA 1978, and are responsible for paying the governmental gross receipts tax to the New Mexico Department of Taxation and Revenue in accordance with the State's Tax Administration Act. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other things. On the last day of each month, the balance in the suspense fund is identified by tax source and distributed to the appropriate municipalities or state agencies, including the NMFA. Collection of governmental gross receipts tax is administered by the Department of Taxation and Revenue. Governmental gross receipts taxes are to be paid on or before the 25th day of the month following the month in which the taxable event occurs.

Set forth below is information concerning collections of the governmental gross receipts tax for the fiscal years 1992-1993 through 1995-1996.

Governmental Gross Receipts Taxes Collections
Fiscal Years 1992 - 1993 through 1995 - 1996

	Fiscal Year 1992 - 1993	Fiscal Year 1993 - 1994	Fiscal Year 1994 - 1995	Fiscal Year 1995 - 1996
Total Net Receipts	$12,347,181	$12,511,874	$13,530,014	$16,059,454(2)
NMFA Portion of the Governmental Gross Receipts Tax	$ 9,260,386(1)	$ 9,383,906(1)	$10,147,511	$12,044,591

(1) Although the governmental gross receipts tax was first imposed in 1991, NMFA did not begin receiving the NMFA Portion of the Governmental Gross Receipts Tax until August 1, 1994. Therefore, these amounts are shown for informational purposes only.

(2) The increase in net receipts for Fiscal Year 1995-1996 reflects acquisitions by the City of Santa Fe and the City of Rio Rancho of water systems which had been privately owned and therefore not subject to the tax.

Set out below and on the following page is information concerning the top nine payers of the governmental gross receipts tax for fiscal years 1994-1995 and 1995-1996. Such information is not available from the State and has instead been obtained from each individual entity. As a result, the NMFA cannot guaranty the accuracy of any such information.

Nine Largest Payers of
Governmental Gross Receipts Taxes
Fiscal Years 1994-1995 and 1995-1996

	Fiscal Year 1994-1995		Fiscal Year 1995-1996	
Entity	Amount Paid	% of Total GGRT of All Entities in NM	Amount Paid	% of Total GGRT of All Entities in NM
City of Albuquerque	$5,357,824	39.60%	$5,994,374	37.33%
City of Santa Fe	415,199	3.07%	1,178,549	7.34%
University of New Mexico	1,066,845	7.89%	1,048,189	6.53%
City of Las Cruces	664,523	4.91%	717,834	4.47%
City of Rio Rancho	3,145	.02%	652,378	4.06%
City of Farmington	550,182	4.07%	589,338	3.67%
City of Roswell	498,006	3.68%	525,228	3.27%
City of Gallup	236,517	1.75%	251,837	1.57%
New Mexico State University	221,379	1.64%	218,241	1.36%
Total	$9,013,620	66.63%	$11,840,492	73.74%

Source: Individual entities.

Additional Pledged Loans

NMFA may make loans from or purchase securities with available funds in the Public Project Revolving Fund other than proceeds of Bonds. At its option, the NMFA may designate such loans or securities as "Additional Pledged Loans" and upon such designation the principal

and interest payments on such loans or securities become pledged by NMFA to the payment of Bonds. See "Flow of Funds," below under this caption. To date, NMFA has made Additional Pledged Loans to certain Governmental Units which received proceeds from the Series 1995A Bonds (the Park and Recreation Division of the Energy, Minerals and Natural Resources Department of the State, the City of Las Vegas and the Northwest New Mexico Solid Waste Authority) and to the Town of Red River, the County of Doña Ana and the County of Rio Arriba. In addition, NMFA intends to make Additional Pledged Loans to the Garfield Mutual Domestic Water Consumers' and Mutual Sewage Works Association (in the estimated amount of $1,650,000) and to the following 1996 Governmental Units in the indicated estimated amounts: the Park and Recreation Division of the Energy, Minerals and Natural Resources Department of the State ($390,272) and the Central Solid Waste Authority ($179,445). For a brief description of the outstanding Additional Pledged Loans see "THE PLAN OF FINANCING - Governmental Units and Projects." The repayment obligations of those Government Units receiving Additional Pledged Loans who have also entered Loan Agreements with or issued Securities purchased by NMFA are on a parity with amounts due with respect to such Loan Agreements or Securities.

Flow of Funds

The Indenture creates a Revenue Fund, a Bond Fund, a Debt Service Fund with separate accounts for each Governmental Unit receiving a Loan, and an Agreement Reserve Fund with a separate account for each Governmental Unit receiving a Loan.

All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements and Securities are to be paid directly to the Trustee and the Trustee is to deposit all such payments immediately upon receipt thereof, as follows:

> First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan.
>
> Second: to the related Account, if any, in the Agreement Reserve Fund to the extent necessary to cause the balance in said Account to equal the Agreement Reserve Requirement, if any, of such Account.
>
> Third: to the payment of Program Costs (to the extent allocable to such Agreement).

On the fifth day preceding a Loan Payment Date (or, if such fifth day is not a Business Day, on the Business Day next preceding such fifth day), if the amount on deposit in any Governmental Unit's Account of the Debt Service Fund is insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, the Trustee is to transfer from the related Agreement Reserve Account to that Governmental Unit's Account of the Debt Service Fund, an amount sufficient, together with amounts in such Debt Service

Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date.

On each Interest Payment Date for the Bonds, the Trustee is to transfer moneys in the respective Accounts of the Debt Service Fund to the Bond Fund to pay the interest on the related Bonds becoming due on such Interest Payment Date and to pay the principal of each related Bond due at maturity or by prior redemption.

During each Bond Fund Year, all Revenues constituting receipts from the NMFA Portion of the Governmental Gross Receipts Tax and principal and interest payments from Additional Pledged Loans are to be paid when received by the NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund. On each Interest Payment Date, the Trustee (except as otherwise provided in a Supplemental Indenture) is to transfer from the Revenue Fund (including any amounts in the separate account described in the next paragraph) to the Bond Fund (i) an amount equal to the principal and interest due on such Interest Payment Date on the portion of any Bonds the proceeds of which were used to make Grants and (ii) if the amounts on deposit in the Bond Fund are insufficient for payments coming due with respect to the Bonds on such Interest Payment Date, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the principal and interest due on the Bonds on such Interest Payment Date.

At the conclusion of each Bond Fund Year, the Trustee is to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining therein), the following:

(i) an amount equal to any deficiency in any account in the Agreement Reserve Fund;

(ii) with respect to Agreements for which (A) no Agreement Reserve Account was created in the Agreement Reserve Fund and (B) a default in the payment of principal or interest under such Agreement has occurred and is continuing, an amount equal to the least of (x) 10% of the proceeds of such Agreement, (y) maximum annual debt service on such Agreement and (z) 1.25 times average annual debt service on such Agreement; and

(iii) with respect to Bonds issued to finance Grants and for which no other debt service reserve fund has been created, an amount equal to the least of (A) 5% of the proceeds of the Bonds issued to finance such Grant, (B) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (C) .625 times average annual debt service on the Bonds issued to finance such Grant.

Pursuant to the Indenture, the NMFA is not required to contribute any amounts to fund the retention described in the preceding paragraph other than from amounts on deposit in the Revenue Fund at the end of each Bond Fund Year, and no default under the Indenture occurs

solely by reason of any insufficiency of funds remaining in the Revenue Fund to fund such retention.

After making the foregoing deposits, at the conclusion of each Bond Fund Year, and after making the payments required by the Indenture during such Bond Fund Year, the Trustee is to transfer the balance on deposit in the Revenue Fund to the NMFA and the NMFA may use such balance for:

(i) Public Project Revolving Fund purposes;

(ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund;

(iii) refinancing, refunding, purchasing or advance refunding of any Bonds; or

(iv) any other lawful purpose.

The balance so transferred to NMFA is no longer pledged to the payment of debt service on the Bonds.

Additional Bonds

Generally

Additional Bonds or other indebtedness, bonds or notes of the NMFA payable on a parity with the Bonds out of the Trust Estate may be issued or incurred, only if certain requirements have been met, including the following:

(a) NMFA must deliver to the Trustee a Cash Flow Statement, taking into account the issuance of the Additional Bonds or other indebtedness, bonds or notes. The requirements of the Cash Flow Statement are set forth under "Cash Flow Statement," below.

(b) All payments required by the Indenture to be made into the Bond Fund must have been made in full.

(c) The proceeds of the Additional Bonds or other indebtedness, bonds or notes must be used (i) to refund Bonds issued hereunder or other obligations of the NMFA (including the funding of necessary reserves and the payment of costs of issuance) or (ii) to make additional Loans or Grants or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default shall have occurred and be continuing under the Indenture, except that the foregoing provisions of this paragraph (d) shall not preclude the issuance of Additional Bonds or other indebtedness, bonds or notes if (i) the issuance of such Additional Bonds or other indebtedness, bonds or notes

otherwise complies with the requirements of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of the Additional Bonds or other indebtedness, bonds or notes and the application of the proceeds thereof.

Any of the foregoing requirements may be revised or deleted with written evidence from the Rating Agency to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

Cash Flow Statement

Pursuant to the Indenture, "Cash Flow Statement" means a certificate of NMFA:

(a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate, the following:

(A) the amount of the NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(B) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(C) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding;

and (b) and showing that in each such Bond Fund Year the aggregate of the amount set forth in clause (A) of this definition divided by 1.35, plus the aggregate amount set forth in clause (B) of this definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of this definition. For purposes of the foregoing definition, the following assumptions apply:

(i) The NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period during the 24 months next preceding the delivery of the Cash Flow Statement;

(ii) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above;

(iii) Loans and Additional Pledged Loans will be assumed to remain in their current category designations throughout the period projected in the Cash Flow Statement.

For purposes of the Indenture and the Cash Flow Statement, "Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

Category of Loans and Additional Pledged Loans	Applicable Percentage
Category I	100%
Category II	80%
Category III	50%
Category IV	0%

Category I Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the third highest full rating category or higher by the Rating Agency.

Category II Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

Category III Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

Category IV Loans and Additional Pledged Loans are all Non-Performing Loans and Additional Pledged Loans, Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been replenished in accordance with the related Agreement, and Loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agency.

"Non-Performing Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a covenant default) or under which a delinquency exists in payments of principal or interest thereunder.

"Rating Agency" means Moody's Investors Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

Pursuant to the Indenture, at the time of issuance of each Series of Bonds, each of the Agreements to be executed in connection with such issuance is required to be submitted to the Rating Agency for assignment of a designation or rating or shall be designated in Category IV by the NMFA without submission to the Rating Agency. In addition, each Additional Pledged Loan is required to be submitted to the Rating Agency for assignment of a designation or a rating or shall be designated in Category IV by NMFA without submission to the Rating Agency. At any time (including upon issuance of Additional Bonds), the category assigned to an Agreement or to Additional Pledged Loans may be revised by the Rating Agency.

The formula described above may also be summarized as follows (where A = NMFA Portion of Governmental Gross Receipts Tax, B = Assumed Repayments of Loans and Additional Pledged Loans and C = Aggregate Annual Debt Service on all Bonds Outstanding):

$$(A \div 1.35) + B > C$$

No Senior Lien Obligation

No additional indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of the Revenues for payment of the Bonds shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds.

Additional Parity Obligations of Government Units

For a description of the restrictions, if any, governing the issuance by 1996 Government Units of additional obligations on a parity with the obligations of such 1996 Governmental Units to make payments under their respective Agreements, see "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS" in Appendix D. For a description of the restrictions, if any, governing the issuance by other Governmental Units of additional parity obligations, see "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D to the 1995 Official Statement on file with the MSRB.

Outstanding Parity Bonds

The only Outstanding parity Bonds of the NMFA are the Series 1995A Bonds which are currently outstanding in $39,740,000 aggregate principal amount. See "ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE RATIOS" for Debt Service Requirements on the Series 1995A Bonds and aggregate payments under Agreements relating to the Bonds. See "THE PLAN OF FINANCING - Governmental Units" for a listing of the 1995 Governmental Units which received proceeds from the 1995A Bonds.

Supplemental Indentures and Amendments to Loan Agreements; Rating Agency Discretion

Pursuant to the Indenture, the NMFA and the Trustee may, without the consent of any of the Owners of the Bonds, enter into an indenture or indentures supplemental to the Indenture in order to make certain amendments or changes to the Indenture, including any amendment so long as prior written confirmation has been obtained from the Rating Agency that such amendment will not result in the rating on the Bonds, following such amendment, being lower than the rating on the Bonds immediately prior to such amendment.

In addition, the NMFA with the consent of the Trustee and the related Governmental Unit may, without the consent of any Owners of the Bonds, amend any Loan Agreement so long as prior written confirmation has been obtained from the Rating Agency that such amendment will not result in the rating on the Bonds, following such amendment, being lower than the rating on the Bonds immediately prior to such amendment.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 1996 Bonds, Financial Security Assurance Inc. ("Financial Security") will issue a separate Municipal Bond Insurance Policy for each series of the Series 1996 Bonds (collectively, the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 1996 Bonds when due as set forth in the form of the Policy included as Exhibit G to this Official Statement.

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

Financial Security Assurance Inc.

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

At June 30, 1996, Financial Security's total policyholders' surplus and contingency reserves were approximately $661,732,000 and its total unearned premium reserve was approximately $399,769,000 in accordance with statutory accounting principles. At June 30, 1996, Financial Security's total shareholders' equity was approximately $785,072,000 and its total net unearned premium reserve was approximately $351,180,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Series 1996 Bonds.

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

The Policy does not protect investors against changes in market value of the Series 1996 Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 1996 Bonds or the advisability of investing in the Series 1996 Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

THE PLAN OF FINANCING

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series 1996 Bonds, other than accrued interest to be received in connection with the sale of the Series 1996 Bonds are set forth in the following table. Accrued interest from September 1, 1996 will be deposited in the Bond Fund.

Sources and Uses of Funds

1996 Governmental Unit *(Agreement Pledged Revenues)*	Energy Department *(Portions of GGRT)*	Environment Department *(not applicable)*(1)	Central Solid Waste Authority *(EGRT & Solid Waste Net Revenues)*	TOTAL
SOURCES:				
Series 1996 Bond Proceeds	$3,510,000	$16,000,000	$1,615,000	$21,125,000
Net Original Issue Premium or (Discount) on Series 1996A Bonds	10,488	37,677	(486)	47,679
Additional Pledged Loans	390,000	0	179,445	569,445
TOTAL SOURCES:	$3,910,488	$16,037,677	$1,793,959	$21,742,124
USES:				
Deposits to 1996 Governmental Units' Accounts within Program Fund (2)	$3,528,130	$15,654,943	$1,563,578	$20,746,650
Capitalized Interest	0	0	62,104	62,104
Deposits to 1996 Governmental Units' Accounts Within Agreement Reserve Fund (3)	296,100	0	126,758	422,858
Costs of Issuance (4)	86,258	382,734	41,520	510,512
TOTAL USES:	$3,910,488	$16,037,677	$1,793,959	$21,742,124

(1) Pursuant to the Indenture and the 1996 Grant Agreements, debt service on that portion of the Series 1996 Bonds issued to fund the Environmental Department's 1996 Grant will be paid from the NMFA Portion of the Governmental Gross Receipts Tax.

(2) Such proceeds are to be deposited to the Program Fund and used to fund all or a portion of the costs of the 1996 Projects. See "The 1996 Governmental Units and the 1996 Projects" under this caption and "EXTRACT OF CERTAIN PROVISIONS OF THE INDENTURE-Funds and Accounts" in Appendix B hereto.

(3) Such proceeds are to be used to defray deficiencies in the respective accounts of the 1996 Governmental Units within the Debt Service Fund. Such amounts will not be otherwise available to defray deficiencies in the Bond Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1996 BONDS-Flow of Funds."

(4) Includes legal and accounting fees, printing, rating fees, Underwriters' discount and other miscellaneous costs. See "UNDERWRITING."

Governmental Units and the 1996 Projects

1996 Governmental Units

Set out below is certain information concerning the 1996 Governmental Units which the NMFA expects will receive a portion of the proceeds of the Series 1996 Bonds for the financing of their respective 1996 Projects. For additional information concerning the 1996 Governmental Units, the 1996 Projects and the Agreement Pledged Revenues, see "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 1996 BONDS" and "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS" in Appendix D hereto.

The 1996 Governmental Units and the 1996 Projects

1996 Governmental Unit	1996 Project	Agreement Pledged Revenues
Park and Recreation Division of the Energy, Minerals, and Natural Resources Department of the State of New Mexico	various park system capital projects	Energy, Minerals, and Natural Resources Department Portion of the Governmental Gross Receipts Tax
Department of the Environment of the State of New Mexico	grants for improvements in local government solid waste systems and loans to local governments for water and waste water systems	not applicable*
Central Solid Waste Authority and the City of Belen, the Village of Bosque Farms, the Village of Los Lunas and the Village of Magdalena	development of a regional solid waste collection, transfer and disposal system	Environmental Gross Receipts Tax and Solid Waste System Net Revenues

* Pursuant to the Indenture and the 1996 Grant Agreements, debt service payments on the Series 1996 Bonds issued to fund these Grants are to be paid from the NMFA Portion of the Governmental Gross Receipts Tax.

Other Governmental Units.

The Series 1995A Bonds were issued to purchase securities of the Park and Recreation Division of the Energy, Minerals and Natural Resources Department of the State, to make loans to the City of Las Vegas, to the City of Santa Fe and to the Northwest New Mexico Regional Solid Waste Authority and the County of Cibola, the City of Gallup, the City of Grants, the County of McKinley, and the Village of Milan. For a description of the Projects of each such Governmental Unit see "CERTAIN INFORMATION CONCERNING 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D of the 1995 Official Statement on file with the MSRB.

Generally

The following table lists all Governmental Units which have entered into Agreements with the NMFA and all governmental entities which have outstanding Additional Pledged Loans. The list also includes the 1996 Governmental Units which will enter into Agreements or will have Additional Pledged Loans. The table includes each such entity, the principal amount of the currently outstanding loan obligation, the estimated percentage of estimated total annual Revenues to be provided by such entity, the NMFA Bond issue with respect to which an Agreement was issued, if applicable, the final maturity date of the obligation of such entity and the Agreement Pledged Revenues securing the obligation of such entity. The NMFA has $39,740,000 of Series 1995A Bonds outstanding and, upon issuance, will have $21,125,000 of Series 1996 Bonds outstanding.

Currently Outstanding Obligations
Which Are Included In Trust Estate

Borrower(1)	Amount of Outstanding Obligations(2)	Estimated Percentage of Annual Revenues	Bond Issue(s)(3)	Final Maturity
City of Santa Fe	$19,385,000	12.97%	1995A	2023
Northwest Solid Waste Authority	8,125,000	4.31	1995A and APL	2015
City of Las Vegas	5,419,835	2.99	1995A and APL	2015
Department of Energy	7,434,774	3.65	1995A and 1996A and APL	2016
Central Solid Waste Authority	1,794,445	0.86	1996A and APL	2021
Rio Arriba County	3,012,386	1.53	APL	2016
Dona Ana County	606,061	0.34	APL	2016
Town of Red River	64,590	0.03	APL	2016
	$45,842,091			

(1) Includes 1996 Governmental Units.
(2) Includes Obligations of 1996 Governmental Units.
(3) APL means the obligation is an Additional Pledged Loan not funded from an issue of Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE RATIOS

The following schedule shows the total debt service (excluding any optional prior redemptions) payable for the Series 1996 Bonds for each fiscal year through their respective final maturity dates.

Debt Service for the Series 1996A Bonds

Fiscal Year	Principal(1)	Interest(2)	Annual Debt Service Requirements
1997	$485,000	$702,412.50	$1,187,412.50
1998	550,000	912,300.00	1,462,300.00
1999	565,000	890,300.00	1,455,300.00
2000	595,000	866,287.50	1,461,287.50
2001	620,000	840,107.50	1,460,107.50
2002	655,000	811,897.50	1,466,897.50
2003	680,000	781,440.00	1,461,440.00
2004	710,000	749,140.00	1,459,140.00
2005	750,000	714,705.00	1,464,705.00
2006	785,000	676,080.00	1,461,080.00
2007	830,000	628,980.00	1,458,980.00
2008	880,000	585,820.00	1,465,820.00
2009	920,000	539,180.00	1,459,180.00
2010	975,000	489,500.00	1,464,500.00
2011	1,025,000	435,875.00	1,460,875.00
2012	1,080,000(3)	379,500.00	1,459,500.00
2013	1,145,000(3)	317,400.00	1,462,400.00
2014	1,215,000(3)	251,562.50	1,466,562.50
2015	1,280,000(3)	181,700.00	1,461,700.00
2016	1,355,000	108,100.00	1,463,100.00
2017	95,000(3)	30,187.50	125,187.50
2018	100,000(3)	24,725.00	124,725.00
2019	105,000(3)	18,975.00	123,975.00
2020	110,000(3)	12,937.50	122,937.50
2021	115,000	6,612.50	121,612.50

(1) Payable on June 1.
(2) Payable on June 1 and December 1, commencing June 1, 1997.
(3) Mandatory sinking fund payment.

Debt Service for the Taxable Series 1996B Bonds

Fiscal Year	Principal(1)	Interest(2)	Annual Debt Service Requirements
1997	$610,000(3)	$175,087.50	$785,087.50
1998	655,000(3)	192,763.00	847,763.00
1999	695,000(3)	149,074.50	844,074.50
2000	745,000(3)	102,718.00	847,718.00
2001	795,000	53,026.25	848,026.25

(1) Payable on June 1.
(2) Payable on June 1 and December 1, commencing June 1, 1997.
(3) Mandatory sinking fund payment.

The following table shows estimated available Revenues, total debt service requirements for the Series 1996 Bonds and the Series 1995A Bonds and the resulting estimated annual coverage ratios. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Debt Service Requirements and Coverage Ratios

Fiscal Year	Estimated Fiscal Year 1995-1996 Collections of NMFA Portion of Gov't Gross Receipts Tax(1)	Aggregate Payments under Agreements(2)	Estimated Payments Under Additional Pledged Loans(3)	Estimated Total Revenues	Total Debt Service Requirements for the 1996 Bonds	Total Debt Service Requirements for the 1995A Bonds	Total Debt Service Requirements for the 1996 and 1995A Bonds	Estimated Annual Coverage Ratios
1997	$12,040,500	$3,981,615	$305,039	$16,327,154	$1,972,500	$3,871,934	$5,844,434	2.79
1998	12,040,500	4,109,060	310,972	16,460,531	2,310,063	3,883,684	6,193,747	2.66
1999	12,040,500	4,107,882	310,698	16,459,080	2,299,375	3,890,369	6,189,743	2.66
2000	12,040,500	4,098,096	310,414	16,449,010	2,309,006	3,880,236	6,189,242	2.66
2001	12,040,500	3,479,717	310,118	15,830,334	2,308,134	3,272,111	5,580,245	2.84
2002	12,040,500	3,377,748	309,806	15,728,054	1,466,898	3,162,011	4,628,909	3.40
2003	12,040,500	3,386,153	309,482	15,736,136	1,461,440	3,177,649	4,639,089	3.39
2004	12,040,500	3,384,100	309,143	15,733,743	1,459,140	3,182,693	4,641,833	3.39
2005	12,040,500	3,280,005	308,787	15,629,292	1,464,705	3,078,603	4,543,308	3.44
2006	12,040,500	3,111,339	308,415	15,460,254	1,461,080	2,915,398	4,376,478	3.53
2007	12,040,500	3,122,262	308,023	15,470,785	1,458,980	2,929,428	4,388,408	3.53
2008	12,040,500	3,112,976	307,612	15,461,088	1,465,820	2,921,378	4,387,198	3.52
2009	12,040,500	3,107,679	307,180	15,455,558	1,459,180	2,922,618	4,381,798	3.53
2010	12,040,500	3,105,504	306,723	15,452,727	1,464,500	2,921,305	4,385,805	3.52
2011	12,040,500	3,097,232	306,242	15,443,974	1,460,875	2,924,530	4,385,405	3.52
2012	12,040,500	3,090,162	305,733	15,436,395	1,459,500	2,917,968	4,377,468	3.53
2013	12,040,500	3,095,943	305,200	15,441,643	1,462,400	2,925,158	4,387,558	3.52
2014	12,040,500	3,084,031	304,631	15,429,162	1,466,563	2,919,910	4,386,473	3.52
2015	12,040,500	3,075,032	304,031	15,419,563	1,461,700	2,917,523	4,379,223	3.52
2016	12,040,500	1,604,753	303,398	13,948,651	1,463,100	1,132,400	2,595,500	5.37
2017	12,040,500	1,283,243	-	13,323,743	125,188	1,134,800	1,259,988	10.57
2018	12,040,500	1,280,971	-	13,321,471	124,725	1,134,500	1,259,225	10.58
2019	12,040,500	1,275,621	-	13,316,121	123,975	1,131,500	1,255,475	10.61
2020	12,040,500	1,277,194	-	13,317,694	122,938	1,135,800	1,258,738	10.58
2021	12,040,500	1,270,068	-	13,310,568	121,613	1,131,800	1,253,413	10.62
2022	12,040,500	1,138,960	-	13,179,460	-	1,134,800	1,134,800	11.61
2023	12,040,500	1,136,340	-	13,176,840	-	1,134,200	1,134,200	11.62

(1) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Revenues-The Governmental Gross Receipts Tax."

(2) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues - The Agreements and the Agreement Pledged Revenues." Includes 1996 Agreements and Agreements entered into in connection with the 1995A Bonds. Also includes administrative fees charged to borrower.

(3) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Revenues-Additional Pledged Loans." Includes both outstanding Additional Pledged Loans and Additional Pledged Loans currently anticipated to be made in 1996. Also includes administrative fees charged to borrower.

NEW MEXICO FINANCE AUTHORITY

Generally

The NMFA is a public body politic and corporate and governmental instrumentality of the State. It was created in 1992 pursuant to the Act for the purpose of coordinating the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. Pursuant to the Act, the NMFA and its corporate existence shall continue until terminated by law, provided that no such law shall take effect so long as the NMFA has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The NMFA is governed by a Board of Directors and currently employs six persons.

Powers

Pursuant to the Act, the NMFA is granted all powers necessary and appropriate to carry out and effectuate its public and corporate purposes, including but not limited to the following powers: to sue or be sued; to adopt, subject to the review and approval of the NMFA oversight committee, such regulations as are necessary and appropriate to implement the provisions of the Act; to make, enter into and enforce all contracts, agreements and other instruments necessary, convenient or desirable in the exercise of its powers and functions and for the purposes of the Act; to acquire, construct, hold, improve, mortgage, sell, lease, convey or dispose of real and personal property for its public purposes; to make loans and purchase securities and contract to make loans and purchase securities; to make grants to qualified entities to finance public projects; to procure insurance to secure payment on any loan, lease or purchase payments owed to the NMFA by a qualified entity in such amounts and from such insurers, including the federal government, as it may deem necessary or desirable, and to pay any premiums for such insurance; to fix, revise from time to time, charge and collect fees and other charges in connection with the making of loans and any other services rendered by the NMFA; and to borrow money and to issue bonds.

Organization and Governance

The Board of Directors of the NMFA is composed of 12 members, seven of which are ex-officio members designated in the Act and five of which are appointed by the Governor with the advice and consent of the State senate. The seven designated members include five ex-officio State officials, of which four are cabinet-level secretaries (the secretary of finance and administration, the secretary of economic development, the secretary of energy, minerals and natural resources, and the secretary of environment), and one is a State agency official (the State investment officer), and two are the chief executives of state-wide associations (the executive director of the State municipal league and the executive director of the State association of counties). One of the five members appointed by the Governor must be the chief financial

officer of a State higher educational institution and the remaining four members appointed by the Governor are members of the public. Each of the appointed members of the NMFA serve staggered four-year terms, so that the term of at least one member expires on January 1 of each year. Vacancies are filled by appointment by the successor for the remainder of the unexpired term. Any member is eligible for reappointment.

The Act also provides for the creation of a legislative oversight committee, whose membership is determined by the State Legislative Council. The oversight committee is required to monitor and oversee the operation of the NMFA, and in that connection it: meets on a regular basis to receive and review reports from the NMFA on implementation of the provisions of the Act and to review and approve regulations proposed for adoption; monitors and provides assistance and advice on the public project financing program of the NMFA; oversees and monitors State and local government capital planning and financing; provides advice and assistance to the NMFA and cooperates with the executive branch of State government and local governments on planning, setting priorities for and financing of State and local capital projects; undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the legislature. The report and proposed legislation is required to be made available on or before December 15 each year.

Governing Board and Staff Members

Current members of the Board of Directors of the NMFA, and their respective occupations, are set out below:

New Mexico Finance Authority
Board of Directors

Name	Occupation	Term Expires
Phil Archibeck(1)	State Investment Officer, State Investment Council	not applicable
Gary Bratcher(1)	Secretary, Economic Development Department, State of New Mexico	not applicable
John Burson(2)	President, Valley Bank of Commerce, Roswell, New Mexico	January 1, 1998
William Fulginiti(1) (Secretary)	Director, New Mexico Municipal League	not applicable
Robert Goodman(2) (Chairman)	President, Sunwest Bank of Albuquerque, N.A.	January 1, 1997
David Harris(1)	Secretary, Department of Finance and Administration, State of New Mexico	not applicable

Jack A. Martines(2) (Vice Chairman)	Consultant	January 1, 2000
David L. McKinney(2) (Treasurer)	Vice President for Business and Finance, University of New Mexico	January 1, 1999
Donna Smith(1)	Director, New Mexico Association of Counties	not applicable
Jennifer Salisbury(1)	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Mary L. Thompson(2)	Realtor	January 1, 2000
Mark Weidler(1)	Secretary, Environment Department, State of New Mexico	not applicable

(1) Ex-Officio Member.
(2) Appointed by the Governor of the State to four-year term.

Set out below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 1996 Bonds and the administration of the public project revolving fund program.

Tom K. Pollard, Ph.D., Executive Director. Dr. Pollard has directed the operations of the NMFA since its inception. He previously served for five years as Executive Director of the Texas Board from its inception in 1987. The Board, chaired by the Governor of Texas, is responsible for the approval of all state bond issuance. Dr. Pollard directed all research, technical and administrative functions of the Board and analyzed the legal and financial soundness of each bond transaction reviewed by the Bond Review Board. He also administered the allocation of the State's $850 million federal private activity bond authorization among Texas bond issuing entities and reported to the bond rating agencies on the fiscal condition of state government and Texas' state-backed loan programs. Before coming to the Board, Dr. Pollard served the Texas State Comptroller as the government's primary forecaster of state economic conditions and state government revenue from all sources. Dr. Pollard received a Ph.D. in economics from the University of Texas in 1980.

Keith H. Mellor, Controller. Mr. Mellor joined the NMFA in November 1995. Before coming to the NMFA Mr. Mellor was controller for the Los Alamos Credit Union. He brings with him an extensive background in controllership, investment portfolio management, governmental auditing and accounting. His responsibilities include design, implementation, and maintenance of financial controls, reporting systems and investment strategies. Prior to serving at the Credit Union, Mr. Mellor was CFO/Controller for CNS, Inc., a systems engineering and

integration firm. Mr. Mellor holds B.S. in accounting from Metro State College, Denver, Colorado. He holds a Certified Public Accountant's license in the State of Colorado.

Richard G. Chavez, Program Manager. Mr. Chavez joined the NMFA in March 1994. He has an extensive background with capital planning, county and city government. Mr. Chavez's experience has provided the NMFA with valuable knowledge of infrastructure issues throughout the State, in addition to a valuable network of federal, state and local officials. Mr. Chavez has a B.A. in Humanities and Social Sciences form Colorado State University and a Masters in Public Administration from the University of New Mexico.

Lloyd W. Pepperl, Financial Analyst. Mr. Pepperl joined the NMFA in May 1994. Prior to working at the NMFA, Mr. Pepperl was in private sector management in Arizona, and worked as a stock research intern at Merrill Lynch & Co. Mr. Pepperl holds a B.A. in Political Science from Arizona State University and a Masters in Public Administration, with an emphasis in Budgeting and Financial Management from the University of New Mexico.

The Public Project Revolving Fund Program

The Public Project Revolving Fund Program of the NMFA is authorized by the Act and was created to fulfill the duty of the NMFA to develop and administer a program to assist qualified entities, individually or jointly, in financing all types of projects of a long-term capital nature, including but not limited to buildings, water systems, sewerage and waste disposal systems, solid waste disposal systems, streets, airports, municipal utilities and parking facilities. To implement the Public Project Revolving Fund Program, the NMFA has been granted the following specific powers: to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA; to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (i) a loan to a qualified entity, (ii) a grant to a qualified entity, (iii) a purchase or sale of securities individually or on a pooled basis, or (iv) the performance of its duties and execution of any of its powers under the Act; to purchase, hold or sell securities; to charge for its costs and services in review or consideration of a proposed loan to a qualified entity or purchase by the NMFA of securities; in connection with the purchase of any securities, to consider the ability of the qualified entity to secure financing from other sources and the costs of that financing and the particular public project or purpose to be financed or refinanced with the proceeds of the securities to be purchased by the NMFA; and to acquire and hold title to or leasehold interest in real and personal property and to sell, convey or lease that property for the purpose of satisfying a default or enforcing the provisions of a loan agreement.

In order to expand future availability of financing for projects under the Public Project Revolving Fund Program, it is NMFA's intent to make revolving loans at market or below market interest rates and to relend loan repayments on such loans. When possible, assistance will be provided in particular to those projects that have associated user fees or other revenues that can be used to pay debt service. However in order to ensure that financing is available to the largest number possible, the NMFA will provide three levels of assistance, depending on the credit worthiness of the project and the borrower:

- For entities which have the financial capacity to issue bonds but find it difficult to enter the credit market on their own, the NMFA will assemble pooled bond issues which will provide a lower cost of capital for the localities than would be available if entering the credit market on their own. The Series 1996 Bonds are such a pooled bond issue.

- For those entities which can afford to pay for only a portion of their project, the NMFA will provide a combination of grant and loan financing. The grant portion may come from a legislative appropriation or from NMFA funds. The loan may be a direct loan from cash on hand or from funds raised through the issuance of bonds.

- For the most needy applicants, the NMFA will provide grants on a limited basis.

Other NMFA Programs and Projects

Generally

The NMFA participates in several other programs designed to provide financing for equipment and projects to both municipal and state agencies. These projects are funded by various sources and do not have a lien or claim of any type on the Trust Estate, including the Revenues, which secures the Bonds.

Equipment Finance Program

The NMFA established its Equipment Finance Program to assist local governments within the State in the financing and purchase of capital equipment, such as fire equipment, police cars and road maintenance vehicles, with a useful life of three years or more. Under this program the local government enters into a loan or other financing agreement with the NMFA. The NMFA provides cash (either from cash on hand or the proceeds of bonds or similar instruments) for the capital equipment purchase and the loan is repaid by the local government. Payments by local governments may be made from several sources, including enterprise funds or special tax or revenue funds, such as gross receipts tax revenues, gasoline tax revenues, law enforcement fund distributions and fire protection fund distributions. In October 1994, the NMFA issued $646,000 aggregate principal amount of its Pooled Equipment Bonds of Participation, Series 1994A, the net proceeds of which were used to make loans to ten local governments in the State. On August 29, 1995, NMFA issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Bonds of Participation, Series 1995A, the proceeds of which were loaned to eighteen governmental entities in the State. On August 29, 1995, the NMFA issued $2,904,000 aggregate principal amount of its Pooled Equipment Program Bonds of Participation, Series 1995B, the net proceeds of which were loaned to the City of Las Cruces. On March 19, 1996, the NMFA issued $1,458,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1996A, the net proceeds of which were loaned to thirteen local governmental entities in the State.

Workers' Compensation Administration Building Revenue Bonds

In 1993 the New Mexico Legislature authorized the NMFA to sell $3.5 million in revenue bonds for the planning, designing, constructing, equipping and furnishing of a state office for the Workers' Compensation Administration ("WCA"). In 1994 the New Mexico Legislature authorized the NMFA to sell an additional $2.5 million in revenue bonds for the acquisition of land and site improvements for the WCA's proposed new office building. The Legislature also provided that the first forty cents ($.40) of each quarterly four dollar ($4.00) of Workers' Compensation assessment paid to the State would be pledged to the NMFA for payment of the revenue bonds associated with the WCA project. The NMFA and the General Services Department ("GSD") entered into a Joint Powers Agreement in May 1994 providing that, upon notification by the GSD that the project is sufficiently developed to warrant the issuance of bonds and the provision of a detailed written estimate of the cost of the project, the NMFA shall issue bonds and make available to the GSD, at least ten days prior to the closing date of the land purchase, proceeds necessary for purchase of the land and site improvements. The remaining disbursements will be made on a construction schedule agreed to by NMFA and GSD. In July 1995 the NMFA publicly sold $2,050,000 of its revenue obligations to provide funds for the acquisition of land and the construction and equipping of an office building in Albuquerque. In July 1996, the NMFA sold $4,310,000 in long-term bonds to retire the outstanding bonds and to finance construction of the Workers' Compensation Administration Building.

UNM Cancer Research Center

In 1993 the New Mexico Legislature authorized the NMFA to issue revenue bonds payable from a portion of the net cigarette tax receipts collected by the State and distributed to the NMFA. The NMFA issued such revenue bonds in an aggregate principal amount of $6,000,000 in July 1996. The proceeds of the bonds are being used to design, construct, equip and furnish an addition to the University of New Mexico Cancer Center.

Primary Care Capital Fund

In 1994, a $5 million revolving fund was created in the State treasury from which to provide loans and other financial assistance to rural primary care health clinics. The legislation establishing the fund directed NMFA to administer the revolving fund, and to assume responsibility for all financial duties related to the program. The New Mexico Health Department and the NMFA have negotiated a joint powers agreement whereby the Health Department will provide all required health-related services and the NMFA will administer the revolving fund, and in September 1994, the NMFA and the Health Department adopted program operation rules to govern the financing of the repair, renovation or construction of primary care clinics in underserved areas of the State. The NMFA currently anticipates funding six loans totaling approximately $1.72 million from the revolving fund over the next eight months.

Administrative Office of the Courts Financing

The 1996 Legislature authorized NMFA to issue revenue bonds in an amount not to exceed $8.5 million for the purpose of financing acquisition of court automation systems for the State court system, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. Bonds in the principal amount of $8.5 million were issued on June 25, 1996. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the State, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violation any provision of the Motor Vehicle Code involving the operation of a motor vehicle (including uncontested violations, misdemeanors, and violations enforced by imprisonment).

Insurance Department Financing

The 1996 Legislature authorized the NMFA to issue revenue bonds in an amount not to exceed $1.0 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar ($3.00) surcharge on the annual continuation of appointment fees on the approximately 60,000 insurance agents subject to the fees to provide security for the bonds. On April 18, 1996, the New Mexico Insurance Department requested NMFA to issue $525,000 of the authorized bonds for acquiring information and communication equipment. The bonds were privately placed in a transaction that closed on May 23, 1996 and the proceeds were made available to the New Mexico Insurance Department.

LITIGATION

According to the NMFA, there is no controversy or litigation known to be pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 1996 Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any payments which will provide Revenues for the payment of the debt service on the Series 1996 Bonds or in any way contesting or affecting the validity or enforceability of the Series 1996 Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. NMFA will deliver a no-litigation certificate as to the foregoing prior to the issuance of the Series 1996 Bonds.

Prior to the issuance of the Series 1996 Bonds, an official of each of the 1996 Governmental Units will deliver a certificate to the effect that, except as otherwise disclosed to the NMFA in writing, as of the date the Series 1996 Bonds are issued, there are no proceedings or litigation pending or, to the knowledge of the 1996 Governmental Unit, threatened, that, if adversely determined, would materially adversely affect the Agreement Pledged Revenues or the ability of the 1996 Governmental Unit to make all Loan Payments or otherwise observe and perform its duties, covenants, obligations and agreements under its respective Agreement.

UNDERWRITING

Merrill Lynch & Co., Rauscher Pierce Refsnes, Inc., Principal Financial Securities, Inc. and Smith Barney Inc. (the "Underwriters") have agreed to purchase the Series 1996 Bonds from the NMFA pursuant to a Bond Purchase Agreement dated August 22, 1996 (the "Bond Purchase Agreement"), at a price of $20,975,933.88 (being the aggregate principal amount plus an original issue premium of $47,679.00 less an Underwriters' discount of $196,745.12), plus accrued interest on the Series 1996 Bonds from their dated date to the date of delivery of and payment for the Series 1996 Bonds. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 1996 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 1996 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

TAX MATTERS

Taxable Series 1996B Bonds

IN THE OPINION OF CO-BOND COUNSEL, INTEREST ON THE TAXABLE SERIES 1996B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL TAX

PURPOSES. Also in the opinion of co-bond counsel, under existing laws, interest on the Taxable Series 1996B Bonds is excluded from net income for State of New Mexico income tax purposes.

Series 1996A Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 1996A Bonds. NMFA and the 1996 Governmental Units have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 1996A Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 1996A Bonds. Ballard Spahr Andrews and Ingersoll, Co-Bond Counsel, has assumed continuing compliance by NMFA and the 1996 Governmental Units with such requirements and restrictions in rendering their opinion regarding the tax exempt status of interest on the Series 1996A Bonds.

In the opinion of Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 1996A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

Also in the opinion of Co-Bond Counsel, under laws of the State of New Mexico as currently enacted and construed, interest on the Series 1996A Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

Although said Co-Bond Counsel will render an opinion that interest on the Series 1996A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 1996A Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. Said Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1996 Bonds.

Original Issue Discount

The initial offering prices of the Series 1996A Bonds maturing on June 1 of the years 2011, 2016 and 2021 (the "Discount Bonds") is less than the amount payable on such Discount Bonds at stated maturity. The difference, in each case, between the initial public offering price and the principal amount payable at maturity constitutes interest. A portion of such interest (the "Original Issue Discount"), depending on the holding period of any Discount Bond by each owner, will, upon the disposition of the Discount Bond by each owner (including redemption or payment at maturity) be treated as interest excludable from gross income for federal income tax

purposes to the same extent as interest on the Series 1996A Bonds. Such interest on a Discount Bond is considered to be accreted actuarially in accordance with the constant interest method over the life of the Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond. For the purpose of determining the adjusted basis of a Discount Bond, the holder thereof will increase his adjusted basis of the Discount Bond by the amount of Original Issue Discount which shall have economically accrued under the constant interest method during the period such Discount Bond was held by the holder. The adjusted basis will be used to determine taxable gain or loss upon disposition (including redemption or payment at maturity). The accrual of Original Issue Discount in each year may result in an alternative minimum tax liability or (with respect to certain corporate owners) an environmental tax liability in each year even though a corresponding cash payment will not be received until a later year.

Original Issue Premium

The initial public offering price of the Series 1996A Bonds maturing on June 1 of the years 1997, 2005 and 2006 (the "Premium Bonds" or "Premium Bond") is more than the principal amount payable on the Premium Bonds at maturity. The difference between the initial public offering price at which a substantial amount of the Premium Bonds was sold and the principal amount of such Premium Bonds payable at maturity would constitute "amortizable bond premiums." The amortizable bond premium is not treated as interest excludable from gross income for federal tax purposes. A holder of a Premium Bond will recognize gain or loss upon the disposition of such Premium Bond (including sale or redemption prior to maturity) in an amount that is equal to the difference between (i) the amount received upon such disposition and (ii) the remainder of (a) the cost basis of the Premium Bond less (b) the amount of amortizable bond premium which is treated as having been amortized during the period the holder held such Premium Bonds.

LEGAL MATTERS

In connection with the issuance and sale of the Series 1996 Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P. A., as Co-Bond Counsel, and Ballard Spahr Andrews & Ingersoll, as Co-Bond Counsel, will deliver the respective opinions included in Appendix F hereto. Certain legal matters relating to the Series 1996 Bonds will be passed upon for the Underwriters by their counsel, Squire, Sanders & Dempsey. Neither Squire, Sanders & Dempsey nor either Co-Bond Counsel has participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA or any of the 1996 Governmental Units contained in this Official Statement.

Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. Certain legal matters will be passed upon for the 1996 Governmental Units by Modrall, Sperling, Roehl, Harris & Sisk, P.A.

EXPERTS

The NMFA has retained Gardiner & Clancy, LLC and Public Financial Management as financial advisors in connection with the preparation of this Official Statement and with respect to the issuance of the Series 1996 Bonds. The Financial Advisors are not obligated to undertake, and have not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Gardiner & Clancy, LLC and Public Financial Management are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

The combined financial statements of the NMFA for the year ended June 30, 1995, included as Appendix A of this Official Statement have been audited by Macias & Rivera, certified public accountants, Santa Fe, New Mexico, as set forth in their report thereon dated November 30, 1995 and are included herein in reliance on the expert status of Macias & Rivera. Such financial statements represent the most current audited financial information available for the NMFA.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rules 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission in connection with the issuance of Bonds, the NMFA will agree to provide the following information:

(i) to each nationally recognized municipal securities information repository ("NRMSIR"):

(1) annual financial information and operating data as follows:

(a) with respect to NMFA, information concerning the NMFA Portion of the Governmental Gross Receipts Tax Revenues, such information to be of the type set forth under the table captioned "Governmental Gross Receipts Taxes Collections Fiscal Years 1992-1993 through 1995-1996" under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues - The Governmental Gross Receipts Tax" in the Official Statement; and

(b) with respect to any Governmental Unit whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year when the Series 1996 Bonds are outstanding (the "5% test") information concerning such Governmental Unit's Agreement Pledged Revenues of the type set forth under the caption "Financial Information - Historical Tax Revenues" in Appendix E of the Official Statement.

and

(2) audited financial statements for NMFA and any Governmental Unit meeting the 5% test.

Such information will be provided within 270 days of the end of each fiscal year and will be made available, in addition to each NRMSIR, to the Trustee and to each holder of the Series 1996 Bonds who requests such information. In the event that audited financial statements are not available within such time period, unaudited financial statements will be provided;

(ii) in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") and to a State information depository, if any, notice of the occurrence of any of the following events (if applicable) with respect to the Series 1996 Bonds or the Agreements, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Series 1996 Bonds;

(7) modification of rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Series 1996 Bonds; and

(11) rating changes.

The NMFA may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the NMFA, such other event is material with respect to the Series 1996 Bonds or the Agreements. However, the NMFA does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above; and

(iii) in a timely manner to the MSRB notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The NMFA reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the NMFA; provided that, the NMFA has agreed that any such modification will be done in a manner consistent with the Rule. The NMFA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Owners of the Series 1996 Bonds and shall be enforceable by the Owners; provided that, the right to enforce the provisions of this undertaking are limited to a right to obtain specific enforcement of the NMFA's obligations, and any failure by the NMFA to comply with the provisions of the undertaking shall not be an event of default with respect to the Series 1996 Bonds.

RATING

Moody's Investor's Service ("Moody's") has assigned its municipal bond rating of "Aaa" to the Series 1996 Bonds with the understanding that upon delivery of the Series 1996 Bonds, separate policies insuring the payment when due of the principal of and interest on the Series 1996 Bonds will be issued by Financial Security. Such rating reflects only the views of Moody's. An explanation of the significance of such rating may be obtained from Moody's at 99 Church Street, New York, New York 10007. The rating is not a recommendation to buy, sell or hold the Series 1996 Bonds and there is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating given to the Series 1996 Bonds by Moody's may have an adverse effect on the market price of the Series 1996 Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 1996 Bonds any proposed revision or withdrawal of the rating on the Series 1996 Bonds, or to oppose any such proposed revision or withdrawal.

ADDITIONAL INFORMATION

The quotations from and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period upon request directly to the NMFA at 1751 Old Pecos Trail, Suite L, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 1996 Bonds.

APPROVAL BY THE NMFA

This Official Statement and its distribution and use by the Underwriters have been duly authorized and approved by the NMFA, and this Official Statement has been executed and delivered on behalf of the NMFA by the Chairman of its Board of Directors and its Executive Director.

NEW MEXICO FINANCE AUTHORITY

By /s/ Robert Goodman
Chairman of the Board of Directors

By /s/ Tom K. Pollard
Executive Director

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA FOR THE FISCAL YEAR ENDED JUNE 30, 1995

MACIAS AND RIVERA
CERTIFIED PUBLIC ACCOUNTANTS
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Division for CPA Firms AICPA

James R. Macias, CPA
Robert J. Rivera, CPA

INDEPENDENT AUDITORS' REPORT

Robert M. Goodman, Chairman
Board of Directors
New Mexico Finance Authority
and
Honorable Robert E. Vigil, CPA
New Mexico State Auditor

We have audited the accompanying combined balance sheet of the New Mexico Finance Authority (Authority) as of June 30, 1995, and the related combined statement of revenues, expenses and changes in fund balance and cash flows for the year then ended. These combined financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Authority has kept its records and has prepared its financial statements for previous years on the modified accrual basis of accounting. The modified accrual basis of accounting is the prescribed method of accounting followed by governmental fund types for financial statement purposes. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available to finance expenditures of the current period. Expenditures are recorded when the related fund liability is incurred. As described in Note 12 to the combined financial statements, the Authority has adopted the accrual basis of accounting as of the beginning of the current year. Although appropriate adjustments have been made to fund balances as of that date, it was not practicable to determine what adjustments would be necessary in the financial statements of the preceding year to restate results of operations and cash flows to conform with the accounting principles used in the current year.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Authority as of June 30, 1995, and the results of its combined operations and its combined cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The information included in Schedule 1 is presented for purposes of additional analysis of the June 30, 1995 combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the combined financial statements taken as a whole.

Macias & Ruiz, CPAs

March 5, 1996

Exhibit A

NEW MEXICO FINANCE AUTHORITY
Combined Balance Sheet
As of June 30, 1995
(With Comparative Memorandum Figures Only as of June 30, 1994)

ASSETS	State Building Programs-Cigarette Tax	State Building Programs-Workers' Comp.	Public Projects Programs	Primary Care Programs	Equipment Programs	General Fund	Totals (Memorandum Only) 1995	1994
Cash and cash equivalents	$ 2,299,675	$ 668,155	$ 10,731,056	$ 5,000,000	$ -	$ 527,802	$ 19,226,688	$ 2,438,801
Cash on deposit-State Treasurer	-	-	-	-	633,080	-	633,080	-
Cash on deposit-Bonds Paying Agent	-	-	-	-	-	2,034	2,034	20,432
Accrued interest receivable-investments	10,193	-	46,687	-	-	-	56,880	-
Other receivables-State of NM	-	222,883	-	-	36,076	-	258,959	129,698
Inter-fund receivable	-	-	-	-	11,760	-	11,760	-
Bond issue costs, net	-	-	-	-	-	19,525	19,525	17,614
Property, furniture and equipment, net								
Total assets	$ 2,309,868	$ 891,038	$ 10,777,743	$ 5,000,000	$ 680,916	$ 549,361	$ 20,208,926	$ 2,606,545
LIABILITIES AND FUND BALANCE								
Liabilities:								
Vouchers and accounts payable	$ -	$ -	$ -	$ -	$ -	$ 120,247	$ 120,247	$ 93,812
Accrued payroll payable	-	-	-	-	-	10,230	10,230	4,946
Other accrued expenses	-	-	-	-	-	11,033	11,033	-
Compensated absences payable	-	-	-	-	-	14,927	14,927	3,748
Inter-fund payable	-	-	36,076	-	-	222,883	258,959	129,698
Bonds payable	-	-	-	-	646,000	-	646,000	-
Total liabilities	-	-	36,076	-	646,000	379,320	1,061,396	232,204
Funds balance:								
Undesignated	-	-	-	-	-	170,041	170,041	2,348
Designated	2,309,868	891,038	10,741,667	5,000,000	34,916	-	18,977,489	2,371,993
Total fund balance	2,309,868	891,038	10,741,667	5,000,000	34,916	170,041	19,147,530	2,374,341
Total liabilities and fund balance	$ 2,309,868	$ 891,038	$ 10,777,743	$ 5,000,000	$ 680,916	$ 549,361	$ 20,208,926	$ 2,606,545

The accompanying notes to the combined financial statements are an integral part of this combined balance sheet.

Exhibit B

NEW MEXICO FINANCE AUTHORITY
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance
Year Ended June 30, 1995
(With Comparative Memorandum Figures Only as of June 30, 1994)

	State Building Programs-Cigarette Tax	State Building Programs-Workers' Comp.	Public Projects Programs	Primary Care Programs	Equipment Programs	General Fund	Totals (Memorandum Only) 1995	1994
Revenues:								
Interest on investments	$ 106,482	$ -	$ 309,500	$ -	$ -	$ 20,730	$ 436,712	$ 63,122
State of New Mexico:								
- Governmental gross receipts tax	-	-	9,307,898	-	-	-	9,307,898	-
- Cigarette tax	1,559,228	-	-	-	-	-	1,559,228	1,220,808
- Worker's compensation assessments	-	891,038	-	-	-	-	891,038	-
Other	-	-	-	-	-	150	150	-
Total revenues	1,665,710	891,038	9,617,398	-	-	20,880	12,195,026	1,283,930
Expenses:								
Amortization of bond issue costs	-	-	-	-	1,160	-	1,160	-
Administrative expenses	-	-	-	-	-	550,753	550,753	285,217
Total expenses	-	-	-	-	1,160	550,753	551,913	285,217
Excess (deficit) revenues over expenses before other financing sources and uses	1,665,710	891,038	9,617,398	-	(1,160)	(529,873)	11,643,113	998,713
Other financing sources (uses):								
Debt services intercepts-State of NM	-	-	-	-	36,076	-	36,076	-
Operating transfers	(589,700)	-	-	-	-	589,700	-	-
Transfers from State of NM--Department of Health	-	-	-	5,000,000	-	94,000	5,094,000	-
Total other financing sources (uses)	(589,700)	-	-	5,000,000	36,076	683,700	5,130,076	-
Excess (deficit) of revenues and financing sources over expenses and financing uses	1,076,010	891,038	9,617,398	5,000,000	34,916	153,827	16,773,189	998,713
Fund balances, beginning of year (as reported)	1,233,858	-	1,124,269	-	-	2,348	2,360,475	1,361,762
Prior-period adjustments (Note 13)	-	-	-	-	-	13,866	13,866	-
Fund balance, beginning of year (as restated)	1,233,858	-	1,124,269	-	-	16,214	2,374,341	1,361,762
Fund balances, end of year	$ 2,309,868	$ 891,038	$ 10,741,667	$ 5,000,000	$ 34,916	$ 170,041	$ 19,147,530	$ 2,360,475

The accompanying notes to the combined financial statements are an integral part of this combined statement.

Exhibit C

NEW MEXICO FINANCE AUTHORITY
Combined Statement of Cash Flows
Year Ended June 30, 1995
(With Comparative Memorandum Figures Only as of June 30, 1994)

	State Building Programs-Cigarette Tax	State Building Programs-Workers' Comp.	Public Projects Programs	Primary Care Programs	Equipment Programs	General Fund	Totals (Memorandum Only) 1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:								
Excess (deficit) of revenues over expenses and other financing sources (uses)	$ 1,076,010	$ 891,038	$ 9,617,398	$ 5,000,000	$ 34,916	$ 153,827	$ 16,773,189	$ 998,713
Adjustments to reconcile excess (deficit) of revenues over expenses and other financing sources (uses) to net cash provided (used) by operating activities- -								
Amortization of bond issue costs	-	-	-	-	1,160	-	1,160	-
Depreciation of property, furniture and equipment	-	-	-	-	-	7,496	7,496	-
Changes in assets and liabilities-								
Accrued interest receivable	4,192	-	(43,308)	-	-	10,827	(28,289)	(1,123)
Other receivables	(10,193)	-	-	-	-	-	(10,193)	-
Inter-fund receivables	-	(222,883)	129,698	-	(36,076)		(129,261)	840,564
Vouchers payable	-	-	-	-	-	(4,090)	(4,090)	71,251
Accounts payable	-	-	-	-	-	30,525	30,525	-
Accrued payroll payable	-	-	-	-	-	5,284	5,284	4,946
Other accrued expenses	-	-	-	-	-	11,033	11,033	-
Compensated absences payable	-	-	-	-	-	11,179	11,179	-
Inter-fund payables	-	-	36,076	-	-	93,185	129,261	(840,564)
Net cash provided (used) by operating activities	1,070,009	668,155	9,739,864	5,000,000	-	319,266	16,797,294	1,073,787
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchase of property, furniture & equipment	-	-	-	-	-	(9,407)	(9,407)	-
Net cash (used) provided by investing activities	-	-	-	-	-	(9,407)	(9,407)	-
CASH FLOWS FROM FINANCING ACTIVITIES:								
Proceeds from sale of bonds	-	-	-	-	646,000	-	646,000	-
Bond issuance costs	-	-	-	-	(12,920)	-	(12,920)	-
Net cash provided used by financing activities	-	-	-	-	633,080	-	633,080	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,070,009	668,155	9,739,864	5,000,000	633,080	309,859	17,420,967	1,073,787
CASH AND CASH EQUIVALENTS, beginning of year	1,229,666	-	991,192	-	-	217,943	2,438,801	1,365,014
CASH AND CASH EQUIVALENTS, end of year	$ 2,299,675	$ 668,155	$ 10,731,056	$ 5,000,000	$ 633,080	$ 527,802	$ 19,859,768	$ 2,438,801

The accompanying notes to the combined financial statements are an integral part of this combined statem

NEW MEXICO FINANCE AUTHORITY

Notes to Combined Financial Statements
June 30, 1995

(1) Organization and Summary of Significant Accounting Policies

A. Organization

Laws of 1992, Chapter 61, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico Finance Authority Act (Act), is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.

The Authority is composed of twelve members. The State Investment Officer, the Secretary of the Department of Finance and Administration, the Secretary of Economic Development, the Secretary of Energy, Minerals and Natural Resources, the Secretary of Environment, the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the Authority with voting privileges. The Governor, with the advice and consent of Senate, shall appoint to the authority the chief financial officer of an institution of higher education and four members who are residents of the state. The appointed members serve at the pleasure of the governor.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the state except as specifically provided in the New Mexico Finance Authority Act. The Act further states, "No use of the terms 'State agency' or 'instrumentality' in any other law of the state shall be deemed to refer to the Authority unless the Authority is specifically referred to in the law."

Since the Act specifically excludes the Authority from the definition of "state agency" or "instrumentality" in any other law of the state unless specifically referred to in the law, an Attorney General's Opinion was requested by the Authority. The Authority's request addressed the following:

(1) Organization and Summary of Significant Accounting Policies (Cont'd)

A. Organization (Cont'd)

1) Whether the Authority is a governmental agency for purposes of determining the propriety of the expenditure of funds appropriated to the Authority under the Act; and,

2) Whether the Authority is subject to the Open Meetings Act, the Procurement Code, Department of Finance and Administration (DFA) vouchering requirements and the Per Diem and Mileage Act.

Attorney General's Opinion dated December 23, 1992, concludes that the Authority is an agency of the state at least for certain purposes. The Opinion subjects the Authority to the Open Meetings Act and concludes that the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Opinion excludes the Authority from other sections of the Per Diem and Mileage Act, the Procurement Code and DFA vouchering requirements.

The Authority entered into a Memorandum of Understanding (MOU) with the Department of Finance and Administration (DFA) on January 28, 1993. Under the terms of the MOU, the DFA provided administrative services to the Authority during the 95th fiscal year. Cash accounts were established with the State Treasurer and all financial documents were processed by the DFA for the Authority. Subsequent to June 30, 1995, the Authority began performing its own administrative services.

Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof.

B. Basis of Accounting

The accounts of the Authority are organized as funds, each of which accounts for the assets, liabilities, fund balances, revenues and expenses of the Authority's programs and General Fund. The Authority uses the accrual method of accounting whereby expenses are recognized when the liability is incurred and revenues are recognized when earned.

(1) Organization and Summary of Significant Accounting Policies (Cont'd)

C. Programs and Funds

The following describes the nature of the programs and funds maintained by the Authority:

- State Building Programs-Cigarette Tax - accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico-cigarette taxes, for the purpose of financing building projects in New Mexico.

  Section 7-1-6.11, NMSA, 1978 Compilation provides for a distribution to the Authority of seven and one-eighth percent of the net receipts attributable to the cigarette tax with the first distribution to be made as of August 1, 1993. The cigarette tax monies are to be used by the Authority to finance the construction of an addition to the cancer research center at the University of New Mexico by issuing revenue bonds in an amount not to exceed $6.0 million. Monies in excess of principal and interest on the bonds and necessary reserves may be transferred to any other account of the Authority and used for the purposes of the Act.

- State Building Programs-Workers Compensation Assessment - accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico - workers' compensation assessments for the purpose of financing an office building for the Workers' Compensation Administration.

- Public Projects Programs - accounts for the proceeds of governmental gross receipts tax authorized by Laws of 1994, Chapter 145, Section 1, for the purpose of making loans or grants and to purchase or sell securities to assist qualified entities in financing projects in accordance with the Authority Act and pursuant to specific authorization by law for each project. The Public Projects Revolving Fund was created under the authority of Section 6-21-6, NMSA, 1978 Compilation and is included in the Public Projects Programs.

(1) Organization and Summary of Significant Accounting Policies (Cont'd)

C. Programs and Funds (Cont'd)

- Primary Care Programs - accounts for the proceeds of State appropriations, loans repayments, gifts, grants, donations and interest earned on investments for the purpose of funding capital projects to eligible entities in order to increase health care services in rural and other health care underserved areas in the State of New Mexico. The Primary Care Capital Fund was created by the Laws of 1994, Chapter 62 and is included in the Primary Care Programs.

- Equipment Programs - accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico - gas intercept for the purpose of making loans to various governmental entities to purchase equipment.

- General Fund - accounts for assets, liabilities, revenues and expenses not directly attributable to a program or bond program. Most programs permit the Authority to make cash transfers to the General Fund for administration of the programs.

D. Cash and Cash Equivalents

Cash and cash equivalents consists of cash on deposit with the New Mexico State Treasurer or with bond paying agents. Cash in the various programs on deposit with the State Treasurer are invested by the New Mexico State Treasurer in the "overnight" repurchase program. Interest is credited to the various programs based on the programs average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs.

E. Bond Issuance Costs

The effective interest method is utilized to amortize bond issuance costs, discounts and premiums relating to these issuances.

(1) Organization and Summary of Significant Accounting Policies (Cont'd)

F. Property, Furniture and Equipment

Property, furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment purchases with useful lives over one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets which range from 1 to 7 years. In addition, furniture and equipment with lives of one year or less, and maintenance and repairs which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

G. Income Taxes

The Authority is a tax exempt, quasi-governmental organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying combined financial statements.

H. Accrued Compensated Absences Payable

Employees are entitled to annual leave at a rate of 4.61 hours per pay period. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave an employee may accumulate. Accumulated sick leave is not compensated on termination of employment.

Accrued compensated absences consist of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes) and are recorded in the General Fund.

(1) Organization and Summary of Significant Accounting Policies (Cont'd)

I. Total Columns on Combined Statements - Memorandum Only

The "memorandum only" columns contain the totals of the similar accounts for all the funds and do not include eliminations or interfund transactions. Because the assets of these funds are restricted by the related bond resolutions or legislation, the totaling of the accounts, including assets therein, is for information purposes only and does not indicate that the combined assets are available in any manner other than that provided for in the bond resolutions or legislation for the separate funds.

J. Reclassifications

Certain amounts reflected in the 1994 combined financial statements "memorandum only" column have been reclassified to conform to the 1995 presentation.

(2) Cash

Cash on Deposit with State Treasurer

The following NM State Treasurer cash accounts were maintained by the Authority at June 30, 1995:

Name of Depository	Account Name	Fund Number/ Account Number	Balance per Depository	Reconciling Items: Outstanding Warrants	Reconciling Items: Other	Balance per Books
State Treasurer	General Fund	956 385-02	$ 531,176	$(3,374)	-	$ 527,802
State Treasurer	Public Projects Revolving	955 385-01	10,731,056	-	-	10,731,056
State Treasurer	Revenue Bonds-Cigarette Tax	958 385-03	2,299,675	-	-	2,299,.675
State Treasurer	Worker's Comp. Rev. Bond	764 385-05	668,155	-	-	688,155
State Treasurer	Primary Care Capital	879 385-04	5,000,000	-	-	5,000,000

All cash is on deposit with the State Treasurer. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. The State Treasurer is in compliance with this requirement.

Money in all funds of the Authority may be deposited with the State Treasurer for short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico or any political subdivision of the State or as otherwise provided by the trust indenture or bond resolution, if funds are pledged for or secure payment of bonds issued by the Authority.

(2) Cash (Cont'd)

Cash on Deposit with Bank Paying Agent

The following cash account was maintained by the Authority at June 30, 1995 with First Security Bank of Utah, N.A.:

Name of Depository	Account Name	Fund Number/ Account Number	Balance per Depository	Reconciling Items: Outstanding Warrants	Reconciling Items: Other	Balance per Books
First Security Bank	Equipment Loan Program	-	$ 633,080	-	-	$633,080

(3) Accrued Interest Receivable

Accrued interest receivable at June 30, 1995 consists of accrued interest on the Authority's interest bearing accounts with the New Mexico State Treasurer.

(4) Property, Furniture and Equipment

Furniture, fixtures and equipment	$30,256
Less accumulated depreciation	(10,731)
Net property, furniture and equipment	$19,525

(5) Accrued Payroll and Benefits Payable

A portion of payroll expenditures pertaining to the year ended June 30, 1995, was paid July 1995. Since the disbursements did not occur until subsequent to June 30, 1995, accrued payroll and benefits payable totaling $10,230 have been reflected in the balance sheet.

(6) Other Financing Sources (Uses)

The Laws of 1993, Chapter 358, authorizes funds in the State Building Program--Cigarette Taxes, in excess of the amount necessary for payment of principal and interest on outstanding bonds and necessary reserves or sinking funds to be transferred to any other account of the authority and needed for purposes of the New Mexico Finance Authority Act. During the 94-95 fiscal year, $589,700 was transferred from the State Building Programs--Cigarette Tax, to the General Fund.

(7) Operating Leases

The Authority is committed under various lease agreements for office space, copying equipment and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 1995 amounted to $38,989. Future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
1996	$23,968
1997	11,721
1998	3,300
1999	-
2000	-
Thereafter	-
Total	$38,989

(8) Revenue Bonds Authorization

The Laws of 1993, Chapter 367, Section 73, effective April 8, 1993, as amended by Laws of 1994, Chapter 91, authorized the New Mexico Finance Authority to issue and sell revenue bonds in an amount not to exceed $3,500,000 for planning, designing, constructing, equipping and furnishing a state office building for the workers' compensation administration that complies with the federal Americans with Disabilities Act of 1990. The 1994 amendment authorized the Authority to issue and sell additional revenue bonds in an amount not to exceed $2,500 when the property control division of the General Services

(8) **Revenue Bonds Authorization (Cont'd)**

Department certifies the need for issuance of the bonds. The bond proceeds are for acquiring land and making site improvements for the aforementioned state building. The parties have entered into a Joint Powers Agreement to accomplish this purpose. It was anticipated that the bonds would be issued by June 30, 1995. The first $.40 of the workers' compensation assessment imposed pursuant to Section 52-5-19, NMSA, 1978 that is distributed to the New Mexico Finance Authority is appropriated to be pledged irrevocably for payment of principal, interest, any premium and expenses related to the issuance and sale of the bonds. Revenue distributed to the New Mexico Finance Authority shall be deposited in a spec[illegible] bond fund and any money remaining in the fund at the end of each calend[illegible] quarter, after all current obligations and any sinking fund requirements are met, shall be transferred to the workers' compensation administration fund. Upon payment of all principal and interest and any other obligations or expenses related to issuance of the bonds, the New Mexico Finance Authority shall certify to the Taxation and Revenue Department that all obligations have been fully discharged and direct the Department to cease payments of workers' compensation assessment fee revenue to the Authority.

Also, the Laws of 1993, Chapter 358, Section 4, authorized the New Mexico Finance Authority to issue and sell revenue bonds in compliance with the New Mexico Finance Authority Act in an amount not exceeding six million dollars ($6,000,000) for the purpose of designing, constructing, equipping and furnishing an addition to the Cancer Center at the University of New Mexico. The parties have entered into a Joint Powers Agreement to accomplish this purpose. It was anticipated that the bonds would be issued by June 30, 1995. The cigarette tax proceeds distributed to the New Mexico Finance Authority pursuant to Section 7-1-6.11 NMSA 1978 are appropriated to the Authority to be pledged irrevocably for the payment of the principal of or interest on the bonds or any payments for refunding or redemption premiums on the bonds and for payment of the costs incurred by the Authority related to authorization, issuance and sale of the bonds. The School of Medicine at the University of New Mexico shall notify the Authority when the project has developed sufficiently to justify issuance of the bonds.

(9) Primary Care Capital Fund

The Laws of 1994, Chapter 62, created the Primary Care Capital Fund to provide funding for capital projects to eligible entities in order to increase health care services in rural and other health care underserved areas in the state. The revolving fund, to be administered by the New Mexico Finance Authority, shall consist of appropriations, loan repayments, gifts, grants, donations and interest earned on investment of the fund. Money in the fund shall not revert at any fiscal year end.

The State of New Mexico, Department of Health, and the Authority shall administer the loan programs and contracts for services established pursuant to the Primary Care Capital Funding Act. The Department, in conjunction with the Authority, shall adopt regulations to administer and implement the Act.

Laws of 1994, Chapter 147, appropriated $5,000,000 for the primary care capital fund for rural primary care capital funding. Laws of 1994, Chapter 6, appropriated $95,000 to the Department of Health to contract with the Authority for assistance to the Department and administration of the primary care capital fund.

(10) Governmental Gross Receipts Tax Proceeds

The Laws of 1994, Chapter 145, Section 1, effective August 1, 1994, provided that a distribution pursuant to Section 7-1-6.1, NMSA 1978 shall be made to the public project revolving fund (PPRF) administered by the Authority in an amount equal to seventy-five percent of the net receipts attributable to the governmental gross receipts tax (GGRT).

Of the GGRT revenues directed to the NMFA's public project revolving fund, an aggregate amount not to exceed thirty-five percent shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the wastewater facility construction loan fund, the rural infrastructure revolving loan fund and the solid waste facility grant fund. The remaining GGRT revenue deposited to the PPRF may be granted or loaned directly by the NMFA to qualified entities or "leveraged" by pledging the revenue stream to the issuance of bonds and granting, or lending, the bond proceeds. All projects to be financed from the PPRF must be approved by the Legislature.

(11) Bonds Payable

The New Mexico Finance Authority issued $646,000 (Series 1994A) in certificates of participation in October 1994 under the NMFA Equipment Loan Program. The proceeds were loaned to various governmental entities to purchase equipment. The loans have been assigned to a trustee (First Security Bank of Utah, N.A.) by NMFA. The certificates are secured by various sources of local government revenues and are further secured by intercept agreements which direct sources of revenues from state agencies directly to the trustee. The certificates are not an obligation of the State of New Mexico or of the New Mexico Finance Authority.

A summary of bond principal maturities follows:

Year Ending June 30	Principal	Coupon
1996	$ 87,000	4.30%
1997	94,000	4.70%
1998	100,000	4.95%
1999	98,000	5.15%
2000	104,000	5.40%
2001	34,000	5.55%
2002	36,000	5.70%
2003	33,000	5.85%
2004	34,000	5.95%
2005	26,000	6.00%
	$646,000	

The certificates maturing on or after November 1, 1996 are subject to prior redemption in whole or in the past on any day on or after November 1, 1995 at per plus accrued interest to the date of redemption.

Certificates are payable on November 1 of each year (1996-2004) and interest on the Certificates is payable on May 1 and November 1 of each year, commending on November 1, 1995.

(12) Change in Accounting Principles

In prior years, the accounting policies of the Authority were in conformance with generally accepted accounting principles as applicable to governmental entities. The fund structure and the accounting system was established as if the Authority were a government entity having its own bonding authority.

The Authority has determined that generally accepted accounting principles applicable to governmental entities do not apply to the New Mexico Finance Authority. Rather, the Authority's accounts are organized as funds, each of which includes accounts for the assets, liabilities, fund balances, revenues and expenses of the Authority's programs (State Building Programs, Public Projects Programs, Primary Care Programs and Equipment Programs) and General Fund.

Currently the Authroity's General Fund is being subsidized by revenues from the State of New Mexico. However, it has been legislated that the Authority become self-sufficient. Self-sufficiency of the Authority appears to be reasonable in the future. Therefore, all assets, liabilities, fund balance, revenues and expenses of the Authority's General Fund should be accounted for within the fund using the accrual method of accounting. As a result, the General Fixed Asset Account Group and General Long-Term Debt Account Group used in governmental fund type operations would no longer be used. Fixed assets and related depreciation expense and long-term liabilities applicable to the General Fund would be accounted for within the General Fund.

For the other Authority Program funds, where there is bond issuance and debt service activity and corresponding lending activity, all accounting transactions for each program are not accounted for within each respective program fund.

(13) Prior-Period Adjustments

A. In prior years, property, furniture and equipment were accounted and reported in the General Fixed Assets Account Group. This is the prescribed treatment for Fixed Assets used in governmental fund type operations. Additionally, no depreciation expense was provided on general fixed assets.

The Authority has determined that property, furniture and equipment and related depreciation expense should be accounted and reported in the General Fund.

The fund balance of the General Fund as of June 30, 1994, has been restated to include $20,849 property, furniture and equipment previously reflected in the General Fixed Assets Account Group.

The fund balance of the General Fund as of June 30, 1994, has also been restated to reflect $3,235 of depreciation expense not previously recorded.

B. In prior years, compensated absences payable (commitment to fund costs associated with unused annual leave) were accounted and reported in the General Long-Term Account Group. This is the prescribed treatment for long-term liabilities in governmental fund type operations.

The Authority has determined that compensated absences payable should be accounted and reported in the General Fund.

The fund balance of the General Fund as of June 30, 1994, has been restated to provide for compensated absences payable of $3,748 previously reflected in the General Long-Term Debt Account Group.

(14) Subsequent Events

A. The New Mexico Finance Authority issued $4,288,000 (Series 1995A) in certificates of participation subsequent to June 30, 1995, under the NMFA Equipment Loan Program. The certificates are dated August 1, 1995.

The New Mexico Finance Authority issued $2,900,000 (Series 1995B) in certificates of participation subsequent to June 30, 1995 under the NMFA Equipment Loan Program. The certificates are dated August 1, 1995.

(14) **Subsequent Events** (Cont'd)

The proceeds of the two issues were loaned to various governmental entities to purchase equipment. The certificates are secured by various sources of local government revenues and are further secured by intercept agreements which direct sources of revenues from state agencies to assigned bank trustees. The certificates are not obligations of the State of New Mexico or the New Mexico Finance Authority.

B. The New Mexico Finance Authority issued $2,050,000 (Series 1995) in Workers' Compensation Administration Building Revenue Bonds subsequent to June 30, 1995. The bonds are dated August 1, 1995.

C. The New Mexico Finance Authority issued $41,230,000 (Series 1995A) in Public Projects Revolving Fund Revenue Bonds dated July 1, 1995, and $4,000,000 (Taxable Series 1995B) in Public Projects Revolving Fund Revenue Bonds dated July 1, 1995. The proceeds of the two issues are being used to finance all or a portion of certain projects for the 1995 Governmental Units, to fund agreements in the Agreement Reserve Fund and to pay the costs of issuing the two Series 1995 bonds.

SUPPLEMENTAL SECTION

Schedule 1

NEW MEXICO FINANCE AUTHORITY
General Fund
Statement of Revenues, Expenses and Changes in Fund Balance
Year End June 30, 1995

Revenues:		
Interest on investments	$ 20,730	
Other	150	
Total revenues		$ 20,880
Expenses:		
Salaries	247,443	
Employee benefits	36,718	
Payroll taxes	17,391	
Insurance	3,900	
Travel	18,141	
Maintenance	1,340	
Office supplies	15,479	
Professional services	185,476	
Furniture, fixtures (non-capital)	9,450	
Computer hardware/software (non-capital)	7,919	
Depreciation	7,496	
Total expenses		550,753
Excess (deficits) revenues over expenses before other financing sources		(529,873)
Other financing sources:		
Operating transfers in State of New Mexico--	589,700	
Department of Health	94,000	
		683,700
Excess revenues and other financing sources over expenses		153,827
Fund balance, beginning of year (as reported)	2,348	
Adjustments:		
Prior-period (Note 13)	13,866	
Fund balance, beginning of year (as restated)		16,214
Fund balance, end of year		$ 170,041

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APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are extracts, supplementing the information in the body of the Official Statement, of certain provisions of the Indenture. These extracts do not purport to be complete and reference is made to the Indenture for a full and complete statement of such provisions. See "ADDITIONAL INFORMATION."

APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE

The following are certain definitions contained in the Indenture and extracts of certain provisions contained in the General Indenture and is not to be considered as a full statement thereof. Reference is hereby made to the Indenture for full details of all of the terms of the Bonds, the security provisions appertaining thereto and the other terms thereof. During the offering period of the Series 1996 Bonds, copies of the Indenture will be available at the principal office of the Underwriters. Subsequent to the offering of the Series 1996 Bonds, copies of the Indenture may be obtained from the Trustee.

CERTAIN DEFINITIONS

"Account" or "Accounts" means one or more of the special trust accounts created and established pursuant to the Indenture.

"Act" means the New Mexico Finance Authority Act, being Sections 6-21-1 through 6-21-31, inclusive, NMSA 1978, as amended and as the same may hereafter be amended and supplemented.

"Additional Bonds" means any Bonds of the NMFA, including the Series 1996 Bonds, authorized and issued under the Indenture, except for the Series 1995 Bonds.

"Additional Pledged Loans" means any additional loans or securities which (i) were made or purchased by the NMFA from amounts on deposit in the Public Project Revolving Fund and (ii) the payments of principal and interest on which have been specifically pledged by the NMFA to the payment of the Bonds and other amounts due under the Indenture. No such loans or securities shall be deemed to be Additional Pledged Loans unless the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture.

"Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Agreement" or "Agreements" means, as the case may be, one or more Loan Agreements, Grant Agreements or Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of a Project by the NMFA under the General Indenture.

"Agreement Pledged Revenues" means the pledged revenues designated by a Governmental Unit for payments to be made pursuant to the respective Loan Agreement, Security Documents or Securities.

"Agreement Reserve Fund" means the Agreement Reserve Fund established by the Indenture and each Agreement Reserve Account, if any, created by an Agreement therein.

"Agreement Reserve Requirement" for each Agreement establishing an Agreement Reserve Account, means the amount, if any, required by such Agreement to be allocated to an Agreement Reserve Account (relating to such Agreement) within the Agreement Reserve Fund.

"Approval of Bond Counsel" means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

CATEGORY OF LOANS AND ADDITIONAL PLEDGED LOANS	APPLICABLE PERCENTAGE
CATEGORY I LOANS AND ADDITIONAL PLEDGED LOANS	100%
CATEGORY II LOANS AND ADDITIONAL PLEDGED LOANS	80%
CATEGORY III LOANS AND ADDITIONAL PLEDGED LOANS	50%
CATEGORY IV LOANS AND ADDITIONAL PLEDGED LOANS	0%

"Authorized Denominations" with respect to the Series 1996 Bonds, $5,000.

"Authorized Officer" means: (i) in the case of the NMFA, the Chair, any Vice Chair, Secretary, or Treasurer, and when used with reference to any act or document also means any other person authorized by resolution of the NMFA to perform such act or execute such documents; (ii) in the case of a Governmental Unit, means the person or persons authorized by resolution or ordinance of the Governmental Unit to perform

any act or execute any document; and (iii) in the case of the Trustee or the Paying Agent any person authorized to perform any act or sign any document by or pursuant to the bylaws or any resolution of the governing body of the Trustee or the Paying Agent, respectively.

"Bond Counsel" means nationally recognized bond counsel experienced in matters of municipal law, satisfactory to the Trustee and listed in the list of municipal bond attorneys, as published semiannually by The Bond Buyer, or any successor publication.

"Bond Fund" means the fund by that name established by the Indenture, to be held by the Trustee and used to pay amounts due on the Bonds.

"Bond Fund Year" means a twelve-month period ending on June 1 of each year.

"Bond Documents" means collectively, the Loan Agreements, the Grant Agreements, the Securities, the Security Documents, and the Indenture.

"Bond Registrar" or "Registrar" means the Trustee or any other registrar appointed under the Indenture.

"Bonds" means all Bonds issued under and secured by the Indenture.

"Business Day" shall mean any day, other than a day on which banks located in New York, New York or the cities in which the Principal Offices of the Trustee or the Paying Agent are located are required or authorized by law or executive order to close, or on which the New York Stock Exchange is closed.

"Cash Flow Statement" means an NMFA certificate (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate:

(1) the amount of NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(2) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(3) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding;

and (b) showing that in each such Bond Fund Year, the aggregate of the amount set forth in clause (A) of the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of the definition. For purposes of the foregoing definition the following assumptions shall apply:

(a) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period in the 24 months next preceding the delivery of the Cash Flow Statement;

(b) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(c) Loans and Additional Pledged Loans will be assumed to remain in their then current category designations throughout the period projected in the Cash Flow Statement.

"Category I Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in at least the third highest full rating category or higher by the Rating Agency.

"Category II Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

"Category III Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are not designated or rated or are designated or rated below the fourth

highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Non-Performing Loans and Additional Pledged Loans and Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been fully replenished in accordance with the related Agreement.

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

"Covenant Default" has the meaning, if any, given in any Loan Agreement, Securities or Additional Pledged Loan.

"Debt Service Fund" means the fund by that name established by the Indenture to be held by the Trustee and each Account created therein.

"Funds and Accounts" means collectively, the Debt Service Fund and the Accounts created therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, and the Bond Fund.

"Governmental Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Governmental Units" means any "qualified entity" under the Act which has executed and delivered to the NMFA a Loan Agreement, Grant Agreement or Securities for the purpose of financing all or a portion of a Project.

"Grant Agreements" means a grant or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and does not require payments by the Governmental Unit to be made thereunder.

"Grants" means collectively, the Grants made pursuant to the Grant Agreements.

"Indenture" means the General Indenture of Trust and Pledge and all Supplemental Indentures thereto.

"Interest Component" means the portion of each Loan Payment representing interest on the related Loan.

"Interest Payment Date" shall, with respect to each Series 1996 Bond, each June 1 and December 1, commencing June 1, 1997.

"Loan Agreement" means a loan or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and requires the Governmental Unit to repay the amounts advanced.

"Loan Payment" means the payments made by each Governmental Unit pursuant to the provisions of a Loan Agreement or Securities and which are to be used in accordance with the Indenture.

"Loan Payment Date" means the date specified in each Loan Agreement or Securities as the due date for Loan Payments.

"Loans" means collectively, the Loans made pursuant to the Loan Agreements and the Securities; excluding, however, all Additional Pledged Loans. Loans and Additional Pledged Loans may be evidenced by the same document containing two or more separate obligations.

"NMFA Portion of the Governmental Gross Receipts Tax" means an amount equal to 75% of the net receipts attributable to the governmental gross receipts tax levied pursuant to Section 7-9-4.3, NMSA 1978, as amended, and distributed to the NMFA pursuant to Section 7-1-6.38, NMSA 1978, as amended.

"Nonperforming Loans and Additional Pledged Loans" means Loan Agreements and Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a Covenant Default) or under which a delinquency exists in payments of principal or interest thereunder.

"Original Issue Date" means, with respect to the Series 1996 Bonds, September 1, 1996.

The terms "Outstanding" or "Bonds outstanding" mean all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(1) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(2) any Bond (or any portion thereof) (i) for the payment or redemption of which there shall be held in trust under the Indenture and set aside for such payment or redemption, moneys and/or Governmental Obligations (not callable at the option of the issuer thereof) maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Governmental Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or redemption price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any such Bond (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

(3) Bonds deemed paid pursuant to the provisions of the Indenture; and

(4) Bonds in lieu of which others have been authenticated pursuant to the Indenture.

"Participants" means underwriters, securities brokers and dealers, banks and trust companies, clearing corporations and other persons from time to time for which DTC or any successor Securities Depository holds Series 1996 Bonds as Securities Depository.

"Paying Agent" means the Trustee or any successor or additional paying agent appointed pursuant to the Indenture.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund and the Rebate Fund or any other fund created under the Indenture, the following to the extent permitted by New Mexico law:

(a) Governmental Obligations;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Farmers Home Administration* (FmHA)

Certificates of Ownership;

ii) *Federal Housing Administration (FHA) Debentures;*

iii) *General Services Administration* Participation certificates;

iv) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates);

v) *U.S. Maritime Administration* Guaranteed Title XI financing;

vi) *U.S. Department of Housing and Urban Development* (HUD)
Project Notes
Local Authority Bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Federal Home Loan Bank System*
Senior debt obligations (Consolidated debt obligations);

ii) *Federal Home Loan Mortgage Corporation* (FHLMC or "Freddie Mac")
Participation Certificates (Mortgage-backed securities)
Senior debt obligations;

iii) *Federal National Mortgage Association* (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

iv) *Student Loan Market Association* (SLMA or "Sallie Mae")
Senior debt obligations;

v) *Resolution Funding Corp.* (REFCORP) Only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

vi) *Farm Credit System*
Consolidated systemwide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's Ratings Group ("S&P") of "AAAm-G," "AAAm" or "AAm" or by Moody's Investors Service, Inc. ("Moody's) of "Aaa";

(e) Certificates of deposit ("CD") secured at all times by collateral described in (a) and/or (b) above. CD's must have a one-year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+"or better by S&P, and "Prime-1" or better by Moody's. The collateral must be held by a third party and the third party must have a perfected first security interest in the collateral:

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BID and SAIF;

(g) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P);

(h) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P) in one of the two highest long-term rating categories assigned by such agencies;

(i) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1+" by S&P;

(j) Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities

at a specified date; provided, however, that the repurchase agreement must satisfy certain criteria articulated in writing to the NMFA by the Rating Agency;

(k) Investment contracts with providers the long term, unsecured debt organization of which are rated at least "A" by the Rating Agency; and

(l) deposits with the Treasurer of the State for investment in obligations described above.

"Prepayment" means the amount paid by a Governmental Unit pursuant to the provisions of its Loan Agreement or Securities as a prepayment of all or a portion of the principal balance due under its Loan Agreement or a prepayment of the principal amount of the Securities.

"Principal Component" means the portion of each Loan Payment representing principal on the related Loan.

"Program" means the NMFA's public project revolving fund program.

"Program Costs" means the fees and expenses payable to the Trustee, any Paying Agent and the NMFA.

"Program Fund" means the fund by that name which is created and established by the Indenture.

"Projects" means, collectively, the projects (i) authorized by the Legislature for financing by the NMFA from the Public Project Revolving Fund (to the extent required by law) and (ii) described in a Supplemental Indenture and a Loan Agreement, Grant Agreement or Securities.

"Public Project Revolving Fund" means the public project revolving fund established pursuant to the Act.

"Rating Agency" means Moody's Investor's Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

"Rebate Calculation Date" means, with respect to each Series of Bonds, the interest payment date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the Initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last bond for such Series.

"Rebate Fund" means the Fund so designated, which is created and established by the Indenture.

"Rebate Requirement" means the amount of arbitrage profits earned from the investment of gross proceeds of the Bonds in nonpurpose investments described in Section 148(f)(2) of the Code and defined as "Rebate Amount" in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 1996 Bonds maintained by the Registrar.

"Regular Record Date" means the fifteenth (15th) day immediately preceding each Interest Payment Date (or the Business Day immediately preceding such fifteenth (15th) day, if such fifteenth (15th) day is not a Business Day).

"Registered Owner" or "Bondowner" or "Owner" or "Bondholder" or "holder" means the person or persons in whose name or names a Bond shall be registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture.

"Revenue Fund" means the Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund so designated, which is created and established by the Indenture to be held by the Trustee.

"Revenues" means (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund).

"Securities" means the securities purchased or acquired by the NMFA in consideration for a Loan made pursuant to the Indenture.

"Security Documents" means the intercept agreements or other security documents delivered by Governmental Units to provide additional security for a Loan Agreement or Securities.

"Series 1995 Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1995A, in the initial aggregate principal amount of $41,230,000.

"Series 1996 Bonds" means the Series 1996A and the Series 1996B Bonds.

"Series 1996A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1996A, in an initial aggregate principal amount of $_____.

"Series 1996B Bonds" means the Public Project Revolving Fund Revenue Bonds Taxable Series 1996B, in an initial aggregate principal amount of $_____.

"Special Record Date" means a special record date established pursuant to the Indenture.

"State" means the State of New Mexico.

"Supplemental Indenture" means any supplemental indenture approved by the NMFA in accordance with the Indenture amending or supplementing the Indenture or any Supplemental Indenture.

"Trust Estate" means the property held in trust by the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means Sunwest Bank of Albuquerque, National Association, Albuquerque, New Mexico and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee hereunder.

THE INDENTURE

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds shall be kept by the Trustee which is appointed the Bond Registrar with respect to the Bonds. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing and satisfactory to the Trustee, the NMFA shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new, fully registered Bond or Bonds for a like aggregate principal amount. Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series and the same maturity. The execution by the NMFA of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee shall not be required to transfer or exchange any Bond of a particular Series (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds of a particular Series for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The NMFA, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the NMFA, nor the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid

and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In each case the Trustee shall require the payment by the Registered Owner requesting exchange or transfer, only of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Nonpresentment of Bonds

In the event that any Bond shall not be presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the NMFA to the holder thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability to the holders of such Bonds for interest thereon, for the benefit of the holder of such Bond who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Moneys so deposited with the Trustee which remain unclaimed four (4) years after the date payment thereof becomes due shall, to the extent authorized by applicable law, at the request of the NMFA and if the NMFA is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture and if to the knowledge of the Trustee there has been no Event of Default, be repaid to the NMFA and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the NMFA; provided that the Trustee, before making payment to the NMFA, may cause a notice to be given to the Owners of the Bonds at their registered addresses, stating that the moneys remaining unclaimed will be returned to the NMFA after a specified date. Upon payment of such amounts to the NMFA by the Trustee, the NMFA shall deal with such money as required by applicable law.

Covenants of the NMFA

The NMFA will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or Supplemental Indenture or in any Bond, including the following covenants and agreements:

Covenant Against Creating or Permitting Liens. Except for the pledge of the Trust Estate to secure payment of the Bonds, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that (i) nothing contained in the Indenture shall prevent the NMFA from issuing, if and to the extent permitted by law, indebtedness having a lien on the

Trust Estate subordinated to that of the Bonds and (ii) Revenues constituting NMFA Portion of the Governmental Gross Receipts Tax and payments of Additional Pledged Loans not needed for payments hereunder in any Bond Year may be released to the NMFA free and clear of the lien as provided in the Indenture.

Existence; Compliance with Laws. The NMFA shall take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and shall comply will all valid and applicable laws, acts, rules, regulations, permits, orders, requirements, and directions of any legislative, executive, administrative, or judicial body which may relate to the execution and delivery of the Bonds and the performance of the NMFA's obligations hereunder.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions; Further Assurance. The NMFA and the Trustee shall not transfer any of the Loan Agreements, Grant Agreements, Security Documents and Securities except as specifically authorized in the Indenture in furtherance of the security for the Bonds; provided that, (i) once the Governmental Unit has repaid all amounts, if any, owing under its Loan Agreement, Grant Agreement, Securities, or Additional Pledge Loan and complied with the other provisions thereof, the NMFA and the Trustee may release such Agreement or Additional Pledge Loan and any Security Documents from the pledge created under the Indenture; and (ii) the NMFA may direct the release of any Agreement or Additional Pledged Loan from the lien and pledge of the Trust Estate under the Indenture upon the delivery to the Trustee of a Cash Flow Statement reflecting such release. Except to the extent otherwise provided in the Indenture, the NMFA shall not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and shall, from time to time, execute and deliver such further instruments and shall take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee shall cause the Indenture to be filed as a financing statement with the Secretary of State of the State, in such manner and at such places as may be required by law fully to protect the security interest of the Owners of the Bonds and the right, title, and interest of the Trustee in and to the Trust Estate. From time to time, the Trustee may, but shall not be required to, obtain an opinion of counsel setting forth what, if any, actions by the NMFA or Trustee should be taken to preserve such security. The NMFA shall execute or cause to be executed any and all further instruments as shall reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and shall furnish satisfactory evidence to the Trustee that such actions have been taken and shall take such other action as is necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds executed and delivered under

the Indenture shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds shall have been paid.

Rights Under Loan Agreements, Grant Agreements, Security Documents and Securities. The Loan Agreements, Grant Agreements, Security Documents and Securities set forth the covenants and obligations of the Governmental Units, including provisions that, subsequent to the issuance of a Series of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions of the Indenture, the Loan Agreements, Grant Agreements, Security Documents and Securities may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Trustee in accordance with the Indenture, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Governmental Units thereunder.

Bonds to be Tax-Exempt Obligations. The NMFA covenants and agrees to and for the benefit of the Owners that the NMFA (i) will not take any action that would cause interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the exemption from federal income taxation of interest on the Bonds. The provisions of this paragraph shall not apply to Bonds designated in the related Supplemental Indenture as bearing or accruing interest intended to be subject to Federal income taxation.

State Pledge of Non-Impairment. The State has pledged to and agreed with the Bondholders (as an obligation issued under the Act) that the State will not limit or alter the rights vested in the NMFA under the Act to fulfill the terms of the Indenture with the Bondholders or in any way impair the rights and remedies of those holders until the Bonds together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of those holders, are fully met and discharged.

Deposit and Advance of Funds.

The NMFA and the Trustee shall deposit the proceeds of the Bonds to the Accounts created under the Indenture and shall make the advances of funds thereunder to fund the Program and the NMFA shall enter into the Loan Agreements and Grant

Agreements with the Governmental Units and purchase and receive the Securities and Security Documents from the Governmental Units on the terms and conditions and upon submission of the documents as provided in the Indenture.

The following restrictions shall apply to financings made by the NMFA under the Indenture --

(a) The aggregate principal amount of each Loan Agreement, Grant Agreement and Security shall be in whole multiples of Authorized Denomination.

(b) Without the Approval of Bond Counsel, (i) no advance from the Program Fund shall be made or used to reimburse a Governmental Unit for amounts spent from such Governmental Unit's own funds prior to the date the Governmental Unit executed and delivered the Loan Agreement, Grant Agreement or Securities under the Program, and (ii) no Program Fund moneys shall be disbursed to refund or advance refund any obligations issued on behalf of a Governmental Unit.

(c) Each Agreement shall require that the final disbursement of moneys from the Governmental Unit's Account within the Program Fund to a Governmental Unit shall be made no later than the date which is three years after the execution and delivery of the Agreement, unless the NMFA and the Trustee have received the Approval of Bond Counsel for a later date.

(d) Each Governmental Unit shall agree not to take or permit any action which would cause the respective Agreement or the related Series of Bonds to be "arbitrage bonds" under Sections 103 and 148 of the Code.

(e) Without an Approval of Bond Counsel, no amounts disbursed from the Program Fund may be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit" within the meaning of Section 141(b)(6) of the Code.

(f) Amounts disbursed from each Governmental Units' Account within the Program Fund shall be used to finance the costs of the related Project and related expenditures on behalf of the Governmental Unit.

(g) Each Governmental Unit shall agree to pay the Rebatable Arbitrage relating to its Accounts in the Program Fund, the Agreement Reserve Fund and the Debt Service Fund.

(h) At the time of execution and delivery of each Agreement the related Governmental Unit shall execute and deliver a certificate to the effect that the Governmental Unit (i) will not take any action that would cause the interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Agreement in order to preserve the exemption from federal income taxation of the interest on the Bonds.

The provisions of Subsections (b), (c), (d), (e), (g) and (h) shall not apply to Agreements financed with proceeds of Bonds designated as intended to bear interest subject to Federal income taxes.

Loan Agreement and Securities - Loan Payments.

The Loan Payments shall be governed by the following provisions:

(a) Principal, Program Costs and Interest Components. A portion of each Loan Payment is paid as, and represents payment of, interest (the "Interest Component") on the related Loan and payment of a Program Cost component relating to each loan (the "Program Cost Component") and the balance of each Loan Payment is paid as, and represents payment of, principal (the "Principal Component") on the related Loan, all as set forth in the related Loan Agreement or Securities. Amounts due as the Principal, Program Costs, and Interest Components of Loan Payments due under each Loan Agreement or Securities shall be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement shall be the amount of interest based on a 360 day year comprised of twelve 30-day months, unless otherwise specified in the related Supplemental Indenture. The Program Cost Component may be included in the interest rate borne by a Loan.

(b) Loan Agreement and Securities Term. The "Term" of a Loan Agreement or Securities shall be defined in the Loan Agreement or Securities. The Term shall not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Securities shall provide that the related Governmental Unit shall pay Loan Payments directly to the Trustee. In the case of Securities, the Securities shall be registered in the name of the Trustee or properly assigned to the Trustee on the books of any

registrar for such Securities or if in bearer form delivered to and held by the Trustee.

(d) Prepayments. The Loan Agreements and Securities may contain a provision permitting the Governmental Unit to prepay the Principal Component of Loan Payments, in accordance with the provisions of the Loan Agreement and Securities by payment of Prepayments in whole on any date or in part on any Interest Payment Date, at any time when the related Series of Bonds are or are about to become subject to optional redemption upon not less than forty-five (45) days' prior written notice to the Trustee and subject to any other conditions set forth in the related Supplemental Indenture, Loan Agreement or Securities. Partial prepayments of the Principal Component of Loan Payments shall be made in multiples of the minimum Authorized Denomination. Each Prepayment shall include interest to the date upon which the Trustee has scheduled a related redemption of Bonds as provided in the related Supplemental Indenture.

(e) Use of Reserve at Final Payment. At the time of payment in full of each Loan Agreement or Securities, the applicable Agreement Reserve Account in the Agreement Reserve Fund shall be applied toward the final payment of amounts due under the related Loan Agreement or Securities.

Establishment of Funds and Accounts

There is established in the Indenture with the Trustee the following funds and accounts within funds, each of which shall be held, for the term of the Indenture, in Accounts segregated from all other moneys of the Trustee or the NMFA.

(a) a Program Fund and within such fund a separate Account for each Agreement;

(b) a Debt Service Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

(d) an Agreement Reserve Fund and within such fund, a separate Account for each Agreement which contemplates the establishment of an Agreement Reserve Account;

(e) an Expense Fund;

(f) a Rebate Fund and within such fund a separate Account for each Agreement; and

(g) a Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund (herein the "Revenue Fund") established as an account of the Public Project Revolving Fund.

In addition to the foregoing, with respect to Additional Pledged Loans the Trustee may, as directed in a Supplemental Indenture, establish subaccounts within the Program Fund, the Agreement Reserve Fund or the Debt Service Fund for such Additional Pledged Loans.

Flow of Funds

All Funds shall be accounted for and maintained by the NMFA in the Funds and Accounts established in the Indenture. Each Fund and Account shall be kept separate and apart from all other Funds and Accounts of the NMFA. The Funds shall be expended and used by the NMFA only in the manner of order and priority specified below:

Program Fund.

(a) Upon the issuance of a Series of Bonds the Trustee shall deposit the amount specified in the related Supplemental Indenture in the Program Fund and shall allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement. Disbursements from each Account within the Program Fund shall be made as provided below and may be made in stages.

(b) Disbursements from each Account within the Program Fund with respect to an Agreement with a Governmental Unit shall (except for amounts to be used for capitalized interest on the Loan and as may be directed in a Supplemental Indenture with respect to Grants) only be made upon the delivery to the Trustee of a requisition substantially in the form attached to each Agreement signed by an Authorized Officer of the Governmental Unit, as applicable: (1) stating the name and address of the payee, the amount to be paid and the purpose of the payment; (2) certifying that the amount to be paid is for costs of the Project and is due and payable, has not been the subject of any previous requisition and is a proper charge against the Account within the

Program Fund pursuant to this Paragraph (b); (3) certifying that all representations contained in the Agreement and the related documents remain true and correct and that the Governmental Unit is not in breach of any of the covenants contained therein; and (4) in the case of the final requisition, certifying that payment of costs of the Project is complete or that the Governmental Unit shall, and understands its obligation to, complete the acquisition or construction of the Project from other legally available funds.

(c) Without an Approval of Bond Counsel and except with respect to Agreements relating to Bonds designated in the related Supplemental Indenture as bearing or accruing interest subject to federal income taxation, no disbursement shall be made from the Governmental Unit's Account in the Program Fund:

(i) to reimburse the Governmental Unit's own funds for expenditures made prior to the date on which the governing body of the Governmental Unit executed and delivered the Agreement,

(ii) to refund or advance refund any obligations issued by or on behalf of the Governmental Unit, or

(iii) to be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit," within the meaning of Section 141(b)(6) of the Code.

(d) Moneys in the Governmental Unit's Account in the Program Fund following the payment of amounts due for the costs of the Project may be transferred to such Governmental Unit's Account in the Debt Service Fund for application to the payment of the principal of and interest on the Loan or the Prepayment of the Principal Component of the Loan Agreement or Securities and a related redemption of Bonds, as provided in the related Supplemental Indenture.

(e) The Trustee shall keep the Program Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

(f) Investment earnings on amounts held in each Account of the Program Fund shall be retained in such Account of the Program Fund and used as provided herein as other amounts on deposit therein or to be deposited to the Rebate Account.

(g) Moneys deposited in the Program Fund for the payment of capitalized interest on the Loan may be disbursed by the Trustee to the appropriate account in the Debt Service Fund to pay interest on the related Loan during construction of the related Project.

(h) If directed in the related Supplemental Indenture, amounts to be used to fund Grants may, in lieu of deposit to the Program Fund, be disbursed to the Governmental Unit upon the issuance of the related Series of Bonds.

(i) Proceeds of Additional Pledged Loans deposited to a separate subaccount of the Governmental Units Account within the Program Fund shall be accounted for and used as described above with respect to proceeds of Bonds; provided that the provisions of paragraph (c) above shall not apply to such amounts.

Application of Loan Payments.

The flow of funds is discussed in the forepart of this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1996 BONDS -- Flow of Funds".

All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), shall be deposited at least once each year in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement provided, however, that all earnings received on the Governmental Unit's Accounts shall be allocated solely to the benefit of such Governmental Unit. The Trustee shall notify the Governmental Unit at least fifteen (15) days prior to the due date of its next payment of Loan Payments of the amount of earnings so allocated.

In the event that the Trustee receives Prepayments under a Loan Agreement or Securities, the Trustee shall apply such Prepayments to the optional redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture.

At least once each year the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related

Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement shall be transferred at least annually to the related Account of the Debt Service Fund and credited against payments next coming due under such Loan Agreement or Securities.

Amounts on deposit in the respective Account of the Agreement Reserve Fund shall be applied toward the final payment of amounts falling due under the related Loan Agreement or Securities.

As provided in an Agreement, a Governmental Unit may (i) fund an Account in the Agreement Reserve Fund over time from deposits made by or on behalf of the Governmental Unit or (ii) may use any reserve fund surety or similar investments in lieu of a cash deposit to the Agreement Reserve Fund.

Amounts on deposit in each Agreement Reserve Account, if any, secure only the payments to be made under the related Agreement and may not be applied toward payments under any other Agreement or toward payment of the Bonds, except to the extent that amounts are due and owing under the related Agreement and amounts are not otherwise available for such payments in the related Account of the Debt Service Fund.

All moneys held by the Trustee in the Bond Fund shall be applied in accordance with the Indenture to pay the principal or redemption price of Bonds as they mature or become due, upon surrender thereof, and the interest on Bonds as it becomes payable. There shall be deposited into the Bond Fund all accrued interest received, if any, at the time of the execution, sale and delivery of the Bonds. Amounts remaining on deposit in the Bond Fund at the end of each Bond Fund Year and after payment of all amounts due on the Bonds for such Bond Fund Year shall be transferred to the Revenue Fund.

Investment of Moneys

Any moneys held as part of a Governmental Unit's Account in any of the Funds established under the Indenture shall be invested and reinvested by the Trustee at the direction of the related Governmental Unit in Permitted Investments in accordance with the following provisions.

Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the related Debt Service Account is insufficient to pay the principal

of and premium, if any, and interest on the related Loan Agreement or Securities when due. In the absence of an appropriate direction from a Governmental Unit as to investment of funds, the Trustee shall invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund shall be invested and reinvested by the Trustee at the direction of the NMFA only in Permitted Investments in accordance with the Indenture. Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of the investments on deposit in the Bond Fund whenever the cash balance in the Bond Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due.

All such investments shall at all times be a part of the account or fund from where the money used to acquire such investments was deposited and all gains thereon shall be credited to, and losses thereon shall be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments shall mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the owner on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes hereof.

The principal of the investments and the interest, income, and profits received in respect thereof shall be applied as follows:

(i) all interest, income, and profits received in respect of the investment of the amounts on deposit in a Governmental Unit's Account in any of the Funds established under the Indenture shall (after deduction of any losses) be retained in the applicable Governmental Unit's Account from which the investment was derived (except as otherwise required with respect to the Agreement Reserve Fund and deposits to be made to the Rebate Fund); and

(ii) all interest, income, and profits received in respect of the investment of the amounts on deposit in the Revenue Fund, the Rebate Fund or the Bond Fund shall (after deduction of any losses) be retained in such Fund; and

(iii) whenever any other transfer or payment is required to be made from any particular Fund or Account, such transfer or payment shall be made from such combination of maturing principal, redemption, or repurchase prices, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as future

transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any permitted investments to be redeemed, withdrawn, or sold, and any penalties, gains, or losses to be realized upon any such redemption, withdrawal, or sale.

The Trustee shall not be accountable for any depreciation in the value of the Permitted Investments or any losses incurred upon any authorized disposition thereof.

Method and Frequency of Valuation. In computing the amount in any fund or account, Permitted Investments shall be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there shall have been paid, or there shall be provisions for payment made to or for the holders and Owners of the Bonds, the principal of and premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein, and if there shall have been paid to the Trustee and any paying agents all sums of money due or to become due according to the provisions of the Indenture, then the presents and the estate and rights granted by the Indenture shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture and on demand of the NMFA shall execute such documents to evidence such release as shall be reasonably required by the NMFA and shall turn over to the NMFA all balances held by the Trustee under the Indenture (other than amounts required for return to the Governmental Units as provided in the Indenture).

Any Bond shall be deemed to be paid within the meaning of and for all purposes of the Indenture when (a) payment of the principal of and the applicable premium, if any, on such Bond, whether at maturity or prior redemption plus interest thereon to the due date thereof, either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent shall have irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) noncallable Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of

the Indenture, except for the purposes of any such payment from such moneys or noncallable Governmental Obligations.

All moneys so deposited with the Trustee (or other escrow agent) as provided in the defeasance provisions of the Indenture may at the direction of the NMFA also be invested and reinvested in noncallable Governmental Obligations, maturing in the amounts and at times as hereinbefore set forth, and all income from all noncallable Governmental Obligations in the hands of the Trustee which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Revenue Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

All moneys or noncallable Governmental Obligations set aside and held in trust pursuant to the defeasance provisions of the Indenture for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and noncallable Governmental Obligations have been so set aside in trust.

Neither the obligations nor the moneys deposited with the Trustee (or other escrow agent) pursuant to the defeasance provisions of the Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or redemption price of, and interest on, the Bonds or portions thereof.

Whenever moneys or obligations shall be deposited with the Trustee (or other escrow agent) for the payment or redemption of any Bonds more than sixty (60) days prior to the date that such Bonds are to mature or be redeemed, the Trustee shall mail a notice stating that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held, to all Owners of Bonds for the payment of which such moneys or obligations are being held.

No such deposit under the defeasance provisions of the Indenture shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an Approval of Bond Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Sections 148 of the Code.

If moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to the defeasance provisions of the Indenture for the payment of Bonds

and such Bonds shall not have in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture shall be made without the consent of the Registered Owner of each Bond affected thereby.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on any Series of Bonds shall be paid by a bond insurer with respect to such Series of Bonds pursuant to a municipal bond insurance policy, the Bonds of such Series shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the NMFA, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the NMFA to the Registered Owners of such Series of Bonds shall continue to exist and shall run to the benefit of such bond insurer, and such bond insurer shall be subrogated to the rights of such Registered Owners of such Series of Bonds.

Default Provisions and Remedies of the Trustee and Owners

Events of Default Defined. Each of the following events is an "Event of Default" under the Indenture:

(a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund hereunder or otherwise; or

(c) if the NMFA shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the NMFA, appointing a receiver or custodian for any of the Revenues of the NMFA, or approving a petition filed against the NMFA seeking reorganization of the NMFA under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the NMFA shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof; or

(e) if any proceeding shall be instituted, with the consent or acquiescence of the NMFA, for the purpose of effecting a composition between the NMFA and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(f) if (i) the NMFA is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the NMFA, a receiver, trustee or custodian of the NMFA or of the whole or any part of their property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the NMFA or of the whole or any substantial part of the property of the NMFA, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or the Indenture or any Supplemental Indenture on the part of the NMFA to be performed, other than as set forth above in this section and such Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the NMFA by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Remedies of the Trustee. If an Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name:

(a) by mandamus or other action or proceeding or suit at law or in equity enforce the rights of the Owners of the Bonds under the Indenture,

including enforcing any rights under the Agreements and Security Documents and the provisions of the Indenture for the benefit of the Owners of the Bonds against the NMFA and any related Governmental Unit, and compel the NMFA and any related Governmental Unit, to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained in the Indenture or in any Agreement (including the appointment of a receiver); or

(b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) intervene in judicial proceedings that affect the Bonds, the Agreements or the security therefor; or

(d) exercise any or all remedies permitted under the Agreements or Security Documents; or

(e) cause the NMFA or any related Governmental Unit to account as if it were the trustee of an express trust for all of the Revenues or Agreement Pledged Revenues, pledged under the Indenture or pursuant to the Agreements and any Security Documents.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Owners, the Trustee, the Owners, the NMFA, and the Governmental Units shall be restored to the former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be

extended without exhausting and without regard to any other remedy conferred by any law.

No Liability by the Governmental Units to the Owners. Except for the payment when due of the Loan Payments and the performance of the other agreements and covenants required to be performed by it contained in the Agreements and Security Documents, the Governmental Units will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Loan Payments, by the Trustee, or with respect to the performance by the NMFA of any right or obligation required to be performed by it contained in the Indenture or for the performance by any other Governmental Unit of such other Governmental Unit's obligations under an Agreement or Security Documents.

Limitation of Owners' Right to Bring Suit. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, for the appointment of a receiver or trustee or for any other remedy, at law or in equity, unless;

(a) such Owner has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Owners of not less than a majority of the aggregate principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee;

(c) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of interest on such Bond when due in accordance with the terms of the Bonds and the

Indenture and the principal of such Bond at the stated maturity of the Bonds and to institute suit for the enforcement of any such payment in accordance with the provisions of the Indenture and such rights shall not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding hereunder shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee, provided that such direction shall not be in conflict with any rule of law or with the Indenture or unduly prejudice the rights of minority Owners of Bonds.

Application of Funds Upon Default. All moneys received by the Trustee or by any receiver pursuant to any right given or action taken under the default provisions of the Indenture or under the provisions of the related Agreements, shall, after payment of the reasonable costs and fees of, and the reasonable expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys deposited to the Bond Fund for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee under the Indenture, shall be applied as follows;

Unless the principal of all Bonds shall have become due and payable, all such moneys shall be applied, as follows:

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

Second: To the payment to the persons or entity entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for prepayment for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on such Bonds at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of

principal and interest due on such date, to the persons or entities entitled thereto without any discrimination or privilege;

Third: To be held for the payment to the persons entitled thereto as the same shall become due of the principal of, the premium, if any, and interest on the Bonds which may thereafter become due at maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

If the principal of all the Bonds shall have become due all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with the interest on overdue principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bonds over any other certificates, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such moneys it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such date and of the Special Record Date in accordance with the Indenture. The Trustee shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate principal amount of all the Bonds then outstanding in respect of which Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any Event of Default in the payment of the principal of any Bonds at the date of maturity

specified therein, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Owners. The NMFA and the Trustee may, without consent of, or notice to, any of the Owners enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;

(b) To cure any ambiguity or formal defect or omission in the Indenture;

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee;

(d) To subject to the Indenture additional revenues, properties or collateral;

(e) To evidence the appointment of a separate Trustee or paying agent or the succession of a new Trustee or paying agent under the Indenture;

(f) To make any other change which in the judgement of the Trustee is not materially adverse to the interests of the Trustee or any of the Owners;

(g) To make any amendments with the prior written confirmation from the Rating Agency that such amendments will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment; and

(h) To add additional covenants of the NMFA or any Governmental Unit or to surrender any right or power conferred upon the NMFA in the Indenture or any Governmental Unit or to grant additional powers or rights to the Trustee.

Supplemental Indentures Requiring Consent of Owners. Exclusive of supplemental indentures covered by the foregoing section and subject to the following terms and provisions and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the NMFA and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the NMFA for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in this section or in the foregoing section shall permit, or be construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond, or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures, or (v) permit the creation of any lien ranking prior to the lien of the Indenture on the Trust Estate or any part thereof, or (vi) deprive the Owner of any Bond then outstanding of the lien created by the Indenture on the Trust Estate without the prior consent of 100% of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which adversely affects the Trustee's rights, duties or immunities under the Indenture or the Agreements.

If at any time the NMFA shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given by registered or certified mail to the owner of each Bond shown by the list of Owners kept at the office of the Trustee. Such notices shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Owners. If, within one hundred twenty (120) days or such longer

period as the holders of not less than a majority in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Governmental Units from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA shall have the right to amend an Agreement and any existing Security Documents with the Consent of the Trustee and the related Governmental Unit without Bond Owners' consent, for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred upon the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in the Indenture or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgement of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

(b) If the NMFA or a Governmental Unit propose to amend an Agreement or related Security Documents in a manner not contemplated by (a) above the Trustee shall notify the Owners of the Bonds of the proposed amendment and may consent thereto with the consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding.

Fees, Charges and Expenses of the Trustee

Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the Trustee's advances, fees, costs and expenses incurred.

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APPENDIX C

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE

The following economic and demographic information is furnished for information only. The Bonds do not constitute a general obligation of the State and are special obligations of NMFA payable solely from the Trust Estate. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Generally

The State of New Mexico (the "State") was admitted as the forty-seventh state on January 6, 1912. It is the fifth largest state, containing approximately 121,593 square miles. The State's terrain varies widely and incorporates six of the seven life zones between its northern mountains and its arid southern plains.

The State's climate is characterized by sunshine and warm bright skies in both winter and summer. Every part of the State receives no less than 70% sunshine year-round. Humidity ranges from 60% (mornings) to 30% (afternoons). Evenings are crisp and cool in all seasons because of the low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of its moisture. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains).

Governmental Organization

The State's government consists of the three branches characteristic of the American political system: executive, legislative and judicial. The executive branch is headed by the Governor, who is elected for a four-year term. A governor may succeed himself in office only once. Following a reorganization plan implemented in 1978 to reduce and consolidate some 390 agencies, boards and commissions, the primary functions of the executive branch are now carried out by sixteen cabinet departments, each headed by a cabinet secretary appointed by the Governor.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives Senators are elected to four-year terms, members of the House to two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to sixty calendar days in odd-numbered years and thirty calendar days in even-numbered years. In addition, special sessions of the Legislature may be convened by the Governor under certain limited circumstances. Legislators receive no salary, but do receive per diem arid mileage allowances while in session or on official State business.

The judicial branch is composed of a statewide system of Magistrate and District Courts, the Court of Appeals and the Supreme Court. The district court is the trial court of record with general jurisdiction.

Principal Economic Activities

Major industries in the State include energy resources, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing, and mining. In 1994, the value of energy resources production (crude petroleum, natural gas, uranium, and coal) was approximately $4.13 billion. The mining industry employed about 15,700 New Mexicans in 1995. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy.

The State has a thriving tourist industry. In 1995 there were approximately 2.25 million visits to national parks and about 4.9 million visits to various parts of the State. According to a 1995 estimate by the New Mexico Economic Development Department, the State's tourist industry generated about $2.75 billion in revenue and the New Mexico Department of Labor reported more than 66,800 in tourist-related jobs.

Agriculture is a major part of the State's economy, with crop and livestock sales in excess of $1.5 billion in 1995. As a high, relatively dry region with extensive grasslands, the State is ideal for raising cattle, sheep and other livestock. Because of irrigation and a variety of climatic conditions, the State's farmers are able to produce a diverse assortment of quality products. The State's farmers are major producers of alfalfa hay, wheat, chile peppers, cotton, fruits and pecans. Agricultural businesses include chile canneries, wineries, alfalfa pellets, chemical and fertilizer plants, farm machinery, feed lots, and commercial slaughter plants.

Economic and Demographic Information

The State's population at the time of the official 1990 United States Census was 1,515,069. Set out below is certain historical population information and certain additional historical economic information concerning the State.

State of New Mexico
Population Trends

	New Mexico (000)		United States (000)		% Urban	
Year	Population	% Change	Population	% Change	New Mexico	U.S.
1970	1,017.1	6.9%	203,302	13.4%	69.8%	73.6%
1980	1,302.3	28.0	226,546	11.4	72.2	73.7
1990 (unadjusted)	1,515.1	16.3	248,710	9.8	73.0	75.2
1991	1,547.3	2.1	252,138	1.4	N/A	N/A
1992	1,581.5	2.2	255,093	1.2	N/A	N/A
1993	1,616.4	2.2	257,800	1.1	N/A	N/A
1994	1,655.2	2.4	260,350	1.0	N/A	N/A
1995	1,685.4	1.8	262,755	1.0	N/A	N/A

Source: U.S. Department of Commerce, Bureau of the Census

State of New Mexico
Wages and Salaries by Industry Sector, 1985 and 1995
($ in millions)

	New Mexico		% Change		Distribution of 1995 Wages and Salaries	
	1985	1995	N.M.	U.S.	N.M.	U.S.
Totals	9,702.0	17,229.0	77.6	71.8	100.0%	100.0%
Farm	74.4	142.0	90.9	13.9	.82	.37
Agriculture	42.6	100.8	136.6	109.2	.58	.55
Mining	585.1	593.5	1.4	(10.5)	3.44	.77
Construction	641.3	1,049.5	63.7	50.9	6.09	4.63
Manufacturing	727.9	1,281.8	76.1	38.1	7.44	18.75
Durable*	516.1	953.3	84.7	32.0	5.63	11.44
Non-Durable*	211.9	328.5	55.0	48.9	1.91	7.3
Transportation	771.6	1,022.8	32.6	60.4	5.94	6.58
Wholesale*	462.2	742.8	60.7	65.6	4.31	6.73
Retail*	1,053.0	1,944.3	84.6	68.8	11.39	9.86
Finance, Insurance and Real Estate	462.0	794.0	71.9	89.3	4.61	7.7
Services	1,951.6	4,509.3	131.1	128.1	26.17	25.99
Government	2,930.3	5,048.3	72.3	68.9	29.3	18.07
Federal*	712.7	1,202.8	68.8	50.1	6.98	3.53
Military*	381.4	523.8	37.3	21.0	3.04	1.37
State and Local*	1,836.2	3,321.8	80.9	82.5	19.28	13.17

* The indented sectors are components of the encompassing sector immediately above.
Source: U.S. department of Commerce, Bureau of economic Analysis

State of New Mexico
Civilian Labor Force, Employment and Unemployment
in New Mexico and the United States, 1982 through 1995

	Civilian Labor Force (000)		Number Employed (000)		Unemployment Rate		
Year	N.M.	U.S.	N.M.	U.S.	N.M.	U.S.	NM as % of U.S. Rate
1982	596	110,204	541	99,526	9.2%	9.7%	95%
1983	609	115,530	547	100,834	10.2	12.7	80
1984	628	113,544	581	105,005	7.5	7.5	100
1985	644	115,461	587	107,150	8.8	7.2	122
1986	678	117,834	616	109,597	9.2	7.0	131
1987	682	119,865	622	112,440	8.9	6.2	144
1988	688	121,669	635	114,968	7.8	5.5	142
1989	698	123,869	651	117,342	6.7	5.3	126
1990	708	125,840	662	116,793	6.5	5.6	116
1991	726	126,346	674	117,718	7.1	6.8	104
1992	741	128,105	689	118,462	7.0	7.5	93
1993	756	129,200	698	120,259	7.7	6.9	112
1994	775	131,065	726	123,060	6.3	6.1	103
1995	788	132,304	738	124,900	6.3	5.6	113

Source: New Mexico Department of Labor, Economic Research and Analysis

State of New Mexico
Per Capita Personal Income in New Mexico and the U.S., 1980-1995

Year	Per Capita Income		New Mexico as a % of U.S.	Annual % Change	
	New Mexico	U.S.		New Mexico	U.S.
1980	$ 8,147	$ 9,940	82%	10.0%	10.2%
1981	9,064	11,009	82	11.3	10.8
1982	9,604	11,583	83	6.0	5.2
1983	9,987	12,223	82	4.0	5.5
1984	10,648	13,332	80	6.6	9.1
1985	11,322	14,155	80	6.3	6.2
1986	11,562	14,906	78	2.1	5.3
1987	11,893	15,638	76	2.9	4.9
1988	12,554	16,610	76	5.6	6.2
1989	13,338	17,690	75	6.2	6.5
1990	14,213	18,667	76	6.6	5.5
1991	14,817	19,201	77	4.3	2.9
1992	15,516	20,146	77	4.7	4.9
1993	16,295	20,809	78	5.0	3.3
1994	17,025	21,699	78	4.5	4.3
1995	18,055	22,788	79	6.1	5.0

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

State of New Mexico
Earnings Growth by Standard Industrial Classification
% Change, 1993-1994

	New Mexico	Southwest Region (1)	U.S.
Farm Earnings	(15.5)%	(14.7)%	2.8%
Nonfarm earnings	7.8	6.5	5.6
Private	8.7	6.8	6.0
Ag. Serv, Forestry & Fisheries	9.8	9.8	9.1
Mining	4.3	3.0	3.4
Construction	21.7	13.8	10.4
Manufacturing	12.0	6.1	5.3
Non-durable Goods*	7.9	4.4	4.0
Durable Goods*	13.7	7.2	6.2
Transportation & Public Utilities	3.7	6.4	6.0
Wholesale Trade	8.4	7.1	5.9
Retail Trade	8.4	7.6	6.6
Finance, Insurance, Real Estate	6.3	3.3	2.2
Services	1.3	7.0	6.5
Government	5.4	4.6	3.7
Federal, Civilian*	5.4	2.6	2.5
Military*	2.9	2.1	(3.0)
State & Local*	5.8	5.6	4.8
Total Earnings:	7.2	6.1	5.6

(1) Southwest Region: Defined by the U.S. Department of Commerce as Arizona, New Mexico, Oklahoma and Texas.

* The indented sectors are components of the encompassing sectors immediately above.

Source: Regional Economic Information System, Bureau of Economic Analysis

APPENDIX D

CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS

This Appendix sets forth certain information concerning the 1996 Governmental Units. The information concerning each 1996 Governmental Unit was provided by the respective 1996 Governmental Unit and other sources believed to be reliable. While NMFA believes such information is a fair summary of the matters presented, NMFA cannot guarantee its accuracy or completeness. In addition, such information is current only as of the date of this Official Statement and is subject to change at any time.

APPENDIX D-1

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OF THE STATE OF NEW MEXICO

Generally

The Energy, Minerals and Natural Resources Department ("EMNRD") is a cabinet-level department within the executive branch of government of the State of New Mexico (the "State") established by the State Legislature in 1987. It is administered by a cabinet Secretary who is appointed by the Governor with the consent of the State Senate. EMNRD consists of six divisions, including the State Park and Recreation Division (the "Division") which is responsible for developing, maintaining, managing and supervising all state parks and state-owned or state-leased recreation areas.

The 1996 Project

Pursuant to the Indenture, a portion of the proceeds of the Series 1996 Bonds are to be used by the NMFA to purchase the Division's $3,510,000 State Park and Recreation Division Revenue Bonds, Series 1996A (the "1996A Securities"). In addition, NMFA will purchase the Division's $390,272 State Park and Recreation Division Revenue Bonds, Series 1996B (the "1996B Securities"), which securities constitute an Additional Pledged Loan under the Indenture. The 1996A Securities and the 1996B Securities collectively are referred to in this Appendix D-1 as the "1996 Securities." The Division is to use the proceeds of the 1996 Securities to make various capital improvements within park and recreational facilities throughout the State. These improvements are expected to be the second in a series of four such capital improvement funding allocations to be supported through the issuance of securities (including Additional Pledged Loans) to the NMFA under the Public Project Revolving Fund Program. The improvements expected to be funded from the proceeds of the 1996 Securities include the following:

Park Name or Project Location	**Project Scope**
Bluewater Lake State Park	Restroom and office modifications
Bottomless Lakes State Park	Storage Facility renovations and restroom construction
City of Rocks State Park	Maintenance facility
Cimarron Canyon State Park	ADA compliance modifications
Conchas Lake State Park	Restroom construction
Coronado State Park	Day-use area development

Elephant Butte Lake State Park	Restroom construction, utility extensions, and campground shelters and road development
Fenton Lake State Park	Group shelter and shop expansion
Heron Lake State Park	Restroom construction and water supply development
Hyde Memorial State Park	Erosion control and lodge and ranger station renovations
Navajo Lake State Park	Utility extensions
Oasis State Park	Maintenance facility
Rio Grande Nature Center	ADA compliance modifications, office replacement and exhibit renovations
RV Electric	Complete modifications
Statewide	Signage and vehicular controls
Statewide	Campsite shelters and furnishings
Statewide	Playground replacement and renovations
Statewide	Vault toilet construction
Statewide	Water and wastewater improvements
Storrie Lake State Park	Campground renovation
Sugarite Canyon State Park	Restroom construction
Ute Lake State Park	Office renovation

Security for Payments on 1996 Securities

Generally

25% of the net governmental gross receipts tax which is imposed pursuant to Section 7-1-6.38 NMSA 1978, is allocated to EMNRD. Of this 25% portion, 60% (the "EMNRD Portion of the Governmental Gross Receipts Tax") is distributed to the EMNRD for State park and recreational area capital improvements. The 1996 Securities will be secured by a first, but not necessarily an exclusively first, pledge of the EMNRD Portion of the Governmental Gross Receipts Tax collections. For certain information concerning the governmental gross receipts tax, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1996 BONDS - Revenues -The Governmental Gross Receipts Tax." NMFA believes that the EMNRD Portion of the Governmental Gross Receipts Tax will provide sufficient funds for the payment of the debt service on the 1996 Securities and all outstanding parity obligations, as due.

Parity Obligations

As of the date of issuance of the Series 1996 Bonds the only other obligations payable from the EMNRD Portion of the Governmental Gross Receipts Tax on a parity with the 1996A Securities will be the 1996B Securities and the Division's State Park and Recreation Division Revenue Bonds, Series 1995A and Series 1995B currently outstanding in the aggregate principal amount of $3,534,774.

Pursuant to the proceedings authorizing the issuance of the 1996 Securities, additional parity objections may be issued if (i) all payments required to be made by the EMNRD into its accounts of the Debt Service Fund and the Agreement Reserve Fund have been made; (ii) no default exists in connection with any of the covenants or requirements set forth in such proceedings; (iii) the EMNRD Portion of the Governmental Gross Receipts Tax received or credited to the Division for the fiscal year, or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such parity obligations, shall have been sufficient to pay an amount representing 135% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor); and (iv) an appropriately pledged reserve fund for such parity obligations has been provided for and funded. The Division may not issue bonds or other obligations payable from the EMNRD Portion of the Governmental Gross Receipts Tax having a lien thereon prior and superior to the 1996 Securities.

Economic and Demographic Information

For certain economic and demographic information concerning the State, see Appendix C, "CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE."

APPENDIX D-2

DEPARTMENT OF ENVIRONMENT OF THE STATE OF NEW MEXICO

The Department of Environment of the State of New Mexico (the "Environment Department") is a cabinet-level department within the executive branch of the government of the State of New Mexico, established by the State Legislature in 1991. It is administered by the Secretary of the Environment, who is appointed by the Governor, with the consent of the State Senate. The Environment Department was established to administer the laws and exercise the functions relating to the environment formerly administered and exercised by the Health and Environment Department.

Pursuant to the Act, the Environment Department and the NMFA will enter into a Joint Powers Agreement for the purpose of describing and allocating dates and responsibilities with respect to the creation of an integrated loan and grant program for water, solid waste and waste water system improvements for local governments within the state. In connection with this program, NMFA will make the 1996 Grants to the Environment Department from proceeds of the Series 1996 Bonds. The proceeds of the Series 1996A Bonds received by the Environment Department are to be used to fund grants to local governments for solid waste system improvements and the proceeds of the Taxable Series 1996B Bonds received by the Environment Department are to be used to fund loans to local governments for water and wastewater system improvements. That portion of the Series 1996 Bonds used to fund such 1996 Grants will be repaid from the NMFA Portion of the Governmental Gross Receipts Tax. For certain information concerning the NMFA Portion of the Governmental Gross Receipts Tax, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues - The Governmental Gross Receipts Tax."

APPENDIX D-3

CENTRAL SOLID WASTE AUTHORITY
(THE CITY OF BELEN, VILLAGE OF BOSQUE FARMS, VILLAGE OF LOS LUNAS, VILLAGE OF MAGDALENA, CITY OF SOCORRO AND COUNTY OF SOCORRO)

Generally

The Central Solid Waste Authority (the "Authority") was established in 1994 by the City of Belen ("Belen"), the Village of Bosque Farms ("Bosque Farms"), the Village of Los Lunas ("Los Lunas"), the Village of Magdalena ("Magdalena"), the City of Socorro ("Socorro") and the County of Socorro ("Socorro County") (collectively the "Authority Participants") pursuant to a Joint Powers Agreement (the "Joint Powers Agreement") dated February 20, 1994 by and among the Authority Participants. The Authority was created by the Authority Participants to provide for the disposition of solid waste through the development of modern recycling and disposal facilities. The Authority is not a governmental entity and has no taxing or other powers, except as established by the Joint Powers Agreement. It is governed by a six-person Board of Directors (the "Board") consisting of representatives from each of the Authority Participants.

The 1996 Project

The proceeds of the Authority's Loan are to be used to develop a comprehensive solid waste program for the Authority, including i) a cost analysis of waste collection, transportation, and disposal, ii) the permitting, construction, equipping and staffing of multi-recovery and transfer stations in Socorro and Valencia Counties, and iii) the development of a comprehensive plan for the Authority to assume responsibility for the collection of solid waste for all of the Authority Participants which are currently doing the collection within the region.

Security for Loan Payments

Generally

The Authority's Loan Agreement, will be executed by the Authority and Belen, Bosque Farms, Los Lunas and Magdalena (the "Authority Loan Participants"). Pursuant to such Loan Agreement, the Authority Loan Participants have pledged all of their respective Environmental Services Gross Receipts Tax receipts ("EGRT") for payment of amounts due under the Loan Agreement. For a discussion of the EGRT see "CERTAIN INFORMATION CONCERNING CERTAIN OTHER GOVERNMENTAL UNITS - CITY OF SANTA FE - EGRT and IGRT" in Appendix E. Each of the Authority Loan Participants will be jointly and severally liable to NMFA under the Authority's Loan Agreement to the extent of their respective EGRT receipts. Each Authority Loan Participant has authorized an Intercept Agreement pursuant to which the appropriate State official will pay all of such Authority Loan Participant's EGRT revenues, upon collection, directly to the Trustee in the event that such Authority Loan Participant fails to make a required Loan Payment when due. In addition, the Authority has pledged all net solid waste

system revenues from the landfill to be constructed with the proceeds of its Loan (the "Facility") for payments of all amounts due under its Loan Agreement. The Facility is anticipated to begin operation in January 1, 1997. NMFA believes that the Agreement Pledged Revenues will provide sufficient funds to permit Loan Payments to be made as due.

Parity Obligations

Pursuant to the Authority's Loan Agreement, the Authority Loan Participants may not issue additional obligations payable from each Authority Loan Participant's respective EGRT revenues. In addition, obligations may not be issued on a parity with the net revenues of the Facility unless each of the following requirements have been met:

(i) The Authority Loan Participants and the Authority are then current in all of the accumulations required to be made into the Debt Service Account and the Agreement Reserve Account as provided in the Indenture;

(ii) No default exists in connection with any of the covenants or requirements of the ordinances authorizing the Authority Loan Participants and the Authority to enter into the Authority's Loan Agreement;

(iii) The net revenues of the Facility received by or credited to the Authority Loan Participants and the Authority for the fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing 130% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

For purposes of clause (iii) if there has been adopted a schedule of rate increases with respect to the Facility during the twelve months immediately prior to the issuance of the proposed bonds or other obligations, and if any revenues collected pursuant to such schedule are not part of the revenues of the fiscal year used for the test described above, there may be added to the actual revenues for said fiscal year an estimated sum equal to the estimated increase in revenues which would have been realized during said fiscal year had such rate increase governed the revenues received during said entire fiscal year; and

(iv) The proceedings authorizing the additional parity obligations must provide for an appropriately pledged reserve fund for such additional parity obligations in an amount no less than an amount equivalent to the loan agreement reserve requirement for the additional parity obligations proposed to be issued, and must require the accumulation of such amount in the appropriately pledged reserve fund to be accomplished at the time of issuance of the additional parity obligations.

The Authority's Loan Agreement does not prevent the issuance by an Authority Loan Participant or the Authority from issuing bonds or other obligations payable from EGRT revenues, in the case of the Authority Loan Participants, or the net solid waste system revenues, in the case of the Authority, subordinate or junior to the lien of such Loan Agreement.

The Authority Participants

Belen. Belen was incorporated in 1918 as a body politic and corporate under the laws of the State. It comprises approximately 4.3 square miles and is located in Valencia County in central New Mexico. Belen is known as the "Railroad Hub" of New Mexico, where major passenger and freight railways converge as a connection to other points throughout the country. As of 1994, its population was estimated to be 7,295.

Belen operates under a Mayor-Council, comprised of five members. Council members are elected for a four-year term.

Bosque Farms. Bosque Farms was incorporated in 1974 as a body politic and corporate under the laws of the State. It comprises approximately 5 square miles and is located in Valencia County in central New Mexico, nestled between the City of Albuquerque and the Isleta Pueblo. It provides a rural alternative to the metropolitan area of Albuquerque which is less than twenty minutes away. As of 1994, its population was estimated to be 4,521.

Bosque Farms operates under a Mayor-Council form of government, comprised of five members. Councilors are elected for a four-year term.

Los Lunas. Los Lunas was incorporated in 1928 as a body politic and corporate under the laws of the State. It comprises 5.44 square miles and is located in Valencia County in central New Mexico, twenty minutes south of Albuquerque and within a few minutes of Bosque Farms. Los Lunas provides quiet rural features with a long history that dates back over two hundred years. As of 1994, its population was estimated to be 7,319.

Los Lunas operates under a Mayor-Council form of government, comprised of five members. Councilors are elected to four-year terms.

Magdalena. Magdalena was incorporated in 1918 as an incorporated municipality. It comprises approximately 3 square miles, and is located in Socorro County in south central New Mexico. Its population was estimated in 1994 to be 880.

Magdalena operates under a Mayor-Council form of government, comprised of five members. Councilors are elected for a four-year term.

Socorro. Socorro was incorporated in 1894 as a body politic and corporate under the laws of the State. It comprises approximately 18 square miles in Socorro County in south central New Mexico. Socorro is the home of the New Mexico Institute of Mining and Technology (NM Tech). The institute has been ranked ninth in Money Magazine's Guide to Top Public Schools with Instate Tuition. The demand for graduates in the extractive industries is considerable. As of 1994, its population was estimated to be 8,472.

Socorro operates under a Mayor-Council form of government, comprised of nine members, elected for a four-year term.

Socorro County. Socorro County was established in 1850. It comprises approximately 6,624 square miles in south central New Mexico. Socorro County is the home of the U.S. government's Stallion Missile Test Range where much of the nation's state-of-the-art missile technology is tested. "Trinity Site," the first atomic test sight, is located in the southeast portion of the county, approximately 50 miles southeast of the City of Socorro. As of 1994, its population, including Magdalena and Socorro, was estimated to be 15,676.

Socorro County operates under a Commission form of government, comprised of five members. Commissioners are elected for a four-year term.

Economic and Demographic Information

Set out below is certain economic and demographic information concerning the Authority Participants. When available, information is provided for each Authority Participant. However, certain data is not available for cities and villages. Therefore, in certain instances, information is provided only for Socorro County and Valencia County. Socorro and Magdalena are located in Socorro County and Belen, Bosque Farms and Los Lunas are located in Valencia County.

Population

Year	Socorro County	Socorro	Magdalena	Valencia County(1)	Belen	Bosque Farms	Los Lunas	State
1940	11,422	3,712	1,323	20,245	3,038	----	686	531,818
1950	9,670	4,334	1,297	22,481	4,495	----	889	681,023
1960	10,168	5,271	1,211	39,085	5,031	----	1,136	951,023
1970	9,763	5,849	652	40,576	4,823	1,699	973	1,017,055
1980	12,566	7,173	1,022	30,769	5,617	3,353	3,525	1,303,303
1990	14,764	8,159	861	45,235	6,547	3,791	6,013	1,515,069
1991	14,694	8,077	851	46,687	6,621	3,945	6,268	1,547,438
1992	15,033	8,263	896	48,308	6,873	4,123	6,467	1,580,966
1993	15,274	8,354	892	51,022	7,078	4,341	6,880	1,615,613
1994	15,676	8,472	880	53,808	7,295	4,521	7,319	1,653,521

(1) In June, 1981, Valencia County was divided into Valencia and Cibola Counties.

Source: U.S. Department of Commerce, Bureau of Census

Age Distribution - Percentage of Population (1)

Age	Socorro County(2)	Valencia County(3)	State	U.S.
0-17	31.0%	32.3%	30.0%	26.0%
18-24	10.5	7.4	9.0	9.7
25-34	14.5	15.4	15.4	15.8
35-49	20.8	23.0	22.3	22.7
50 and older	23.2	22.9	23.3	25.8

(1) Data not available for Belen, Bosque Farms, Los Lunas, Magdalena or City of Socorro individually.
(2) Includes Magdalena and the City of Socorro.
(3) Includes Belen, Bosque Farms and Los Lunas.

Source: Sales and Marketing Management, Survey of Buying Power, January 1, 1995.

Per Capita Personal Income (1)

Year	Socorro County(2)	Valencia County(3)	State	U.S.
1991	$11,397	$13,323	$14,817	$19,201
1992	11,582	13,921	15,516	20,146
1993	12,224	14,246	16,295	20,809
1994	12,474	14,902	17,025	21,699
1995	N/A	N/A	18,055	22,788

(1) Data not available for Belen, Bosque Farms, Los Lunas, Magdalena or City of Socorro individually.
(2) Includes Magdalena and the City of Socorro.
(3) Includes Belen, Bosque Farms and Los Lunas.

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

Median Household Effective Buying Income (1) (2)

Year	Socorro County(3)	Valencia County(4)	State	U.S.
1990	$14,508	$21,431	$21,961	$27,912
1991	21,394	27,646	26,104	32,073
1992	22,255	28,406	26,920	33,178
1993	24,329	30,213	28,677	35,056
1994	24,956	31,873	30,032	37,070

(1) The 1990-1994 Medium Household EBI figures are based on 1990 U.S. Census Data.
(2) Data not available for Belen, Bosque Farms, Los Lunas, Magdalena or City of Socorro individually.
(3) Includes Magdalena and the City of Socorro.
(4) Includes Belen, Bosque Farms and Los Lunas.

Source: Sales and Marketing Management, Survey of Buying Power, 1990-1995

Retail Sales (in thousands) (1)(2)

Year	Socorro County(3)	% Change	Valencia County(4)	% Change	State	% Change
1990	$47,588	-	$219,422	-	$ 9,377,582	-
1991	47,618	.06	228,355	4.07	9,645,014	2.85
1992	49,964	4.93	267,104	17.0	10,933,866	13.36
1993	55,562	11.2	303,517	13.6	12,336,623	12.83
1994	89,953	61.9	309,430	1.95	14,092,171	14.2

(1) The 1990-1994 figures are based on 1990 U.S. Census Data.
(2) Data not available for Belen, Bosque Farms, Los Lunas, Magdalena or City of Socorro individually.
(3) Includes Magdalena and the City of Socorro.
(4) Includes Belen, Bosque Farms and Los Lunas.

Source: Sales and Marketing Management, Survey of Buying Power, 1990-1995

Socorro County
Assessed And Estimated Actual Value Of Property
Last Five Fiscal Years
(Amounts Expressed In Thousands)

	Total	
Fiscal Year	Assessed Value	Estimated Actual Value
1991-1992	$86,077	$258,231
1992-1993	86,712	260,136
1993-1994	88,499	265,497
1994-1995	90,698	272,094
1995-1996	100,432	301,296

Source: State of New Mexico, Department of Finance & Administration, County and Municipal Government Finances, Fiscal Year 1991-1996 Annual Reports.

Valencia County
Assessed And Estimated Actual Value Of Property
Last Five Fiscal Years
(Amounts Expressed In Thousands)

	Total	
Fiscal Year	Assessed Value	Estimated Actual Value
1991-1992	$338,399	$1,015,197
1992-1993	366,333	1,098,999
1993-1994	373,630	1,120,890
1994-1995	388,164	1,164,492
1995-1996	427,241	1,281,723

Source: State of New Mexico, Department of Finance & Administration, County and Municipal Government Finances, Fiscal Year 1991-1996 Annual Reports.

Socorro County
Principal Property Taxpayers

Taxpayer	Type of Business	1996 Assessed Valuation	% of Total Assessed Value(1)
AT & SF Railway	Railroad	$15,762,390	15.72%
AT&T Communications	Telecommunica-tions	11,671,929	11.64%
Socorro Electric	Utility	9,466,893	9.12%
Dicaperal Mining	Mining	6,336,361	6.32%
US West Communications	Telecommunica-tions	5,779,863	5.78%
El Paso Natural Gas	Utility	3,559,359	3.55%
Western NM Telephone	Telecommunica-tions	3,367,351	3.36%
Socorro Electric	Utility	3,043,939	3.04%
El Paso Electric	Utility	2,870,568	2.86%
Plains Electric	Utility	2,006,643	2.00%
TOTAL		$63,565,296	63.33%

(1) Based upon 1995-1996 fiscal year Total Assessed Valuation.

Source: Socorro County Assessor's Office

Valencia County
Principal Property Taxpayers

Taxpayer	Type of Business	1995 Assessed Valuation	% of Total Assessed Value(1)
Public Service Co. of NM	Utility	$8,547,014	1.97%
US West Communications	Telecommunica-tions	6,602,401	1.53
AT & SF Railway	Railroad	6,797,943	1.57
El Paso Natural Gas	Utility	3,774,869	.87
Valley Holdings, Inc.	Land/Developer	2,296,383	.53
PNM Gas Services	Utility	2,586,382	.59
Valley Improvement Assoc.	Land/Developer	2,014,987	.47
Transwestern Pipeline	Pipeline	1,480,424	.34
Norwest Bank of NM	Bank	1,361,592	.31
AT&T Communications	Telecommunica-tions	1,329,335	.31
Peterson Properties	Shopping Center	1,259,720	.29
Huning Land Trust	Land/Rancher	694,838	.16
TOTAL		$38,745,888	9.00%

(1) Based upon 1995-1996 fiscal year Total Assessed Valuation

Source: Valencia County Assessor's Office

Valencia County
Ten Largest Employers
as of June 30, 1995

Employer	Type of Business	Approximate # of Employees	Percentage(1)
Los Lunas Hospital and Training School	medical care	500	2.07%
Belen Public Schools	education	500	2.07%
State Correctional Institute	prison industries	400	1.66%
AT & SF Railroad	transportation	352	1.46%
Valencia County Government	county seat	270	1.12%
Solo Cup	manufacturing	250	1.04%
Wal-Mart	retail	220	.091%
Avonite, Inc.	manufacturing	200	.083%
United Desiccants	manufacturing	125	.05%
Belen Health Care Center	medical	110	.045%

(1) These percentages based on a 1995 total civilian labor force (Valencia County) of 24,100.

Sources: Belen Chamber of Commerce
U.S. Department of Labor, Bureau of Labor Statistics

Socorro County
Ten Largest Employers
1994 through 1996

Employer	Type of Business	Approximate # of Employees	Percentage(1)
New Mexico Institute of Mining & Technology	education	750	11.54%
National Radial Astronomy			
White Sands Missile Range	government	350	5.38%
Observatory	government research	200	3.08%
Socorro Municipal Schools	education	177	2.72%
Socorro General Hospital	medical	132	2.03%
City of Socorro	city seat	130	2.00%
Socorro County	county seat	89	1.37%
Dyna Corp	services	70	1.08%
Good Samaritan Village	condominiums	62	.95%

(1) These percentages based on a 1995 total civilian labor force (Socorro County) of 6,500.

Sources: Socorro Chamber of Commerce
U.S. Government, White Sands Missile Range-Public Affairs
U.S. Department of Labor, Bureau of Labor Statistics

APPENDIX E

CERTAIN INFORMATION CONCERNING CERTAIN OTHER GOVERNMENTAL UNITS

This Appendix sets forth certain information concerning Governmental Units whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year during which the Series 1996 Bonds are outstanding. Currently, the only such Governmental Unit is the City of Santa Fe. Information set forth herein concerning the City of Santa Fe was provided by the City of Santa Fe and other sources believed to be reliable. While NMFA believes such information is a fair summary of the matters presented, NMFA cannot guarantee its accuracy or completeness. In addition, such information is current only as of the date of this Official Statement and is subject to change at any time.

APPENDIX E-1

CITY OF SANTA FE

Generally

The City of Santa Fe ("Santa Fe") was founded in 1610 and chartered in 1891 as a body politic and corporate under the laws of the State. Santa Fe, which is the capital of the State, comprises approximately 35 square miles and is located in north-central New Mexico, approximately 60 miles northeast of the City of Albuquerque. Santa Fe's economy is diversified, with government, tourism, retail trade and industry being predominant. As of 1994, its population was estimated to be 64,296.

Santa Fe has a Mayor/Council/City Manager form of government with a Mayor and an eight-member City Council elected on a district basis for four-year overlapping terms. The City Manager is appointed by the Mayor and approved by the City Council.

The 1995 Projects

Two projects were funded from the proceeds of Santa Fe's Loan from the proceeds of the Series 1995A Bonds. Set out below are brief descriptions of these projects.

Wastewater System Project.

The wastewater system project consists of (i) replacement of approximately 70 to 100 miles of sewer lines, and (ii) improvements to the wastewater treatment plant, including (a) installation of an ultra violet light disinfection system, (b) a grit removal system upgrade, (c) grease removal operations, (d) construction of a septic tank waste receiving station, (e) construction of a collection system operation facility and plant storage building, (f) construction of a division administration building, and a Class A sludge treatment, secondary clarification improvements and a sludge thickening/dewatering facility.

Solid Waste System Project.

The solid waste project consists of (i) closure of an existing landfill, including intermediate and final capping, methane monitoring, groundwater monitoring, and well construction and leachate monitoring, and (ii) construction of a new solid waste transfer station and access roads and (iii) construction, in conjunction with Santa Fe County, of a new regional landfill.

Security for Loan Payments

Generally

Santa Fe has pledged all of the revenues attributable to its Environmental Services Gross Receipts Tax receipts ("EGRT") and its Infrastructure Gross Receipts Tax receipts ("IGRT") for the payment of all amounts due under its Loan Agreement. The EGRT and IGRT were imposed

by Santa Fe in January 1994 and each consists of a 1/16 of 1% tax which must be paid by any person engaging in business in Santa Fe. For certain information concerning the EGRT and the IGRT generally, see "EGRT and IGRT" below.

Parity Obligations

Pursuant to its Loan Agreement, Santa Fe may enter into or issue obligations payable from its EGRT and IGRT on a parity with its obligations under its Loan Agreement upon satisfaction of the following requirements:

(i) It is current in all of the accumulations required to be made into the Debt Service Account and the Agreement Reserve Account as provided in the Indenture;

(ii) No default exists in connection with any of the covenants or requirements of the ordinance approving its Loan Agreement or its Loan Agreement;

(iii) Unless waived by the NMFA in writing, the EGRT and IGRT revenues received by or credited for the current fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing 135% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor); and

(iv) Unless waived by the NMFA in writing, the proceedings authorizing the additional parity obligations must provide for an appropriately pledged reserve fund for such additional parity obligations in an amount no less than an amount equivalent to the loan agreement reserve requirement for the additional parity obligations proposed to be issued, and must require the accumulation of such amount in the appropriately pledged reserve fund to be accomplished at the time of issuance of the additional parity obligations.

EGRT and IGRT

Generally

Chapter 7, Articles 19D and 20E NMSA 1978, as amended, authorize municipalities and counties, respectively, to impose certain taxes on the gross receipts of any person engaging in business within their boundaries. These taxes include an Environmental Services Gross Receipts Tax ("EGRT"). Municipalities are also authorized to impose an Infrastructure Gross Receipts Tax ("IGRT"). The EGRT and IGRT are collectively referred to in this Appendix E-1 as "Local Option Gross Receipts Taxes." Local Option Gross Receipts Taxes are imposed by ordinance adopted by a majority of the members of the governing body of the municipality or county imposing the tax.

The rate of EGRT imposed by municipalities may not exceed one-sixteenth of one percent (.0625%) and the rate imposed by counties may not exceed one-eighth of one percent (.125%). The ordinance imposing an EGRT must dedicate the revenues received therefrom for the acquisition, construction, operation and maintenance of solid waste facilities, water facilities, wastewater facilities, sewer systems and related facilities.

The rate of IGRT imposed by municipalities may not exceed one-eighth of one percent (.125%). IGRT revenues may be dedicated for the (i) payment of special obligation bonds issued pursuant to a revenue bond act, (ii) repair, replacement, construction or acquisition of infrastructure improvements, including but not limited to sanitary sewer lines, storm sewers and other drainage improvements, water, water rights, water lines and utilities, streets, alleys, rights of way, easements, international ports of entry and land within the municipality or within the extraterritorial zone of the municipality, or (iii) municipal general purposes.

Gross Receipts Subject To Local Option Gross Receipts Taxes

The Local Option Gross Receipts Taxes are among several state and local taxes on gross receipts authorized by State statutes. All of these gross receipts taxes are collected on behalf of the taxing authority, and subsequently disbursed to the taxing authority, by the Revenue Division of the State Taxation and Revenue Department (the "Revenue Division") pursuant to Section 7-1-6 NMSA 1978, as amended. The administration of the various gross receipts taxes is facilitated by Sections 7-1 9D-4 and 7-20E-4, NMSA 1978, as amended, which require ordinances imposing a municipal gross receipts tax such as the Local Option Gross Receipts Taxes to adopt by reference the same definitions and the same provisions relating to exemptions and deductions as are contained in the Gross Receipts and Compensating Tax Act (Chapter 7, Article 9 NMSA 1978, as amended).

"Gross Receipts" is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or the value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing property located in the State, from performing services in the State, and from selling services performed outside the State, the product of which is initially used in the State. The definition excludes, among other items, cash discounts allowed and taken, the State gross receipts tax payable on transactions for the reporting period and any county gross receipts tax, county fire protection excise tax, municipal gross receipts tax, any type of time-price differential and certain cross receipts or sales taxes imposed by an Indian tribe or pueblo.

Some activities and industries are exempt from the State and local gross receipts taxes, many by virtue of their taxation under other laws. Exemptions include, but are not limited to, receipts of governmental agencies and certain organizations, and receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends and interest, and receipts from the sale or leasing of natural gas, oil or mineral interests. Various deductions are allowed, including but not limited to, receipts from various types of sales or leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from the sale of certain construction services, receipts from processing certain agricultural products, receipts from certain publication sales, and certain

receipts from interstate commerce transactions. There are over fifty specified exceptions and deductions from gross receipts taxation; nevertheless, the general presumption is that all receipts of a person engaging in business are subject to the State and local gross receipts taxes.

Specifically excluded from the Local Options Gross Receipts Taxes are gross receipts arising from transportation of persons or property for hire by railroad, motor vehicle, air transportation or any other means from one point within the municipality to another point outside the municipality. Gross receipts arising from business located outside the boundaries of a municipality on land owned by that municipality for which a State gross receipts tax distribution is made pursuant to Section 7-1-6.4 NMSA 1978, as amended, are also excluded from gross receipts imposed by municipalities.

Collection and Distribution

Businesses must make their payments of gross receipts taxes to the Revenue Division on or before the 25th of each month for taxable events occurring in the prior month. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. On the last day of each month, the balance in the suspense fund is transferred to the State general fund, less disbursements to local governments in the State of amounts attributable to Local Options Gross Receipt Taxes and certain other payments.

Remedies for Delinquent Taxes

The State Revenue Division may assess gross receipts taxes to a taxpayer who has not paid the taxes due the State or local taxing authority. If any taxpayer to whom gross receipts taxes have been assessed or upon whom demand for payment has been made does not make payment, or protests the assessment or demand for payment, or fails to provide security for payment within 30 days after the date of assessment or demand for payment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Revenue Division may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 36 months. Interest is due on any delinquent taxes from the first day following the day on which they are due at the rate of 1.25% per month until paid, without regard to any installment agreement. However, if the gross receipts tax is paid within ten days after demand is made, no interest shall be imposed for the period after the date of the demand. The Revenue Division may levy upon all property or rights of a delinquent taxpayer and sell the same in order to collect the delinquent tax. The amount of delinquent gross receipts taxes is also a lien in favor of the State upon all property and rights to property of the delinquent taxpayer which lien may be foreclosed as provided by State statutes.

Financial Information

Historical Tax Revenues. Set out below is information concerning total gross receipts collections within Santa Fe and the resulting EGRT and IGRT collections which are or which would have been attributable to such collections. Since Santa Fe has only collected EGRT and IGRT receipts since January 1994, information prior to such time is shown based upon total

taxable gross receipts information obtained from the State and is provided for informational purposes only. Such information does not account for certain administrative fees deducted by the State.

	Fiscal Year 1991-1992	Fiscal Year 1992-1993	Fiscal Year 1993-1994	Fiscal Year 1994-1995	Fiscal Year 1995-1996
Total Taxable Gross Receipts	$1,486,524,908	$1,606,784,082	$1,825,695,339	$1,954,163,485	$1,946,084,575
EGRT Collections	929,078	1,004,240	1,141,060	1,221,352	1,216,303
IGRT Collections	929,078	1,004,240	1,141,060	1,221,352	1,216,303
Total EGRT and IGRT Collections	$ 1,858,156	$ 2,008,480	$ 2,282,119	$ 2,442,704	$ 2,432,606

Total Taxable Gross Receipts Reported by Standard Industrial Classification. The following table shows the total taxable gross receipts by standard industrial classification category as reported in Santa Fe during the fiscal years set forth below:

	Fiscal Year 1991-1992	Fiscal Year 1992-1993	Fiscal Year 1993-1994	Fiscal Year 1994-1995	Fiscal Year 1995-1996
Agriculture	$ 8,637,998	$ 9,202,036	$ 9,846,366	$ 10,756,332	$ 10,117,725
Mining	412,691	424,898	432,531	278,187	(1)
Construction	131,037,264	126,373,477	174,929,645	185,325,112	150,785,547
Manufacturing	28,986,026	32,885,524	37,410,457	40,686,348	46,361,582
Transportation, Communications & Utilities	99,189,542	102,283,735	109,718,090	114,887,422	117,652,334
Wholesale Trade	32,866,186	31,961,955	38,589,955	37,874,633	40,913,969
Retail Trade	696,809,451	760,374,580	842,718,537	911,310,538	905,109,560
Finance, Insurance & Real Estate	62,143,611	72,396,273	82,726,388	77,198,180	72,980,812
Services	424,487,343	468,568,271	526,692,332	573,511,478	600,596,300
Government	821,390	306,520	347,094	235,078	(1)
Nonclassifiable	999,740	1,666,309	1,283,946	2,100,181	1,347,208
Total(2)	$1,486,524,908	$1,606,784,082	$1,825,695,339	$1,954,163,485	$1,946,084,575

(1) Data withheld to protect confidentiality of entity filing return

(2) Columns may not total due to withholding of data to protect confidentiality of single entities filing returns in a particular category.

Source: State of New Mexico, Taxation and Revenue Department

Outstanding Financial Obligations and Coverage Ratios. As of the date of issuance of the Series 1996 Bonds, Santa Fe will have no other financial obligations payable from its EGRT or IGRT revenues other than amounts due under its Loan Agreement.

Set out below are the principal and interest payments due with respect to Santa Fe's Loan and coverage ratios based upon total fiscal year 1995-1996 EGRT and IGRT revenues.

Debt Service Schedule and Coverage Ratios

	Santa Fe's Loan Debt Service Requirements			Aggregate Fiscal Year 1995-1996 EGRT and IGRT Revenues	Annual Coverage Ratios
	Principal	Interest	Total		
1997	$ 980,000	$1,102,740	$2,082,740	$2,432,606	1.17x
1998	1,035,000	1,061,580	2,096,580	2,432,606	1.16
1999	1,085,000	1,017,075	2,102,075	2,432,606	1.16
2000	1,145,000	947,093	2,092,093	2,432,606	1.16
2001	610,000	875,530	1,485,530	2,432,606	1.64
2002	525,000	847,165	1,372,165	2,432,606	1.77
2003	570,000	822,228	1,392,228	2,432,606	1.74
2004	600,000	794,440	1,394,440	2,432,606	1.74
2005	525,000	759,040	1,284,040	2,432,606	1.90
2006	405,000	728,065	1,133,065	2,432,606	2.15
2007	430,000	706,398	1,136,398	2,432,606	2.14
2008	450,000	682,748	1,132,748	2,432,606	2.15
2009	475,000	657,548	1,132,548	2,432,606	2.15
2010	505,000	630,235	1,135,235	2,432,606	2.14
2011	535,000	601,198	1,136,198	2,432,606	2.14
2012	565,000	569,365	1,134,365	2,432,606	2.14
2013	600,000	535,748	1,135,748	2,432,606	2.14
2014	635,000	500,048	1,135,048	2,432,606	2.14
2015	670,000	462,265	1,132,265	2,432,606	2.15
2016	710,000	422,400	1,132,400	2,432,606	2.15
2017	755,000	379,800	1,134,800	2,432,606	2.14
2018	800,000	334,500	1,134,500	2,432,606	2.14
2019	845,000	286,500	1,131,500	2,432,606	2.15
2020	900,000	235,800	1,135,800	2,432,606	2.14
2021	950,000	181,800	1,131,800	2,432,606	2.15
2022	1,010,000	124,800	1,134,800	2,432,606	2.14
2023	1,070,000	64,200	1,134,200	2,432,606	2.14
	$19,385,000	$16,330,305	$35,715,305		

Economic and Demographic Information

Set out below is certain historical economic and demographic information concerning Santa Fe and Santa Fe County (the "County"), in which Santa Fe is located.

Population

Year	Santa Fe	County	State
1940	20,325	30,826	531,818
1950	27,998	38,153	681,023
1960	34,676	44,970	951,023
1970	41,167	54,774	1,017,055
1980	48,953	75,519	1,303,303
1990	55,859	98,928	1,515,069
1991	57,286	100,214	1,547,438
1992	58,210	98,928	1,580,966
1993	62,424	99,650	1,615,613
1994	64,296	102,640	1,653,521

Source: 1940-1990 U.S. Department of Commerce, Bureau of Census. 1991-1995 City of Santa Fe Planning Department.

Age Distribution - Percent of Population

Age	Santa Fe	County	State	U.S.
0-17	22.9%	26.3%	30.0%	26.0%
18-24	8.5	7.6	9.0	9.7
25-34	14.2	14.9	15.4	15.8
35-49	27.8	28.0	22.3	22.7
50 and older	26.6	23.2	23.3	25.8

Source: Sales & Marketing Management, Survey of Buying Power, January 1, 1995.

Per Capita Personal Income

Year	Santa Fe	County	State	U.S.
1991	$20,186	$19,090	$14,817	$19,201
1992	21,434	20,367	15,516	20,146
1993	22,574	21,545	16,295	20,809
1994	23,561	22,538	17,025	21,699
1995	N/A	N/A	18,055	22,788

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

Median Household Effective Buying Income

Year	Santa Fe	County	State	U.S.
1990	$26,464	$26,213	$21,961	$27,912
1991	32,413	31,761	26,104	32,073
1992	33,797	33,130	26,920	33,178
1993	35,918	35,155	28,677	35,056
1994	38,273	37,400	30,032	37,070

Source: Sales & Marketing Management, Survey of Buying Power, 1990-1995.

Retail Sales (in thousands)

Year	Santa Fe	% Change	County	% Change	State	% Change
1990	$ 794,944	--%	$ 878,967	--%	$ 9,377,582	--%
1991	835,792	5.14	920,812	4.76	9,645,014	2.85
1992	962,400	15.15	1,053,360	14.39	10,933,866	13.36
1993	1,099,449	14.24	1,194,384	13.39	12,336,623	12.83
1994	1,427,461	29.83	1,476,089	23.59	14,092,171	14.23

Source: Sales & Marketing Management, Survey of Buying Power, 1989-1995.

Santa Fe County
Assessed And Estimated Actual Value Of Property
Last Five Fiscal Years
(Amounts Expressed In Thousands)

Fiscal Year	Total Assessed Value	Total Estimated Actual Value
1991-1992	$1,464,159,115	$4,392,477,345
1992-1993	1,809,224,147	5,427,672,441
1993-1994	1,956,165,414	5,868,496,242
1994-1995	2,027,900,844	6,083,702,532
1995-1996	2,707,188,699	8,121,566,097

Source: State of New Mexico, Department of Finance & Administration, County and Municipal Finances, Fiscal Year 1991 - 1996 Annual Reports.

Property Value And Construction Permits
Last Five Calendar Years

Calendar Year	Property Value(1)	Construction Permits(2) Issued	Construction Permits(2) Value
1990	$1,448,581,524	1,748	$103,549,993
1991	1,476,455,267	1,526	71,132,994
1992	1,827,817,346	1,663	85,252,530
1993	1,940,240,005	1,736	109,547,169
1994	2,025,228,219	1,724	102,458,231

(1) Source: Santa Fe County Assessor. Amounts shown are the assessed, not actual, value of property.

(2) Source: City of Santa Fe Building Inspector's Office

Santa Fe
Principal Property Taxpayers

Taxpayer	Type of Business	1994 Assessed Valuation	Percent of Total Assessed Value(1)
U.S. West, Inc.	utility	$50,000,668	3.1047%
Public Service Co.	utility	33,490,673	2.0795
El Dorado Partnership	hotel	22,744,790	1.4123
St. Vincents Hospital	hospital	20,000,000	1.2418
Villa Linda Mall	shopping center	19,339,678	1.2008
IBM Credit Corporation	financial	16,875,201	1.0478
La Fonda Hotel	hotel	16,787,560	1.0424
Gas Co. of New Mexico	utility	16,124,788	1.0012
Inn of Loretto	hotel	15,839,930	0.9835
Shadowridge Apartments	apartments	11,534,078	0.7162
Total		$222,737,366	13.83%

(1) Based upon 1994 Total Assessed Valuation
Source: Santa Fe County Assessor's Office

Ten Largest Employers
Santa Fe Metropolitan Area
as of June 30, 1995

Employer	Type of Business	Approximate Number of Employees	Percentage(1)
State of New Mexico	government	8,400	10.73%
Santa Fe School District	education	1,900	2.43
United States Government	government	1,750	2.24
St. Vincent Hospital	hospital	1,093	1.40
City of Santa Fe	government	1,067	1.36
Santa Fe Community College	education	705	0.90
Santa Fe Opera	entertainment	660	0.84
Santa Fe Ski Company	recreation	525	0.67
Downs at Santa Fe	recreation	396	0.51
Presbyterian Medical Services	healthcare	341	0.44
TOTAL		16,837	21.51%

(1) These percentages are based on a total civilian labor force (Santa Fe County) of 78,271.
Source: New Mexico Department of Labor: New Mexico Labor and Market Review 8/95.

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APPENDIX F

FORMS OF OPINIONS OF CO-BOND COUNSEL

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APPENDIX F

FORM OF OPINIONS OF CO-BOND COUNSEL

Form of Co-Bond Counsel Opinion of
Modrall, Sperling, Roehl, Harris & Sisk, P.A.

September ____, 1996

New Mexico Finance Authority
1751 Old Pecos Trail, Suite K
Santa Fe, New Mexico 87505

Sunwest Bank of Albuquerque, National Association
Corporate Trust Department
500 4th Street, N.W., Third Floor
Albuquerque, New Mexico 87102

Re: $_____ New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 1996A; and $_____ New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Taxable Series 1996B

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 1996A in the aggregate principal amount of $_____ (the "Series 1996A Bonds") and its Public Project Revolving Fund Revenue Bonds, Taxable Series 1996B in the aggregate principal amount of $_____ (the "Series 1996B Bonds", and collectively with the Series 1996A Bonds, the "Series 1996A-B Bonds"). The Series 1996A-B Bonds are being issued for the purpose of providing funds (i) to finance public projects authorized by law for the use and benefit of certain governmental units (the "Governmental Units") within the State of New Mexico (the "State"), (ii) to fund certain reserves and (iii) to pay costs of issuance.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 61-21-1 et. seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 1996A-B Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 (the "General Indenture") as amended and supplemented by a First Supplemental Indenture of Trust dated as of June 1, 1995 (the "First Supplemental Indenture"), a Second Supplemental Indenture of Trust

dated as of April 1, 1996 (the "Second Supplemental Indenture") and a Third Supplemental Indenture of Trust dated as of September 1, 1996 (the "Third Supplemental Indenture"), each between the NMFA and Sunwest Bank of Albuquerque, National Association, as trustee (the "Trustee"), (collectively, the "Indenture"). Under the General Indenture, the NMFA has previously issued its Public Project Revolving Fund Revenue Bonds, Series 1995A and its Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B (the "Series 1995 Bonds", and collectively with the Series 1996A-B Bonds, the "Bonds"). The Series 1996A-B Bonds are issued and secured on a parity with the 1995 Bonds. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, an opinion of counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, it is our opinion that:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 1996A-B Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged therefor under the Indenture, to secure the payment of the principal of and interest on the Series 1996A-B Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 1996A-B Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a debt or liability of the State of New Mexico or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 1996A-B bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent

constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Series 1996A-B Bonds; and

(c) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 1996A-B Bonds or any other offering material relating to the Series 1996A-B Bonds and we express no opinion relating thereto. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Respectfully submitted,

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[FORM OF OPINION OF BALLARD SPAHR
ANDREWS & INGERSOLL CO-BOND COUNSEL]

September __, 1996

New Mexico Finance Authority
1751 Old Pecos Trail, Suite L
Santa Fe, New Mexico 87505

Sunwest Bank of Albuquerque, National Association
500 4th Street, N.W., Third Floor
Corporate Trust Department
Albuquerque, New Mexico 87102

Re: $17,625,000 New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 1996A; and $3,500,000 New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Taxable Series 1996B

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 1996A in the aggregate principal amount of $17,625,000 (the "Series 1996A Bonds") and its Public Project Revolving Fund Revenue Bonds, Taxable Series 1996B in the aggregate principal amount of $3,500,000 (the "Series 1996B Bonds", and collectively with the Series 1996A Bonds, the "Series 1996A-B Bonds"). The Series 1996A-B Bonds are being issued for the purpose of providing funds (i) to finance public projects authorized by law for the use and benefit of certain governmental units (the "Governmental Units") within the State of New Mexico (the "State"), (ii) to fund certain reserves and (iii) to pay costs of issuance.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 61-21-1 et. seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 1996A-B Bonds are authorized under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 (the "General Indenture"), as amended and supplemented by a First Supplemental Indenture of Trust dated as of June 1, 1995 (the "First Supplemental Indenture"), a Second Supplemental Indenture of Trust dated as of April 1, 1996 (the "Second Supplemental Indenture") and a Third Supplemental Indenture of Trust dated as of September 1, 1996 each between the NMFA and Sunwest Bank of Albuquerque, National Association, as trustee (the "Trustee"), (the "Third Supplemental Indenture", and collectively with the General Indenture the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"). Under the General Indenture, the NMFA has previously issued its Public Project Revolving Fund Revenue Bonds, Series 1995A and its Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B (the "Series 1995 Bonds", and collectively with the Series 1996A-B Bonds, the "Bonds"). The Series 1996A-B Bonds are issued and secured on a parity with the 1995 Bonds. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, an opinion of the Attorney General of the State, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 1996A Bonds. The NMFA and the Governmental Units have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 1996A Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 1996A Bonds. We have assumed continuing compliance by the NMFA and the Governmental Units with such requirements and restrictions in rendering our opinion regarding the tax exempt status of interest on the Series 1996A Bonds.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, it is our opinion that:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 1996A-B Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged therefor under the Indenture, to secure the payment of the principal of and interest on the Bonds subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 1996A-B Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a general obligation or other indebtedness of the State or any Governmental Unit within the meaning of the any constitutional or statutory debt limitation.

4. Based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, compliance with certain covenants, interest on the Series 1996A Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

5. Interest on the Series 1996B Bonds is <u>not</u> excluded from gross income of the owners thereof for federal income tax purposes.

6. Under the laws of the State of New Mexico as enacted and construed on the date hereof, interest on the Series 1996A-B Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 1996A-B Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) although we have rendered an opinion that interest on the Series 1996A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 1996A Bonds may otherwise affect a bondholder's tax liability. The nature and

extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1996A-B Bonds; and

(c) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 1996A-B Bonds or any other offering material relating to the Series 1996A-B Bonds and we express no opinion relating thereto. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Respectfully submitted,

APPENDIX G

SPECIMEN OF FINANCIAL SECURITY ASSURANCE INC. MUNICIPAL BOND INSURANCE POLICY

FINANCIAL SECURITY ASSURANCE℠

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

POLICY NO.:

EFFECTIVE DATE:

PREMIUM: $

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

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

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

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

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

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

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

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

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

[By _____]

By _____
Authorized Officer

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

(212) 826-0100

SPECIMEN

NEW ISSUE — BOOK ENTRY ONLY

RATINGS: Moody's: Aaa
Fitch: AAA
(See "Ratings" Herein)

In the opinion of Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel to the NMFA, based on currently existing laws, regulations, decisions and interpretations and assuming, among other things, continuing compliance with certain covenants, interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. In the opinion of such Co-Bond Counsel, under existing laws, interest on the Series 1997 Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes. Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1997 Bonds. See "TAX MATTERS."

$8,585,000
NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
SERIES 1997

Dated: December 1, 1997 **Due: June 1, as shown on inside front cover**

The New Mexico Finance Authority's Public Project Revolving Fund Revenue Bonds, Series 1997 (the "Series 1997 Bonds"), are being issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Depository Trust Company will act as securities depository for all of the Series 1997 Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each maturity of the Series 1997 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 1997 Bonds will be made in book-entry form only, and beneficial owners of the Series 1997 Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Series 1997 Bonds.

The Series 1997 Bonds will be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 as supplemented by a Seventh Supplemental Indenture of Trust, dated as of December 1, 1997 (collectively, the "Indenture"), between the New Mexico Finance Authority and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico (successor to prior trustees), as Trustee. Principal of and interest (and premium, if any) on the Series 1997 Bonds will be payable to DTC, or its nominee, as owner of the Series 1997 Bonds, by the Trustee. Interest on the Series 1997 Bonds is payable on June 1 and December 1 of each year, commencing June 1, 1998, as more fully described herein. Principal of the Series 1997 Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedule set forth on the inside front cover.

SEE MATURITY SCHEDULE
ON INSIDE FRONT COVER

The Series 1997 Bonds are subject to optional and mandatory redemption, and mandatory sinking fund redemption prior to maturity as more fully described herein.

The Series 1997 Bonds are being issued by the NMFA to reimburse the Public Project Revolving Fund for loans made by the NMFA to the 1997 Governmental Units, to reimburse the Public Project Revolving Fund for deposits made to the 1997 Government Units' accounts within the Agreement Reserve Fund and to reimburse the NMFA and finance the costs of issuance of the Series 1997 Bonds. The principal of, premium, if any, and interest on the Series 1997 Bonds are payable solely from and secured solely by the Trust Estate, which includes the NMFA Portion of the Governmental Gross Receipts Tax, certain amounts payable pursuant to agreements between the NMFA and the 1997 Governmental Units and other Governmental Units heretofore or hereafter entering into agreements with NMFA and certain moneys in funds and accounts described herein. Additional parity bonds have heretofore been issued and may hereafter be issued pursuant to the Indenture with a lien on the Trust Estate on a parity with the lien of the Series 1997 Bonds.

The Series 1997 Bonds are special, limited obligations of the NMFA, payable, together with additional bonds heretofore or hereafter issued, solely from and secured solely by the Trust Estate pledged under the Indenture. The Series 1997 Bonds do not constitute nor create a general obligation or other indebtedness of the State of New Mexico or (except as expressly provided in an Agreement) any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 1997 Bonds or the Indenture is to be construed or interpreted as creating a delegation of governmental powers or as a donation by or lending of the credit of the NMFA, the State or any 1997 Governmental Unit within the meaning of the State Constitution.

Payment of principal of and interest on the Series 1997 Bonds when due will be insured by a municipal bond insurance policy to be issued by Ambac Assurance Corporation concurrently with the delivery of the Series 1997 Bonds.

Ambac

The NMFA has undertaken, for the benefit of owners of the Series 1997 Bonds, to provide certain annual and periodic disclosure as described herein under the caption "CONTINUING DISCLOSURE UNDERTAKING."

Approval of certain legal matters will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Co-Bond Counsel, Albuquerque, New Mexico. Certain legal matters, including certain legal matters with respect to the tax status of the interest paid on the Series 1997 Bonds, will be passed on by Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel to the NMFA, Salt Lake City, Utah. Certain legal matters will be passed on for the NMFA by the Office of the Attorney General of the State of New Mexico and for the Underwriters by Squire, Sanders & Dempsey L.L.P. Certain legal matters have been passed on for the 1997 Governmental Units by Modrall, Sperling, Roehl, Harris & Sisk, P.A. Clancy, Gardiner & Pierce, LLC has acted as financial advisor to the NMFA in connection with the Series 1997 Bonds. It is expected that a single certificate for each maturity of the Series 1997 Bonds will be issued to DTC in New York, New York on or about December 19, 1997. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 1997 Bonds.

Rauscher Pierce Refsnes, Inc. **Merrill Lynch & Co.**

The date of this Official Statement is December 16, 1997

MATURITY SCHEDULE

$8,585,000
New Mexico Finance Authority
Public Project Revolving Fund
Revenue Bonds
Series 1997

Year (June 1)	Principal Amount	Interest Rate	Price or Yield	Year (June 1)	Principal Amount	Interest Rate	Price or Yield
1998	$260,000	4.25%	3.80%	2006	$415,000	4.50%	100%
1999	305,000	4.25	3.95	2007	435,000	4.55	100
2000	325,000	4.25	4.05	2008	455,000	4.65	100
2001	335,000	4.25	4.15	2009	420,000	4.70	4.75
2002	345,000	4.25	100	2010	435,000	4.75	4.85
2003	370,000	4.35	100	2011	460,000	4.90	4.95
2004	375,000	4.40	100	2012	475,000	4.90	5.00
2005	400,000	4.45	100				

$2,775,000 5.00% Term Bonds due June 1, 2017 — Yield 5.15%

(Accrued Interest from December 1, 1997)

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 1997 Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the NMFA or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been obtained from the NMFA, the 1997 Governmental Units and other sources which are believed to be reliable, but it is not guaranteed as to completeness or accuracy by, and is not to be construed as a representation by, the Underwriters. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the NMFA, the 1997 Governmental Units or others since the date hereof.

THE PRICES AT WHICH THE SERIES 1997 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE INSIDE FRONT COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE SERIES 1997 BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 1997 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Series 1997 Bonds have not been registered under the Securities Act of 1933, nor has the Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such Acts. The registration and qualification of the Series 1997 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 1997 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 1997 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

NEW MEXICO FINANCE AUTHORITY
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Santa Fe, New Mexico 87505
telephone: (505) 984-1454
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NMFA Counsel

Office of the Attorney General
State of New Mexico

Financial Advisor

Clancy, Gardiner & Pierce, LLC
Portland, Oregon

Co-Bond Counsel

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
Albuquerque, New Mexico

Ballard Spahr Andrews & Ingersoll
Salt Lake City, Utah

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OFFICIAL STATEMENT

$8,585,000
New Mexico Finance Authority
Public Project Revolving Fund
Revenue Bonds
Series 1997

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale of the Public Project Revolving Fund Revenue Bonds, Series 1997 (the "Series 1997 Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 1997 Bonds, together with additional bonds heretofore or hereafter issued on a parity therewith, are collectively referred to herein as the "Bonds." Capitalized terms used herein and not defined have the meanings specified in the General Indenture of Trust and Pledge dated as of June 1, 1995 (the "General Indenture") between the NMFA and a predecessor trustee, and the Seventh Supplemental Indenture of Trust dated as of December 1, 1997 (the "Supplemental Indenture") between the NMFA and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico (the "Trustee") supplementing the General Indenture and are set forth under "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - CERTAIN DEFINITIONS" in Appendix B hereto. The General Indenture and the Supplemental Indenture are collectively referred to herein as the "Indenture." See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 1997 Bonds to potential investors is made only by means of the entire Official Statement.

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality created to coordinate the planning and financing of state and local public projects. The NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the State, except that a legislative oversight committee is empowered to monitor and oversee its operations. For additional information concerning the NMFA, see "NEW MEXICO FINANCE AUTHORITY" herein and the financial statements included as Appendix A hereto.

Purposes of the Series 1997 Bonds; The 1997 Governmental Units; Other Governmental Units;

Proceeds from the sale of the Series 1997 Bonds will be used to reimburse NMFA (i) for loans made by NMFA (the "1997 Loans") to McKinley County, Sierra County, and the City of Española, and (ii) for securities (the "1997 Securities") purchased by NMFA from the State Parks Division of the Energy, Minerals and Natural Resources Department of the State. The 1997 Loans and 1997 Securities provided funds to such participating governmental entities (the "1997 Governmental Units") to pay for all or a portion of the costs of certain projects (the "1997 Projects"), as more fully described herein. Proceeds will also be used to reimburse NMFA for deposits made to 1997 Governmental Units' accounts within the Agreement Reserve Fund and for the payment of and the reimbursement of NMFA for payment by NMFA of costs of issuance of the Series 1997 Bonds. For certain information concerning the 1997 Governmental Units and their respective 1997 Projects see "THE PLAN OF FINANCING" herein and "CERTAIN INFORMATION CONCERNING THE 1997 GOVERNMENTAL UNITS" in Appendix D hereto. The 1997 Governmental Units have each executed an individual loan agreement (the "1997 Loan Agreements") or have issued Securities (the "1997 Securities"), as appropriate (collectively the "1997 Agreements"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The 1997 Agreements, together with loan agreements, grant agreements and securities relating to parity bonds heretofore or hereafter issued, are referred to herein as the "Agreements." The 1997 Governmental Units together with other governmental units heretofore or hereafter entering into Agreements are herein collectively referred to as "Governmental Units."

Parity Bonds have previously been issued to provide loans and grants to and to purchase securities from certain other Governmental Units. See "PLAN OF FINANCING - Governmental Units and Projects". For a description of the parity bonds currently outstanding, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" - Outstanding Parity Bonds.

Authority for Issuance

The Series 1997 Bonds are being issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMFA 1978, as amended (the "Act"), and the Indenture. For a description of the Public Project Revolving Fund Program, see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein.

Terms of the Series 1997 Bonds

Payments

The Series 1997 Bonds will be dated December 1, 1997. Interest on the Series 1997 Bonds is payable on June 1 and December 1 of each year, commencing June 1, 1998. The Series 1997 Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear the interest rates shown on the inside front cover hereof.

Denominations

The Series 1997 Bonds are issuable in denominations of $5,000, or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only, and purchasers of the Series 1997 Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 1997 Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 1997 Bonds, all as more fully described in "THE SERIES 1997 BONDS - Book-Entry-Only System." *When reading this Official Statement, it should be understood that while the Series 1997 Bonds are in book-entry-only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participants (as hereinafter defined) and indirect participants acquire an interest in the Series 1997 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system as described more fully herein, and (ii) notices that are to be given to Owners by the NMFA, the Trustee, the Registrar or the Paying Agent will be given only to DTC.*

Redemption of the Series 1997 Bonds

The Series 1997 Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity. See "THE SERIES 1997 BONDS - Redemption of the Series 1997 Bonds."

Security and Sources of Payment for the Bonds

Special, Limited Obligations

The Bonds are special, limited obligations of the NMFA payable solely from the Trust Estate, which includes the Revenues and certain funds and accounts created and maintained pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special, Limited Obligations."

Revenues

Revenues are defined by the General Indenture to mean: (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the Funds and Accounts created under the Indenture

(except the Rebate Fund). For a description of the Agreements, the NMFA Portion of the Governmental Gross Receipts Tax and the Additional Pledged Loans, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues." For a description of the funds and accounts created by the Indenture see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Flow of Funds." See also "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

Additional Bonds

The NMFA must meet certain requirements prior to the issuance of Additional Bonds or other obligations with a lien on the Trust Estate on a parity with the lien of the Series 1997 Bonds. For a description of these requirements, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Bonds." For a discussion of the outstanding parity Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Outstanding Parity Bonds." The NMFA may not issue bonds or other indebtedness payable with a priority senior to the lien on the Trust Estate for the payment of the Bonds without the written consent of 100% of the owners of Outstanding Bonds. The NMFA may issue, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinate to that of the Series 1997 Bonds.

Bond Insurance

For information concerning Ambac Assurance Corporation ("Ambac Assurance") and the Municipal Bond Insurance Policy to be issued in connection with the Series 1997 Bonds, see "BOND INSURANCE" herein. See Appendix F for a specimen of the Municipal Bond Insurance Policy.

Continuing Disclosure

The NMFA has undertaken for the benefit of the Bondowners that, so long as the Series 1997 Bonds remain outstanding, the NMFA will provide certain annual financial information with respect to NMFA and any Governmental Unit whose repayment obligations to the NMFA will represent more than 5% of the estimated annual Revenues for any year during which the Series 1997 Bonds are outstanding to each nationally recognized municipal securities information repository and notice of certain material events to the Municipal Securities Rulemaking Board in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as described in "CONTINUING DISCLOSURE UNDERTAKING."

Tax Considerations

In the opinion of Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel to the NMFA, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed

on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

In the opinion of such Co-Bond Counsel, under existing laws of the State of New Mexico as currently enacted and construed, interest on the Series 1997 Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1997 Bonds.

The form of opinion to be delivered by Ballard Spahr Andrews & Ingersoll, as Co-Bond Counsel to the NMFA, is included in Appendix E hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 1997 Bonds, see "TAX MATTERS" herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 1997 Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel, will deliver the opinion included in Appendix E hereto and Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel to the NMFA, will deliver the opinion discussed under "TAX MATTERS" and included in Appendix E hereto. Certain legal matters relating to the Series 1997 Bonds will be passed upon for the Underwriters by their counsel, Squire, Sanders & Dempsey L.L.P. Certain legal matters have been passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. Certain legal matters will be passed on for the 1997 Governmental Units by Modrall, Sperling, Roehl, Harris & Sisk, P.A. See "LEGAL MATTERS." Clancy, Gardiner & Pierce, LLC has acted as financial advisor to the NMFA in connection with its issuance of the Series 1997 Bonds. See "EXPERTS."

The NMFA's financial statements for the Fiscal Year ended June 30, 1996, included in Appendix A hereto, have been audited by Barraclough & Associates, P.C., certified public accountants, Santa Fe, New Mexico.

Offering and Delivery of the Series 1997 Bonds

The Series 1997 Bonds are offered when, as and if issued, subject to approval as to their legality by Co-Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each maturity of the Series 1997 Bonds will be issued to DTC in New York, New York, on or about December 19, 1997.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete and reference is made

to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 1751 Old Pecos Trail, Suite L, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 1997 Bonds.

THE SERIES 1997 BONDS

Generally

Set forth below is a summary of certain provisions of the Series 1997 Bonds. Other information describing the Series 1997 Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Indenture and the Series 1997 Bonds. For a description of certain provisions of the Indenture, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto. Copies of the approved forms of the Indenture are available as provided in "ADDITIONAL INFORMATION."

The Series 1997 Bonds are being issued pursuant to the Act, the Indenture and resolutions adopted on October 16, 1997 and on December 16, 1997. The Series 1997 Bonds are being issued to reimburse NMFA for loans made to and securities purchased from the 1997 Governmental Units and to pay a portion of the costs of issuance as more particularly described herein as part of the NMFA's Public Project Revolving Fund Program. For a description of such program see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein.

Proceeds will also be used to reimburse NMFA for deposits made to 1997 Governmental Units' accounts within the Agreement Reserve Fund and for payment of costs of issuance of the Series 1997 Bonds. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Description of the Series 1997 Bonds

The Series 1997 Bonds are being issued pursuant to the Indenture and will be dated December 1, 1997. Interest on the Series 1997 Bonds will accrue from the dated date of the Series 1997 Bonds at the rates set forth on the cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), on June 1 and December 1 of each year, commencing June 1, 1998. The Series 1997 Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts shown on the front cover (unless redeemed prior to maturity). The Series 1997 Bonds are issuable in denominations of $5,000 or integral multiples thereof.

As long as no Event of Default (as defined in the Indenture) exists under the Indenture and so long as Ambac Assurance is not in payment default under the Policy, Ambac Assurance will be considered to be an owner of the Series 1997 Bonds and will have the same rights as owners of the Series 1997 Bonds. In the event that an Event of Default exists under the Indenture and so long as Ambac Assurance is not in payment default under the Policy, Ambac Assurance will be deemed to be the sole owner of the Series 1997 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Series 1997 Bonds would be entitled to take pursuant to the Indenture.

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 1997 Bonds. One fully registered bond for each maturity in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC, and will be deposited with DTC.

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

Purchases of Series 1997 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 1997 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 1997 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series

1997 Bonds are to be accomplished by entries made on the books of Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 1997 Bonds, except in the event that use of the book-entry system for the Series 1997 Bonds is discontinued.

To facilitate subsequent transfers, all Series 1997 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 1997 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 1997 Bonds. DTC's records reflect only the identity of the Participants to whose accounts such Series 1997 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

For every transfer and exchange of Series 1997 Bonds or an interest therein, the Beneficial Owner may be charged a service charge together with a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Series 1997 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 1997 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 1997 are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the Series 1997 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the NMFA or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants and Indirect Participants.

So long as Cede & Co. or its registered assign is the registered owner of the Series 1997 Bonds, the NMFA and the Trustee will be entitled to treat Cede & Co., or its registered assign,

as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the NMFA or the Trustee and the NMFA and the Trustee will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Series 1997 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC, and neither NMFA nor the Trustee has responsibility for distributing such notices to the Beneficial Owners.

Neither the NMFA nor the Trustee have any responsibility or obligation to the DTC participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 1997 Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 1997 Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bondowner; or (e) the distribution by DTC to DTC participants or Beneficial Owners of any notices received by DTC as registered owner of the Series 1997 Bonds.

DTC may discontinue providing its services as securities depository with respect to the Series 1997 Bonds at any time by giving reasonable notice to the NMFA or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

Redemption of the Series 1997 Bonds

Generally

The Series 1997 Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth below.

Optional Redemption

The Series 1997 Bonds maturing on or after June 1, 2008 are subject to prepayment and redemption at any time on and after June 1, 2007, in whole or in part, in such order of maturity as may be selected by the NMFA and by lot within each maturity (if in part, in integral multiples of $5,000), at the option of the NMFA, upon notice as provided in the Indenture and at the redemption price of 100% of the principal amount of the Series 1997 Bonds to be redeemed, plus accrued interest to the redemption date, but without premium.

Mandatory Redemption Upon Prepayment under a 1997 Agreement

In the event a 1997 Governmental Unit makes a Prepayment in whole or in part under a 1997 Agreement, the Series 1997 Bonds are subject to mandatory redemption, in whole or in part, on the dates and upon Prepayment of an amount equal to the redemption price set forth under "Optional Redemption," above. The maturity dates of the Series 1997 Bonds to be redeemed are to correspond to the principal amounts and due dates of the Principal Component of such prepayment, and the Series 1997 Bonds to be redeemed within each maturity are to be selected by lot in such manner as the Trustee deems appropriate. ***No 1997 Governmental Unit shall have the option to make a Prepayment prior to the date on which the Series 1997 Bonds are subject to optional redemption or in an amount less than the applicable redemption price.***

The NMFA is to recalculate the Loan Payments due under any 1997 Agreement in the case of a partial Prepayment of Loan Payments under such 1997 Agreement in a manner which is consistent with the manner in which the Series 1997 Bonds are redeemed.

Mandatory Sinking Fund Redemption

The Series 1997 Bonds maturing on June 1, 2017, are subject to mandatory sinking fund redemption on June 1 in the years 2013 through 2016, at a price equal to the principal amount of each Series 1997 Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to Be Redeemed
2013	$500,000
2014	530,000
2015	555,000
2016	580,000
2017*	610,000

*Final Maturity

If less than all of the Series 1997 Bonds maturing on June 1, 2017 then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA, as follows: (i) if the Series 1997 Bonds are redeemed upon a Prepayment of all or a portion of a 1997 Agreement, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments and (ii) if the Series 1997 Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

Notice of Redemption

In the event any of the Series 1997 Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 1997 Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar at least 30 days, but not more than 60 days, prior to the date fixed for redemption.

In addition, further notice of any redemption of Series 1997 Bonds is to be given by the Trustee, at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 1997 Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 1997 Bonds. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

If at the time of mailing of any notice of redemption there is not on deposit with the Trustee moneys sufficient to redeem all the Series 1997 Bonds called for redemption, such notice is to state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

A second notice of redemption is to be given, not later than 90 days subsequent to the redemption date, to Registered Owners of Series 1997 Bonds or portions thereof redeemed but who failed to deliver Series 1997 Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Series 1997 Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption, and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 1997 Bonds.

Partially Redeemed Series 1997 Bonds

In case any Series 1997 Bond is redeemed in part, upon the presentation of such Series 1997 Bond for such partial redemption, the NMFA is to execute and the Trustee is to authenticate and deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the NMFA, a Series 1997 Bond or Series 1997 Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 1997 Bond. A portion of any Series 1997 Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or an integral multiple thereof and in selecting portions of such Series 1997 Bonds for redemption, the Trustee will treat each such Series 1997 Bond as representing that number of Series 1997 Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 1997 Bonds by $5,000.

If less than all the Series 1997 Bonds of any one maturity is called for redemption, the particular denominations to be redeemed are to be selected by the Trustee in such manner as the Trustee, in its discretion, may deem appropriate and fair.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special, Limited Obligations

The Bonds are special, limited obligations of the NMFA payable solely from the Revenues, proceeds of the Bonds (until used as provided in the Indenture) and other moneys held in certain funds and accounts held by the Trustee under the Indenture (the "Trust Estate"). **The Bonds shall not constitute nor create a general obligation or other indebtedness of the State or (except as expressly provided in an Agreement) any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Bonds shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or lending of the credit of the NMFA, the State or any Governmental Unit within the meaning of the Constitution of the State. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Bonds shall not constitute or give rise to a pecuniary liability on the part of the directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA shall impose a pecuniary liability or a charge upon the general credit or taxing power of the State or any political subdivision of the State.**

Revenues

Generally

Revenues include (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the funds and accounts created under the Indenture. As discussed under "Flow of Funds" below, revenues received from a Governmental Unit by the Trustee on behalf of the NMFA pursuant to an Agreement are deposited directly in a separate account of the Debt Service Fund established for that Governmental Unit and are periodically transferred by the Trustee to the Bond Fund and used to make debt service payments on the Bonds. All revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax and from any Additional Pledged Loans are transferred to the Trustee and deposited in the Revenue Fund. Moneys in the Revenue Fund are used each Bond Fund Year to pay debt service on the Bonds to the extent that moneys in the several accounts of the Debt Service Fund are insufficient and to pay debt service on the portions of the Bonds used to finance grants. At the end of each Bond Fund Year moneys in the Revenue Fund in excess of the requirements for such moneys under the Indenture are transferred to the NMFA and are no longer part of the Trust Estate. For a more complete

description of the funds and accounts into which Revenues are deposited, see "Flow of Funds" below under this caption, and EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts" in Appendix B hereto.

The Agreements and the Agreement Pledged Revenues

Generally. The Agreements consist of Loan Agreements and Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of their respective projects by the NMFA. (Under the Indenture "Agreements" also includes Grant Agreements, however the Grant Agreements contain no repayment provisions.) Under each Loan Agreement or issue of Securities, the respective Governmental Unit pledges to the NMFA for payment of all amounts due under their respective Agreements (i) revenues of specific enterprise systems or revenues attributable to certain taxes (such pledged revenues the "Agreement Pledged Revenues") and (ii) moneys in certain funds and accounts held by the Trustee. Each Government Unit executing a Loan Agreement or issuing Securities warrants to promptly pay principal of and interest on its loan from its Agreement Pledged Revenues and to continue such payments until its loan is paid in full.

Agreement Reserve Fund. Pursuant to the Indenture, an Agreement Reserve Fund has been created which will be held by the Trustee. Within such fund currently are accounts relating to those Governmental Units having a repayment obligation to the NMFA pursuant to a Loan Agreement or Securities for which the NMFA determined to require such accounts. Amounts in a Governmental Unit's account of the Agreement Reserve Fund will be withdrawn by the Trustee and deposited into that Governmental Unit's account of the Debt Service Fund to the extent of any shortfall in payments by such Governmental Unit under its Loan Agreement or Securities and any associated Additional Pledged Loans. **Amounts in a Governmental Unit's account of the Agreement Reserve Fund will not be used to cover shortfalls in payments of other Governmental Units and will not otherwise be available to defray deficiencies in the Bond Fund.** See "PLAN OF FINANCING - Sources and Uses of Funds" herein and "Flow of Funds" below under this caption.

For a discussion of the separate reserve account established within the Revenue Fund see "Flow of Funds" below under this caption.

Agreements with 1997 Governmental Units. Each 1997 Governmental Unit which either has entered into a 1997 Loan Agreement (McKinley County, Sierra County and the City of Española) or has issued 1997 Securities (the State Parks Division of the Energy, Minerals and Natural Resources Department of the State) has pledged specific Agreement Pledged Revenues to the repayment of its Loan. A brief description of the Agreement Pledged Revenues and the applicable 1997 Loan Agreement or 1997 Securities for each such 1997 Governmental Unit is set forth in the entry for each such 1997 Governmental Unit under "CERTAIN INFORMATION CONCERNING THE 1997 GOVERNMENTAL UNITS" in Appendix D hereto. The amount deposited in the Agreement Reserve Fund account established with respect to each 1997 Governmental Unit is set forth under "THE PLAN OF FINANCING - Sources and Uses of Funds" herein. Financial information and operating data for the State Parks Division of the Energy, Minerals and Natural Resources Department of the State, the only 1997 Governmental

Unit which will be providing more than 5% of estimated annual Revenues in any year when Bonds will be Outstanding, is set forth in Appendix D-1 hereto. Financial information and operating data are not set forth for any other 1997 Governmental Unit.

Agreements with Other Governmental Units. In connection with the issuance of NMFA's $41,230,000 Public Project Revolving Fund Revenue Bonds, Series 1995A (the "Series 1995A Bonds") and $17,625,000 Public Project Revolving Fund Revenue Bonds, Series 1996A (the "Series 1996A Bonds") Agreements were entered into with other Governmental Units. For a description of such Agreements, including a brief description of the Agreement Pledged Revenues for such Governmental Units, see "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D of the NMFA's final Official Statement dated June 28, 1995 relating to its Public Project Revolving Fund Revenue Bonds, Series 1995A and Series 1995B (the "1995 Official Statement") and "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D of the NMFA's final Official Statement dated August 22, 1996 relating to its Public Project Revolving Fund Revenue Bonds Series 1996A and Taxable Series 1996B (the "1996 Official Statement") both on file with the Municipal Securities Rulemaking Board ("MSRB"). For a listing of each Governmental Unit which has an outstanding Agreement with the NMFA see "THE PLAN OF FINANCING - Governmental Units and Projects" herein. Financial information and operating data for the City of Santa Fe, a Governmental Unit providing approximately 12.76% of estimated annual Revenues, are not set forth herein since the obligations of such City under its Agreement have been legally defeased and payments are being made solely from a defeasance escrow consisting of Governmental Obligations.

No Obligation of Nondefaulting Governmental Units to Cover Shortfalls. A nondefaulting Governmental Unit is not required to make up any Loan Payment not paid in full by a defaulting Governmental Unit or to make up any insufficiency in the NMFA Portion of the Governmental Gross Receipts Tax.

The Governmental Gross Receipts Tax

Generally. Pursuant to Section 7-1-6.38, NMSA 1978, the NMFA is allocated 75% of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-3.2, NMSA 1978. For purposes of this Official Statement, the 75% net receipts which is allocated to NMFA is referred to as the "NMFA Portion of the Governmental Gross Receipts Tax." Under the Indenture, the NMFA Portion of the Governmental Gross Receipts Tax, along with payments attributable to Additional Pledged Loans, if any, shall be paid when received by NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund created under the Indenture within the Public Project Revolving Fund and are available (i) to pay debt service on the Bonds to the extent Loan Payments paid by the Governmental Units pursuant to the Agreements are not sufficient to pay debt service when due and (ii) to pay debt service on the portions of the Bonds issued to fund Grants. See "Flow of Funds" under this caption. Pursuant to Section 7-9-4.3, NMSA 1978, the governmental gross receipts tax is imposed on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except school districts and

certain health care entities. See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Exhibit B hereto for certain information concerning the Revenue Fund and allocation of amounts therein to payment of principal and interest on the Bonds.

Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State of New Mexico or any agency, institution, instrumentality or public subdivision thereof except any school district and any entity licensed by the State Department of Health that is particularly engaged in providing health care services, from:

(a) the sale of tangible personal property other than water from facilities open to the general public;

(b) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public;

(c) refuse collection, refuse disposal or both;

(d) sewage services; and

(e) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State of New Mexico.

The definition of governmental gross receipts includes receipts from the sale of tangible personal property handled on consignment when sold from facilities open to the general public, but excludes cash discounts taken and allowed, governmental gross receipts tax payable on transactions reportable for the period and any type of time-price differential.

The governmental gross receipts tax was enacted into law and first imposed in 1991. It is imposed at a rate of 5% on governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services. In addition, the governmental gross receipts tax is not imposed on: (i) receipts from transactions involving tangible personal property or services on which the gross receipts tax, compensating tax, motor vehicle excise tax, gasoline tax, special fuel tax, special fuel excise tax, oil and gas emergency school tax, resources tax, processors tax, service tax, or the excise tax imposed under Section 66-12-6.1 NMSA 1978, are imposed; (ii) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision or on receipts from operation of a cable television system owned or operated by a municipality, because those receipts are subject to the regular gross receipts tax under Section 7-9-13, NMSA 1978, or (iii) receipts from selling livestock and receipts of growers, producers, trappers or nonprofit marketing associations from selling livestock, live poultry, unprocessed agricultural products, hides or pelts. Significant deductions from the governmental gross receipts tax include: (i) receipts from selling tangible personal property to the United States government or the State or any governmental unit or subdivision, agency, department or instrumentality thereof (which may be deducted from governmental gross receipts); (ii) receipts from selling tangible personal property to an Indian tribe, nation or pueblo

or any governmental subdivision, agency, department or instrumentality thereof for use on Indian reservations or pueblo grants; (iii) receipts from a sale made to a person engaged in the business of manufacturing or to receipts from selling tangible personal property or licenses if the sale is made to a person that delivers a non-taxable transaction certificate to the seller; and (iv) receipts from transactions in interstate commerce.

Collection and Distribution Information. Governmental agencies are treated as taxpayers under the provisions of the Tax Administration Act, Section 7-1-1, et seq., NMSA 1978, and are responsible for paying the governmental gross receipts tax to the New Mexico Department of Taxation and Revenue in accordance with the State's Tax Administration Act. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other things. On the last day of each month, the balance in the suspense fund is identified by tax source and distributed to the appropriate municipalities or state agencies, including the NMFA. Collection of governmental gross receipts tax is administered by the Department of Taxation and Revenue. Governmental gross receipts taxes are to be paid on or before the 25th day of the month following the month in which the taxable event occurs.

Set forth below is information from the New Mexico Department of Taxation and Revenue concerning collections of the governmental gross receipts tax for the fiscal years 1993-1994 through 1996-1997.

Governmental Gross Receipts Taxes Collections
Fiscal Years 1993 - 1994 through 1996 - 1997

	Fiscal Year 1993 - 1994	Fiscal Year 1994 - 1995	Fiscal Year 1995 - 1996	Fiscal Year 1996 - 1997
Total Net Receipts	$12,511,874	$13,530,014	$16,059,454(2)	$16,378,444
NMFA Portion of the Governmental Gross Receipts Tax	$ 9,383,906(1)	$10,147,511	$12,044,591	$12,283,833

(1) Although the governmental gross receipts tax was first imposed in 1991, NMFA did not begin receiving the NMFA Portion of the Governmental Gross Receipts Tax until August 1, 1994. Therefore, this amount is shown for informational purposes only.

(2) The increase in net receipts for Fiscal Year 1995-1996 reflects acquisitions by the City of Santa Fe and the City of Rio Rancho of water systems which had been privately owned and therefore not subject to the tax.

Set out below and on the following page is information concerning the top eight payers of the governmental gross receipts tax for fiscal years 1995-1996 and 1996-1997. Such information is not publicly available from the State and has instead been obtained from each individual entity. As a result, the NMFA cannot guaranty the accuracy of any such information.

Eight Largest Payers of
Governmental Gross Receipts Taxes
Fiscal Years 1995-1996 and 1996-1997

	Fiscal Year 1995-1996		Fiscal Year 1996-1997	
Entity	Amount Paid	% of Total GGRT of All Entities in NM	Amount Paid	% of Total GGRT of All Entities in NM
City of Albuquerque	$5,994,374	37.33%	$5,708,434	34.85%
City of Santa Fe	1,178,549	7.34%	1,490,026	9.10%
University of New Mexico	1,048,189	6.53%	1,126,513	6.88%
City of Las Cruces	717,834	4.47%	753,761	4.60%
City of Rio Rancho	652,378	4.06%	636,006	3.88%
City of Farmington	589,338	3.67%	594,821	3.63%
City of Roswell	525,228	3.27%	503,161	3.07%
City of Gallup	251,837	1.57%	247,333	1.51%
Total	$10,957,727	68.24%	$11,060,055	67.53%

Source: Individual entities.

Additional Pledged Loans

NMFA may make loans from or purchase securities with available funds in the Public Project Revolving Fund other than proceeds of Bonds. At its option, the NMFA may designate such loans or securities as "Additional Pledged Loans" and upon such designation the principal and interest payments on such loans or securities become pledged by NMFA to the payment of Bonds. See "Flow of Funds," below under this caption. To date, NMFA has made Additional Pledged Loans to certain Governmental Units which received proceeds from the Series 1995A Bonds and the Series 1996A Bonds (the State Parks Division of the Energy, Minerals and Natural Resources Department of the State, the City of Las Vegas, the Northwest New Mexico Solid Waste Authority and the Central Solid Waste Authority) and to the Town of Red River, the Village of Columbus, the Village of Fort Sumner, the Village of Jemez Springs, the City of Aztec, Doña Ana County, Rio Arriba County, Socorro County, the Garfield Mutual Domestic Water Consumers' and Mutual Sewage Works Association and Hyde Park Estates Cooperative Domestic Water Association. In addition, NMFA intends to make Additional Pledged Loans to Nor-Lea General Hospital District, the City of Española, Northwest New Mexico Solid Waste Authority, the City of Raton, and the Doña Ana County Flood Control Commission. For a brief description of the outstanding Additional Pledged Loans see "THE PLAN OF FINANCING - Governmental Units and Projects." The repayment obligations of those Government Units receiving Additional Pledged Loans who have also entered Loan Agreements with or issued Securities purchased by NMFA are on a parity with amounts due with respect to such Loan Agreements or Securities.

Flow of Funds

The Indenture creates a Revenue Fund, a Bond Fund, a Debt Service Fund with separate accounts for each Governmental Unit receiving a Loan, and an Agreement Reserve Fund with a separate account for each Governmental Unit receiving a Loan.

All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements and Securities are to be paid directly to the Trustee and the Trustee is to deposit all such payments immediately upon receipt thereof, as follows:

> First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan.
>
> Second: to the related Account, if any, in the Agreement Reserve Fund to the extent necessary to cause the balance in said Account to equal the Agreement Reserve Requirement, if any, of such Account.
>
> Third: to the payment of Program Costs (to the extent allocable to such Agreement).

On the fifth day preceding a Loan Payment Date (or, if such fifth day is not a Business Day, on the Business Day next preceding such fifth day), if the amount on deposit in any Governmental Unit's Account of the Debt Service Fund is insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, the Trustee is to transfer from the related Agreement Reserve Account to that Governmental Unit's Account of the Debt Service Fund, an amount sufficient, together with amounts in such Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date.

On each Interest Payment Date for the Bonds, the Trustee is to transfer moneys in the respective Accounts of the Debt Service Fund to the Bond Fund to pay the interest on the related Bonds becoming due on such Interest Payment Date and to pay the principal of each related Bond due at maturity or by prior redemption.

At least once each year the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to Loans relating to the Series 1997 Bonds any such excess shall be distributed as follows: (a) any excess attributable to earnings on funds and accounts for a 1997 Governmental Unit shall be returned to the 1997 Governmental Unit or shall be credited to the Loan Payments next coming due under the 1997 Governmental Unit's Agreement and (b) any excess attributable to the difference in interest rates on a 1997 Governmental Unit's Loan and the Series 1997 Bonds shall be deposited into the Revenue Fund.

During each Bond Fund Year, all Revenues constituting receipts from the NMFA Portion of the Governmental Gross Receipts Tax and principal and interest payments from Additional Pledged Loans are to be paid when received by the NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund. On each Interest Payment Date, the Trustee (except as otherwise provided in a Supplemental Indenture) is to transfer from the Revenue Fund (including any amounts in the separate account described in the next paragraph) to the Bond Fund (i) an amount equal to the principal and interest due on such Interest Payment Date on the portion of any Bonds the proceeds of which were used to make Grants and (ii) if the amounts on deposit in the Bond Fund are insufficient for payments coming due with respect to the Bonds on such Interest Payment Date, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the principal and interest due on the Bonds on such Interest Payment Date.

At the conclusion of each Bond Fund Year, the Trustee is to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining therein), the following:

(i) an amount equal to any deficiency in any account in the Agreement Reserve Fund;

(ii) with respect to Agreements for which (A) no Agreement Reserve Account was created in the Agreement Reserve Fund and (B) a default in the payment of principal or interest under such Agreement has occurred and is continuing, an amount equal to the least of (x) 10% of the proceeds of such Agreement, (y) maximum annual debt service on such Agreement and (z) 1.25 times average annual debt service on such Agreement; and

(iii) with respect to Bonds issued to finance Grants and for which no other debt service reserve fund has been created, an amount equal to the least of (A) 5% of the proceeds of the Bonds issued to finance such Grant, (B) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (C) .625 times average annual debt service on the Bonds issued to finance such Grant.

Pursuant to the Indenture, the NMFA is not required to contribute any amounts to fund the retention described in the preceding paragraph other than from amounts on deposit in the Revenue Fund at the end of each Bond Fund Year, and no default under the Indenture occurs solely by reason of any insufficiency of funds remaining in the Revenue Fund to fund such retention.

After making the foregoing deposits, at the conclusion of each Bond Fund Year, and after making the payments required by the Indenture during such Bond Fund Year, the Trustee is to transfer the balance on deposit in the Revenue Fund to the NMFA and the NMFA may use such balance for:

(i) Public Project Revolving Fund purposes;

(ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund;

(iii) refinancing, refunding, purchasing or advance refunding of any Bonds; or

(iv) any other lawful purpose.

The balance so transferred to NMFA is no longer pledged to the payment of debt service on the Bonds.

Additional Bonds

Generally

Additional Bonds or other indebtedness, bonds or notes of the NMFA payable on a parity with the Bonds out of the Trust Estate may be issued or incurred, only if certain requirements have been met, including the following:

(a) NMFA must deliver to the Trustee a Cash Flow Statement, taking into account the issuance of the Additional Bonds or other indebtedness, bonds or notes. The requirements of the Cash Flow Statement are set forth under "Cash Flow Statement," below.

(b) All payments required by the Indenture to be made into the Bond Fund must have been made in full.

(c) The proceeds of the Additional Bonds or other indebtedness, bonds or notes must be used (i) to refund Bonds issued hereunder or other obligations of the NMFA (including the funding of necessary reserves and the payment of costs of issuance) or (ii) to make additional Loans or Grants or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default shall have occurred and be continuing under the Indenture, except that the foregoing provisions of this paragraph (d) shall not preclude the issuance of Additional Bonds or other indebtedness, bonds or notes if (i) the issuance of such Additional Bonds or other indebtedness, bonds or notes otherwise complies with the requirements of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of the Additional Bonds or other indebtedness, bonds or notes and the application of the proceeds thereof.

Any of the foregoing requirements may be revised or deleted with written evidence from the Rating Agency to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

Cash Flow Statement

Pursuant to the Indenture, "Cash Flow Statement" means a certificate of NMFA:

(a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate, the following:

(A) the amount of the NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(B) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(C) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding;

and (b) and showing that in each such Bond Fund Year the aggregate of the amount set forth in clause (A) of this definition divided by 1.35, plus the aggregate amount set forth in clause (B) of this definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of this definition. For purposes of the foregoing definition, the following assumptions apply:

(i) The NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period during the 24 months next preceding the delivery of the Cash Flow Statement;

(ii) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above;

(iii) Loans and Additional Pledged Loans will be assumed to remain in their current category designations throughout the period projected in the Cash Flow Statement.

For purposes of the Indenture and the Cash Flow Statement, "Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

Category of Loans and Additional Pledged Loans	Applicable Percentage
Category I	100%
Category II	80%
Category III	50%
Category IV	0%

Category I Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the third highest full rating category or higher by the Rating Agency.

Category II Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

Category III Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

Category IV Loans and Additional Pledged Loans are all Non-Performing Loans and Additional Pledged Loans, Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been replenished in accordance with the related Agreement, and Loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agency.

"Non-Performing Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a covenant default) or under which a delinquency exists in payments of principal or interest thereunder.

"Rating Agency" means Moody's Investors Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

Pursuant to the Indenture, at the time of issuance of each Series of Bonds, each of the Agreements to be executed in connection with such issuance is required to be submitted to the Rating Agency for assignment of a designation or rating or shall be designated in Category IV by the NMFA without submission to the Rating Agency. In addition, each Additional Pledged Loan is required to be submitted to the Rating Agency for assignment of a designation or a rating or shall be designated in Category IV by NMFA without submission to the Rating Agency. At any time (including upon issuance of Additional Bonds), the category assigned to an Agreement or to Additional Pledged Loans may be revised by the Rating Agency.

The formula described above may also be summarized as follows (where A = NMFA Portion of Governmental Gross Receipts Tax, B = Assumed Repayments of Loans and Additional Pledged Loans and C = Aggregate Annual Debt Service on all Bonds Outstanding):

$$(A \div 1.35) + B > C$$

No Senior Lien Obligation

No additional indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of the Revenues for payment of the Bonds shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds.

Additional Parity Obligations of Government Units

For a description of the restrictions, if any, governing the issuance by 1997 Government Units of additional obligations on a parity with the obligations of such 1997 Governmental Units to make payments under their respective Agreements, see "CERTAIN INFORMATION CONCERNING THE 1997 GOVERNMENTAL UNITS" in Appendix D. For a description of the restrictions, if any, governing the issuance by certain other Governmental Units of additional parity obligations, see "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D to the 1995 Official Statement and "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D to the 1996 Official Statement, both on file with the MSRB.

Outstanding Parity Bonds

The only Outstanding parity Bonds of the NMFA are the Series 1995A Bonds, the Series 1996A Bonds and the Taxable Series 1996B Bonds which are currently outstanding in $58,145,000 aggregate principal amount (collectively the "Outstanding Parity Bonds"). See "ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE RATIOS" for Debt Service Requirements on the Outstanding Parity Bonds and aggregate payments under Agreements relating to the Bonds. See "THE PLAN OF FINANCING - Governmental Units" for a listing of the 1995 and 1996 Governmental Units which received proceeds from the Outstanding Parity Bonds.

Supplemental Indentures and Amendments to Loan Agreements; Rating Agency Discretion

Pursuant to the Indenture, the NMFA and the Trustee may, without the consent of any of the Owners of the Bonds, enter into an indenture or indentures supplemental to the Indenture in order to make certain amendments or changes to the Indenture, including any amendment so long as prior written confirmation has been obtained from the Rating Agency that such amendment will not result in the rating on the Bonds, following such amendment, being lower than the rating on the Bonds immediately prior to such amendment.

In addition, the NMFA with the consent of the Trustee and the related Governmental Unit may, without the consent of any Owners of the Bonds, amend any Loan Agreement so long as prior written confirmation has been obtained from the Rating Agency that such amendment will not result in the rating on the Bonds, following such amendment, being lower than the rating on the Bonds immediately prior to such amendment.

BOND INSURANCE

Generally

The following information has been provided by Ambac Assurance for use in this Official Statement. See Appendix F for a specimen of the Municipal Bond Insurance Policy.

Payment Pursuant to Municipal Bond Insurance Policy

Ambac Assurance has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Series 1997 Bonds effective as of the date of issuance of the Series 1997 Bonds. Under the terms of the Municipal Bond Insurance Policy, Ambac Assurance will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 1997 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Series 1997 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 1997 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 1997 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 1997 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 1997 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee/Paying Agent has notice that any payment of principal of or interest on a Series 1997 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Series 1997 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 1997 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 1997 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series 1997 Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $2,813,000,000 (unaudited) and statutory capital of approximately $1,605,000,000 (unaudited) as of September 30, 1997. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch Investors Service, L.P. have each assigned a triple-A claims-paying ability rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds.

Ambac Assurance makes no representation regarding the Series 1997 Bonds or the advisability of investing in the Series 1997 Bonds and makes no representation regarding, nor

has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices a 7 World Trade Center, New York, New York, 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 and filed on March 31, 1997;

(2) The Company's Current Report on Form 8-K dated March 12, 1997 and filed on March 12, 1997;

(3) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 1997 and filed on May 15, 1997;

(4) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1997 and filed on August 14, 1997; and

(5) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 1997 and filed on November 14, 1997.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

THE PLAN OF FINANCING

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series 1997 Bonds, other than accrued interest to be received in connection with the sale of the Series 1997 Bonds are set forth in the following table. Accrued interest from December 1, 1997 will be deposited in the Bond Fund.

Sources and Uses of Funds

1997 Governmental Unit	Energy Department	McKinley County	Sierra County	City of Española	TOTAL
SOURCES:					
Series 1997 Bond Proceeds(1)	$4,775,000	$450,000	$2,125,000	$1,235,000	$8,585,000
Net Original Issue Premium (Discount) on Series 1997 Bonds	(35,247)	456	(15,701)	(9,055)	(59,547)
TOTAL SOURCES:	$4,739,753	$450,456	$2,109,299	$1,225,945	$8,525,453
USES:					
Deposits to 1997 Governmental Units' Accounts within Program Fund (2)	$4,256,787	$400,000	$1,900,000	$1,100,000	$7,656,787
Deposits to 1997 Governmental Units' Accounts Within Agreement Reserve Fund (3)	352,885	40,563	155,090	89,511	638,048
Costs of Issuance (4)	130,081	9,893	54,210	36,435	230,618
TOTAL USES:	$4,739,753	$450,456	$2,109,299	$1,225,945	$8,525,453

(1) The 1997 Bond Proceeds will be paid to NMFA to reimburse it for advances made by it for the deposits listed under the Uses caption described in this Table and will also be used to pay a portion of the costs of issuance.

(2) The amounts deposited to the Program Fund have been or will be used to pay all or a portion of the costs of the 1997 Projects. See "The 1997 Governmental Units and the 1997 Projects" under this caption and "EXTRACT OF CERTAIN PROVISIONS OF THE INDENTURE-Funds and Accounts" in Appendix B hereto.

(3) These amounts are to be used to defray deficiencies in the respective accounts of the 1997 Governmental Units within the Debt Service Fund. Such amounts will not be otherwise available to defray deficiencies in the Bond Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1997 BONDS-Flow of Funds."

(4) Includes legal and accounting fees, printing, rating fees, bond insurance premium, Underwriters' discount and other miscellaneous costs. See "UNDERWRITING."

Governmental Units and the 1997 Projects

1997 Governmental Units

Set out below is certain information concerning the 1997 Governmental Units which received advances from NMFA for the financing of their respective 1997 Projects which advances will be reimbursed from the proceeds of the Series 1997 Bonds. For additional information concerning the 1997 Governmental Units, the 1997 Projects and the Agreement Pledged Revenues, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "CERTAIN INFORMATION CONCERNING THE 1997 GOVERNMENTAL UNITS" in Appendix D hereto.

The 1997 Governmental Units and the 1997 Projects

1997 Governmental Unit	1997 Project	Agreement Pledged Revenues
State Parks Division of the Energy, Minerals, and Natural Resources Department of the State of New Mexico	various park system capital projects	Energy, Minerals, and Natural Resources Department Portion of the Governmental Gross Receipts Tax
McKinley County	acquisition and construction of a regional juvenile detention center	first one-eighth of one percent of the County Gross Receipts Tax and Equalization Distribution Revenues
Sierra County	acquisition and equipping of Sierra Vista Hospital	County Hospital Emergency Gross Receipts Tax revenues
City of Española	water and sewer line extensions and street improvements	Municipal Gross Receipts Tax and State Shared Gross Receipts Tax revenues

Other Governmental Units.

The Series 1995A Bonds were issued to purchase securities of the Park and Recreation Division of the Energy, Minerals and Natural Resources Department of the State, to make loans to the City of Las Vegas, to the City of Santa Fe and to the Northwest New Mexico Regional Solid Waste Authority and Cibola County, the City of Gallup, the City of Grants, McKinley County, and the Village of Milan. For a description of the Projects of each such Governmental Unit see "CERTAIN INFORMATION CONCERNING 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D of the 1995 Official Statement on file with the MSRB. The obligations of the City of Santa Fe under its Loan Agreement have been defeased and the City's Loan payments are being made solely from a defeasance escrow consisting of Governmental Obligations being held by the Trustee. The Loan will be prepaid on June 1, 2005 and a corresponding amount of Series 1995 A Bonds will be called on that date.

The Series 1996 Bonds were issued to purchase securities of the Park and Recreation Division of the Energy, Minerals and Natural Resources Department of the State, and to make a loan to Central Solid Waste Authority and certain of its participating entities including the City of Belen, the Village of Bosque Farms, the Village of Magdalena and the Village of Los Lunas, and to make a grant to the Department of Environment of the State. For a description of the Projects of such Governmental Units see "CERTAIN INFORMATION CONCERNING 1996 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D of the 1996 Official Statement on file with the MSRB.

Generally

The following table lists all Governmental Units which have entered into Agreements with the NMFA and all governmental entities which have outstanding Additional Pledged Loans. The list also includes the 1997 Governmental Units which will enter into Agreements. The table includes each such entity, the principal amount of the currently outstanding loan obligation, the estimated percentage of estimated total annual Revenues to be provided by such entity, the NMFA Bond issue with respect to which an Agreement was issued, if applicable, the final maturity date of the obligation of such entity and the Agreement Pledged Revenues securing the obligation of such entity. The NMFA has $58,145,000 of Outstanding Parity Bonds outstanding and, upon issuance, will have $8,540,000* of Series 1997 Bonds outstanding.

Currently Outstanding Obligations
Which Are Included In Trust Estate

Borrower(1)	Amount of Outstanding Obligations(2)	Estimated Percentage of Annual Revenues	Bond Issue(s)(3)	Final Maturity
Northwest Solid Waste Authority	$7,860,819	4.19%	1995A and APL	2015
City of Las Vegas	5,264,835	2.90	1995A and APL	2015
Department of Energy	11,947,529	5.87	1995A, 1996A and 1997A and APL	2016
Central Solid Waste Authority	1,794,445	0.81	1996A and APL	2021
McKinley County	455,000	0.41	1997	2008
Sierra County	2,115,000	0.81	1997	2017
City of Española	1,225,000	0.41	1997	2017
Rio Arriba County	2,917,336	1.49	APL	2016
Doña Ana County	587,205	0.30	APL	2016
Town of Red River	62,546	0.03	APL	2016
Garfield Mutual Domestic Water Consumers' and Mutual Sewage Association	1,706,487	1.06	APL	2016
Socorro County	101,012	0.09	APL	2007
Hyde Park Estates Cooperative Domestic Water Association	126,264	0.08	APL	2017
Village of Columbus	15,152	0.01	APL	2007
City of Aztec	1,919,192	1.10	APL	2016
Village of Fort Sumner	772,223	0.41	APL	2016
Village of Jemez Springs	57,290	0.03	APL	2012
City of Santa Fe (4)	18,405,000	12.62	1995A	2005(5)

(1) Includes 1997 Governmental Units.

(2) Includes Obligations of 1997 Governmental Units.

(3) APL means the obligation is an Additional Pledged Loan not funded from an issue of Bonds.

(4) City of Santa Fe's Agreement has been defeased and Loan repayments through June 1, 2005 are being made solely from a defeasance escrow which consists of Governmental Obligations. The Loan will be prepaid on June 1, 2005 and a corresponding amount of Series 1995 A Bonds will be called on that date.

(5) Loan Prepayment Date.

ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE RATIOS

The following schedule shows the total debt service (excluding any optional prior redemptions) payable for the Series 1997 Bonds for each fiscal year through their respective final maturity dates.

Debt Service for the Series 1997 Bonds

Fiscal Year	Principal(1)	Interest(2)	Annual Debt Service Requirements
1998	$260,000	$200,856.25	$460,856.25
1999	305,000	390,662.50	695,662.50
2000	325,000	377,700.00	702,700.00
2001	335,000	363,887.50	698,887.50
2002	345,000	349,650.00	694,650.00
2003	370,000	334,987.50	704,987.50
2004	375,000	318,892.50	693,892.50
2005	400,000	302,392.50	702,392.50
2006	415,000	284,592.50	699,592.50
2007	435,000	265,917.50	700,917.50
2008	455,000	246,125.00	701,125.00
2009	420,000	224,967.50	644,967.50
2010	435,000	205,227.50	640,227.50
2011	460,000	184,565.00	644,565.00
2012	475,000	162,025.00	637,025.00
2013	500,000(3)	138,750.00	638,750.00
2014	530,000(3)	113,750.00	643,750.00
2015	555,000(3)	87,250.00	642,250.00
2016	580,000(3)	59,500.00	639,500.00
2017	610,000	30,500.00	640,500.00

(1) Payable on June 1.
(2) Payable on June 1 and December 1, commencing June 1, 1998.
(3) Mandatory sinking fund payment.

The following table shows estimated available Revenues, total debt service requirements for the Series 1997 Bonds and the Outstanding Parity Bonds and the resulting estimated annual coverage ratios. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Debt Service Requirements and Coverage Ratios

Fiscal Year	Estimated Fiscal Year 1996-1997 Collections of NMFA Portion of Gov't Gross Receipts Tax(1)	Aggregate Payments under Agreements(2)(4)	Estimated Payments Under Additional Pledged Loans(3)	Estimated Total Revenues	Total Debt Service Requirements for the 1997 Bonds (5)	Total Debt Service Requirements for the Outstanding Parity Bonds(5)	Total Debt Service Requirements for the 1997 and the Outstanding Parity Bonds(5)	Estimated Annual Coverage Ratios
1997	$12,283,833	$3,756,063	$460,315	$16,328,313	---	$5,844,434	$5,844,434	2.82
1998	12,283,833	4,340,304	938,309	17,390,548	$460,856	6,193,747	6,654,603	2.64
1999	12,283,833	4,585,885	912,814	17,610,634	695,663	6,189,743	6,885,406	2.58
2000	12,283,833	4,583,020	901,236	17,596,191	702,700	6,189,242	6,891,942	2.58
2001	12,283,833	3,970,720	888,923	16,971,578	698,888	5,580,245	6,279,133	2.73
2002	12,283,833	3,867,923	875,822	16,855,679	694,650	4,628,909	5,323,559	3.20
2003	12,283,833	3,884,663	866,894	16,863,491	704,988	4,639,089	5,344,076	3.19
2004	12,283,833	3,884,893	851,834	16,848,661	693,893	4,641,833	5,335,725	3.19
2005	12,283,833	3,782,210	835,818	16,729,963	702,393	4,543,308	5,245,700	3.22
2006	12,283,833	2,485,818	839,423	15,437,176	699,593	3,243,413	3,943,005	3.96
2007	12,283,833	2,497,485	837,479	15,446,899	700,918	3,252,010	3,952,928	3.95
2008	12,283,833	2,494,985	821,053	15,427,973	701,125	3,254,450	3,955,575	3.94
2009	12,283,833	2,437,000	824,359	15,373,294	644,968	3,249,250	3,894,218	3.99
2010	12,283,833	2,435,345	822,366	15,369,646	640,228	3,250,570	3,890,798	3.99
2011	12,283,833	2,428,315	825,339	15,365,589	644,565	3,249,208	3,893,773	3.99
2012	12,283,833	2,429,068	823,035	15,364,038	637,025	3,243,103	3,880,128	4.00
2013	12,283,833	2,433,173	819,855	15,364,963	638,750	3,251,810	3,890,560	3.99
2014	12,283,833	2,430,673	817,165	15,359,773	643,750	3,251,425	3,895,175	3.99
2015	12,283,833	2,431,878	819,478	15,363,291	642,250	3,246,958	3,889,208	3.99
2016	12,283,833	1,075,903	707,946	13,895,784	639,500	1,463,100	2,102,600	6.68
2017	12,283,833	778,358	316,004	13,206,297	640,500	125,188	765,688	17.46
2018	12,283,833	124,725	10,497	12,247,157	---	124,725	124,725	99.57
2019	12,283,833	123,975	10,521	12,246,431	---	123,975	123,975	100.17
2020	12,283,833	122,938	10,546	12,245,418	---	122,938	122,938	101.01
2021	12,283,833	121,613	10,570	12,244,117	---	121,613	121,613	102.09

(1) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Revenues-The Governmental Gross Receipts Tax."

(2) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues - The Agreements and the Agreement Pledged Revenues." Includes 1997 Agreements and Agreements entered into in connection with the Outstanding Parity Bonds.

(3) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Revenues-Additional Pledged Loans." Includes both outstanding Additional Pledged Loans. Also includes administrative fees charged to borrower.

(4) Does not include Prepayment of Loan by City of Santa Fe in Fiscal Year 2005.

(5) Does not include redemption of a portion of Series 1995A Bonds on June 1, 2005 to reflect Loan Prepayment by City of Santa Fe.

NEW MEXICO FINANCE AUTHORITY

Generally

The NMFA is a public body politic and corporate and governmental instrumentality of the State. It was created in 1992 pursuant to the Act for the purpose of coordinating the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. Pursuant to the Act, the NMFA and its corporate existence shall continue until terminated by law, provided that no such law shall take effect so long as the NMFA has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The NMFA is governed by a Board of Directors and currently employs nine persons.

Powers

Pursuant to the Act, the NMFA is granted all powers necessary and appropriate to carry out and effectuate its public and corporate purposes, including but not limited to the following powers: to sue or be sued; to adopt, subject to the review and approval of the NMFA oversight committee, such regulations as are necessary and appropriate to implement the provisions of the Act; to make, enter into and enforce all contracts, agreements and other instruments necessary, convenient or desirable in the exercise of its powers and functions and for the purposes of the Act; to acquire, construct, hold, improve, mortgage, sell, lease, convey or dispose of real and personal property for its public purposes; to make loans and purchase securities and contract to make loans and purchase securities; to make grants to qualified entities to finance public projects; to procure insurance to secure payment on any loan, lease or purchase payments owed to the NMFA by a qualified entity in such amounts and from such insurers, including the federal government, as it may deem necessary or desirable, and to pay any premiums for such insurance; to fix, revise from time to time, charge and collect fees and other charges in connection with the making of loans and any other services rendered by the NMFA; and to borrow money and to issue bonds.

Organization and Governance

The Board of Directors of the NMFA is composed of 12 members, seven of which are ex-officio members designated in the Act and five of which are appointed by the Governor with the advice and consent of the State senate. The seven designated members include five ex-officio State officials, of which four are cabinet-level secretaries (the secretary of finance and administration, the secretary of economic development, the secretary of energy, minerals and natural resources, and the secretary of environment), and one is a State agency official (the State investment officer), and two are the chief executives of state-wide associations (the executive director of the State municipal league and the executive director of the State association of counties). One of the five members appointed by the Governor must be the chief financial officer of a State higher educational institution and the remaining four members appointed by

the Governor are members of the public. Each of the appointed members of the NMFA serve staggered four-year terms, so that the term of at least one member expires on January 1 of each year. Vacancies are filled by appointment by the successor for the remainder of the unexpired term. Any member is eligible for reappointment.

The Act also provides for the creation of a legislative oversight committee, whose membership is determined by the State Legislative Council. The oversight committee is required to monitor and oversee the operation of the NMFA, and in that connection it: meets on a regular basis to receive and review reports from the NMFA on implementation of the provisions of the Act and to review and approve regulations proposed for adoption; monitors and provides assistance and advice on the public project financing program of the NMFA; oversees and monitors State and local government capital planning and financing; provides advice and assistance to the NMFA and cooperates with the executive branch of State government and local governments on planning, setting priorities for and financing of State and local capital projects; undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the legislature. The report and proposed legislation is required to be made available on or before December 15 each year.

Governing Board and Staff Members

Current members of the Board of Directors of the NMFA, and their respective occupations, are set out below:

New Mexico Finance Authority
Board of Directors

Name	Occupation	Term Expires
Phil Archibeck(1)	State Investment Officer, State Investment Council	not applicable
Gary Bratcher(1)	Secretary, Economic Development Department, State of New Mexico	not applicable
William Fulginiti(1) (Secretary)	Director, New Mexico Municipal League	not applicable
Robert Goodman(2) (Chairman)	Albuquerque Businessman	January 1, 2001
David Harris(1)	Secretary, Department of Finance and Administration, State of New Mexico	not applicable
Jack A. Martines(2) (Vice Chairman)	Consultant	January 1, 2000

David L. McKinney(2) (Treasurer)	Vice President for Business and Finance, University of New Mexico	January 1, 1999
Kelly Orrick(1)	Director, New Mexico Association of Counties	not applicable
Jennifer Salisbury(1)	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
H. Dan Shannon	President and Managing Officer of Santa Fe Branch, Norwest Bank New Mexico, N.A.	January 1, 1998
Mary L. Thompson(2)	Realtor	January 1, 2000
Mark Weidler(1)	Secretary, Environment Department, State of New Mexico	not applicable

(1) Ex-Officio Member.
(2) Appointed by the Governor of the State to four-year term.

Set out below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 1997 Bonds and the administration of the public project revolving fund program.

Tom K. Pollard, Ph.D., Executive Director. Dr. Pollard has directed the operations of the NMFA since its inception. He previously served for five years as Executive Director of the Texas Board from its inception in 1987. The Board, chaired by the Governor of Texas, is responsible for the approval of all state bond issuance. Dr. Pollard directed all research, technical and administrative functions of the Board and analyzed the legal and financial soundness of each bond transaction reviewed by the Bond Review Board. He also administered the allocation of the State's $850 million federal private activity bond authorization among Texas bond issuing entities and reported to the bond rating agencies on the fiscal condition of state government and Texas' state-backed loan programs. Before coming to the Board, Dr. Pollard served the Texas State Comptroller as the government's primary forecaster of state economic conditions and state government revenue from all sources. Dr. Pollard received a Ph.D. in economics from the University of Texas in 1980.

Keith H. Mellor, Controller. Mr. Mellor joined the NMFA in November 1995. Before coming to the NMFA Mr. Mellor was controller for the Los Alamos Credit Union. He brings with him an extensive background in controllership, investment portfolio management, governmental auditing and accounting. His responsibilities include design, implementation, and maintenance of financial controls, reporting systems and investment strategies. Prior to serving at the Credit Union, Mr. Mellor was CFO/Controller for CNS, Inc., a systems engineering and

integration firm. Mr. Mellor holds B.S. in accounting from Metro State College, Denver, Colorado. He holds a Certified Public Accountant's license in the State of Colorado.

Kathy Sylvia, Director of Financial Analysis. Ms. Sylvia joined the NMFA in February 1997. Prior to working at the NMFA, Ms. Sylvia was the Telecommunications Policy analyst at the New Mexico Municipal League. She brings with her an extensive knowledge of local governmental auditing, accounting and financial management. Prior to serving at the New Mexico Municipal League, Ms. Sylvia was Chief Financial Officer of the City of Alamogordo, New Mexico. Ms. Sylvia holds a B.S. in Management and Finance from Chaminade University and a Masters in Public Administration from New Mexico State University.

The Public Project Revolving Fund Program

The Public Project Revolving Fund Program of the NMFA is authorized by the Act and was created to fulfill the duty of the NMFA to develop and administer a program to assist qualified entities, individually or jointly, in financing all types of projects of a long-term capital nature, including but not limited to buildings, water systems, sewerage and waste disposal systems, solid waste disposal systems, streets, airports, municipal utilities and parking facilities. To implement the Public Project Revolving Fund Program, the NMFA has been granted the following specific powers: to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA; to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (i) a loan to a qualified entity, (ii) a grant to a qualified entity, (iii) a purchase or sale of securities individually or on a pooled basis, or (iv) the performance of its duties and execution of any of its powers under the Act; to purchase, hold or sell securities; to charge for its costs and services in review or consideration of a proposed loan to a qualified entity or purchase by the NMFA of securities; in connection with the purchase of any securities, to consider the ability of the qualified entity to secure financing from other sources and the costs of that financing and the particular public project or purpose to be financed or refinanced with the proceeds of the securities to be purchased by the NMFA; and to acquire and hold title to or leasehold interest in real and personal property and to sell, convey or lease that property for the purpose of satisfying a default or enforcing the provisions of a loan agreement.

In order to expand future availability of financing for projects under the Public Project Revolving Fund Program, it is NMFA's intent to make revolving loans at market or below market interest rates and to relend loan repayments on such loans. When possible, assistance will be provided in particular to those projects that have associated user fees or other revenues that can be used to pay debt service. However in order to ensure that financing is available to the largest number possible, the NMFA will provide three levels of assistance, depending on the credit worthiness of the project and the borrower:

- For entities which have the financial capacity to issue bonds but find it difficult to enter the credit market on their own, the NMFA will assemble pooled bond issues which will provide a lower cost of capital for the localities than would be available if entering the credit market on their own. The Series 1997 Bonds are such a pooled bond issue.

- For those entities which can afford to pay for only a portion of their project, the NMFA will provide a combination of grant and loan financing. The grant portion may come from a legislative appropriation or from NMFA funds. The loan may be a direct loan from cash on hand or from funds raised through the issuance of bonds.

- For the most needy applicants, the NMFA will provide grants on a limited basis.

Other NMFA Programs and Projects

Generally

The NMFA participates in several other programs designed to provide financing for equipment and projects to both municipal and state agencies. These projects are funded by various sources and do not have a lien or claim of any type on the Trust Estate, including the Revenues, which secures the Bonds.

Equipment Finance Program

The NMFA established its Equipment Finance Program to assist local governments within the State in the financing and purchase of capital equipment, such as fire equipment, police cars and road maintenance vehicles, with a useful life of three years or more. Under this program the local government enters into a loan or other financing agreement with the NMFA. The NMFA provides cash (either from cash on hand or the proceeds of bonds or similar instruments) for the capital equipment purchase and the loan is repaid by the local government. Payments by local governments may be made from several sources, including enterprise funds or special tax or revenue funds, such as gross receipts tax revenues, gasoline tax revenues, law enforcement fund distributions and fire protection fund distributions.

Workers' Compensation Administration Building Revenue Bonds

In 1993 the New Mexico Legislature authorized the NMFA to sell $3.5 million in revenue bonds for the planning, designing, constructing, equipping and furnishing of a state office for the Workers' Compensation Administration ("WCA"). In 1994 the New Mexico Legislature authorized the NMFA to sell an additional $2.5 million in revenue bonds for the acquisition of land and site improvements for the WCA's proposed new office building. The Legislature also provided that the first forty cents ($.40) of each quarterly four dollar ($4.00) of Workers' Compensation assessment paid to the State would be pledged to the NMFA for payment of the revenue bonds associated with the WCA project. The NMFA and the General Services Department ("GSD") entered into a Joint Powers Agreement in May 1994 providing that, upon notification by the GSD that the project is sufficiently developed to warrant the issuance of bonds and the provision of a detailed written estimate of the cost of the project, the NMFA shall issue bonds and make available to the GSD, at least ten days prior to the closing date of the land purchase, proceeds necessary for purchase of the land and site improvements. The remaining disbursements will be made on a construction schedule agreed to by NMFA and GSD. In July 1995 the NMFA publicly sold $2,050,000 of its revenue obligations to provide

funds for the acquisition of land and the construction and equipping of an office building in Albuquerque. In July 1996, the NMFA sold $4,310,000 in long-term bonds to retire the outstanding bonds and to finance construction of the Workers' Compensation Administration Building.

UNM Cancer Research Center

In 1993 the New Mexico Legislature authorized the NMFA to issue revenue bonds payable from a portion of the net cigarette tax receipts collected by the State and distributed to the NMFA. The NMFA issued such revenue bonds in an aggregate principal amount of $6,000,000 in July 1996. The proceeds of the bonds are being used to design, construct, equip and furnish an addition to the University of New Mexico Cancer Center.

Primary Care Capital Fund

In 1994, a $5 million revolving fund was created in the State treasury from which to provide loans and other financial assistance to rural primary care health clinics. The legislation establishing the fund directed NMFA to administer the revolving fund, and to assume responsibility for all financial duties related to the program. The New Mexico Health Department and the NMFA have negotiated a joint powers agreement whereby the Health Department will provide all required health-related services and the NMFA will administer the revolving fund, and in September 1994, the NMFA and the Health Department adopted program operation rules to govern the financing of the repair, renovation or construction of primary care clinics in underserved areas of the State. The NMFA currently anticipates funding six loans totaling approximately $1.72 million from the revolving fund over the next eight months.

Administrative Office of the Courts Financing

The 1996 Legislature authorized NMFA to issue revenue bonds in an amount not to exceed $8.5 million for the purpose of financing acquisition of court automation systems for the State court system, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. Bonds in the principal amount of $8.5 million were issued on June 25, 1996. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the State, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violation any provision of the Motor Vehicle Code involving the operation of a motor vehicle (including uncontested violations, misdemeanors, and violations enforced by imprisonment).

Insurance Department Financing

The 1996 Legislature authorized the NMFA to issue revenue bonds in an amount not to exceed $1.0 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar ($3.00) surcharge on the annual continuation of appointment fees on the approximately 60,000 insurance agents subject to the fees to provide security for the bonds. On April 18, 1996, the New Mexico Insurance Department requested NMFA to issue $525,000 of the authorized bonds for acquiring information and communication equipment. The

bonds were privately placed in a transaction that closed on May 23, 1996 and the proceeds were made available to the New Mexico Insurance Department.

Tax and Revenue Information Management Information System ("TRIMS" Project)

In 1997 the New Mexico Legislature authorized the NMFA to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (the "NMTRD") information management systems project (the "TRIMS Project"). The TRIMS project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD, which is responsible for collecting revenues for the State, its local governments, and others.

The NMFA sold $17,440,600 of Series 1997A Administrative Fee Revenue Bonds in September 1997. The Bonds are secured by certain administrative fees imposed by the NMTRD on local governments for the services associated with collection of local options gross receipts tax revenues, as well as NMTRD administrative fees imposed in connection with other taxes, fees, and charges. The NMFA expects to issue a second series of TRIMS bonds in an amount of approximately $16.3 million in late 1998 to finance the completion of the project.

LITIGATION

According to the NMFA, there is no controversy or litigation known to be pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 1997 Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any payments which will provide Revenues for the payment of the debt service on the Series 1997 Bonds or in any way contesting or affecting the validity or enforceability of the Series 1997 Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. NMFA will deliver a no-litigation certificate as to the foregoing prior to the issuance of the Series 1997 Bonds.

UNDERWRITING

Rauscher Pierce Refsnes, Inc. and Merrill Lynch & Co. (the "Underwriters") have agreed to purchase the Series 1997 Bonds from the NMFA pursuant to a Bond Purchase Agreement dated December 16, 1997 (the "Bond Purchase Agreement"), at a price of $8,452,839.69 (being the aggregate principal amount less an original issue discount of $59,547.30 and less an Underwriters' discount of $72,613.01), plus accrued interest on the Series 1997 Bonds from their dated date to the date of delivery of and payment for the Series 1997 Bonds. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 1997 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 1997 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 1997 Bonds. NMFA and the 1997 Governmental Units have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 1997 Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 1997 Bonds. Ballard Spahr Andrews and Ingersoll, Co-Bond Counsel, has assumed continuing compliance by NMFA and the 1997 Governmental Units with such requirements and restrictions in rendering their opinion regarding the tax exempt status of interest on the Series 1997 Bonds.

In the opinion of Ballard Spahr Andrews & Ingersoll, Co-Bond Counsel, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

Also in the opinion of Co-Bond Counsel, under laws of the State of New Mexico as currently enacted and construed, interest on the Series 1997 Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

Although said Co-Bond Counsel will render an opinion that interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 1997 Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. Said Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1997 Bonds.

Original Issue Discount

The initial offering prices of certain Series 1997 Bonds may be less than the amount payable on such Series 1997 Bonds (the "Discount Bonds") at stated maturity. The difference, in each case, between the initial public offering price and the principal amount payable at maturity constitutes interest. A portion of such interest (the "Original Issue Discount"), depending on the holding period of any Discount Bond by each owner, will, upon the disposition of the Discount Bond by each owner (including redemption or payment at maturity) be treated as interest excludable from gross income for federal income tax purposes to the same extent as interest on the Series 1997 Bonds. Such interest on a Discount Bond is considered to be accreted actuarially in accordance with the constant interest method over the life of the Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond. For the purpose of determining the adjusted basis of a Discount Bond, the holder thereof will increase his adjusted basis of the Discount Bond by the amount of Original Issue Discount which shall have economically accrued under the constant interest method during the period such Discount Bond was held by the holder. The adjusted basis will be used to determine taxable gain or loss upon disposition (including redemption or payment at maturity). The accrual of Original Issue Discount in each year may result in an alternative minimum tax liability or (with respect to certain corporate owners) an environmental tax liability in each year even though a corresponding cash payment will not be received until a later year.

Original Issue Premium

The initial public offering price of certain Series 1997 Bonds may be more than the principal amount payable on such Series 1997 Bonds (the "Premium Bonds" or "Premium Bond") at maturity. The difference between the initial public offering price at which a substantial amount of the Premium Bonds was sold and the principal amount of such Premium Bonds payable at maturity would constitute "amortizable bond premiums." The amortizable bond premium is not treated as interest excludable from gross income for federal tax purposes. A holder of a Premium Bond will recognize gain or loss upon the disposition of such Premium Bond (including sale or redemption prior to maturity) in an amount that is equal to the difference between (i) the amount received upon such disposition and (ii) the remainder of (a) the cost basis of the Premium Bond less (b) the amount of amortizable bond premium which is treated as having been amortized during the period the holder held such Premium Bonds.

LEGAL MATTERS

In connection with the issuance and sale of the Series 1997 Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel, and Ballard Spahr Andrews & Ingersoll, as Co-Bond Counsel, will deliver the respective opinions included in Appendix E hereto. Certain legal matters relating to the Series 1997 Bonds will be passed upon for the Underwriters by their counsel, Squire, Sanders & Dempsey L.L.P. Neither Squire, Sanders & Dempsey L.L.P. nor either Co-Bond Counsel has participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA or any of the 1997 Governmental Units contained in this Official Statement.

Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. Certain legal matters will be passed upon for the 1997 Governmental Units by Modrall, Sperling, Roehl, Harris & Sisk, P.A.

EXPERTS

The NMFA has retained Clancy, Gardiner & Pierce, LLC as financial advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 1997 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Clancy, Gardiner & Pierce, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

FINANCIAL STATEMENTS

The combined financial statements of the NMFA for the year ended June 30, 1996, included as Appendix A of this Official Statement have been audited by Barraclough &

Associates P.C., certified public accountants, Santa Fe, New Mexico, as set forth in their report thereon dated December 31, 1996. Such financial statements represent the most current audited financial information available for the NMFA.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rules 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission in connection with the issuance of Bonds, the NMFA will agree to provide the following information:

(i) to each nationally recognized municipal securities information repository ("NRMSIR"):

(1) annual financial information and operating data as follows:

(a) with respect to NMFA, information concerning the NMFA Portion of the Governmental Gross Receipts Tax Revenues, such information to be of the type set forth under the table captioned "Governmental Gross Receipts Taxes Collections Fiscal Years 1993-1994 through 1996-1997" under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues - The Governmental Gross Receipts Tax" in the Official Statement; and

(b) with respect to any Governmental Unit whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year when the Series 1997 Bonds are outstanding (the "5% test") information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues.

and

(2) audited financial statements for NMFA and any Governmental Unit meeting the 5% test.

Such information will be provided within 270 days of the end of each fiscal year and will be made available, in addition to each NRMSIR, to the Trustee and to each holder of the Series 1997 Bonds who requests such information. In the event that audited financial statements are not available within such time period, unaudited financial statements will be provided;

(ii) in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") and to a State information depository, if any, notice of the occurrence of any of the following events (if applicable) with respect to the Series 1997 Bonds or the Agreements, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Series 1997 Bonds;

(7) modification of rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Series 1997 Bonds; and

(11) rating changes.

The NMFA may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the NMFA, such other event is material with respect to the Series 1997 Bonds or the Agreements. However, the NMFA does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above; and

(iii) in a timely manner to the MSRB notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The NMFA reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the NMFA; provided that, the NMFA has agreed that any such modification will be done in a manner consistent with the Rule. The NMFA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Owners of the Series 1997 Bonds and shall be enforceable by the Owners; provided that, the right to enforce the provisions of this undertaking are limited to a right to obtain specific enforcement of the NMFA's obligations, and any failure by the NMFA to comply with the provisions of the undertaking shall not be an event of default with respect to the Series 1997 Bonds.

RATINGS

Moody's Investor's Service ("Moody's") and Fitch Investors Service, Inc. ("Fitch") have assigned ratings of "Aaa" and "AAA," respectively, to the Series 1997 Bonds with the understanding that upon delivery of the Series 1997 Bonds, a policy insuring the payment when due of the principal of and interest on the Series 1997 Bonds will be issued by Ambac Assurance. Such rating reflects only the views of such organizations. An explanation of the significance of such ratings may be obtained from Moody's at 99 Church Street, New York, New York 10007, and Fitch Investors Service, Inc., One State Street Plaza, New York, New York 10004. The ratings are not a recommendation to buy, sell or hold the Series 1997 Bonds and there is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings given to the Series 1997 Bonds may have an adverse effect on the market price of the Series 1997 Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 1997 Bonds any proposed revision or withdrawal of the ratings on the Series 1997 Bonds, or to oppose any such proposed revision or withdrawal.

ADDITIONAL INFORMATION

The quotations from and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period upon request directly to the NMFA at 1751 Old Pecos Trail, Suite L, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 1997 Bonds.

APPROVAL BY THE NMFA

This Official Statement and its distribution and use by the Underwriters have been duly authorized and approved by the NMFA, and this Official Statement has been executed and delivered on behalf of the NMFA by the Chairman of its Board of Directors and its Executive Director.

NEW MEXICO FINANCE AUTHORITY

By /s/ Robert Goodman
Chairman of the Board of Directors

By /s/ Tom K. Pollard
Executive Director

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA FOR THE FISCAL YEAR ENDED JUNE 30, 1996

Barraclough & Associates, P.C. "11 Years of Excellence"

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BENJAMIN R. SMILEY, C.P.A.
J. RICK ARMSTRONG, C.P.A.
CHRISTI A. GARBER, C.P.A.

INDEPENDENT AUDITORS' REPORT

Mr. Robert E. Vigil, C.P.A., State Auditor
and
Robert Goodman, Chairman
New Mexico Finance Authority:

We have audited the accompanying general-purpose financial statements and the combining and individual fund and account group financial statements of the New Mexico Finance Authority (Authority), as of and for the year ended June 30, 1996. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 1996, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Authority, as of June 30, 1996, and the results of operations of such funds and the cash flows of individual proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As described in note 2 to the financial statements, the Authority has recorded several prior period adjustments to beginning fund balances and fund equity.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 1996 on our consideration of the Authority's internal control structure and a report dated December 31, 1996 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole and on the combining and individual fund and account group financial statements. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose, combining and individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and the account group taken as a whole.

December 31, 1996

Barraclough & Associates P.C.

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NEW MEXICO FINANCE AUTHORITY

Exhibit 1

Combined Balance Sheet - All Fund Types and Account Group

June 30, 1996

	Proprietary Fund Type - Internal Service	Fiduciary Fund Types - Trust and Agency	Account Group - General Long-term Debt	Totals (Memorandum Only)
Assets and Other Debits				
Assets:				
Cash and cash equivalents (note 3)	$5,436,556	$ 18,734,866	$ -	$ 24,171,422
Cash and cash equivalents - nonexpendable trust (note 3)	-	5,000,000	-	5,000,000
Receivables:				
Taxes	424,010	2,536,374	-	2,960,384
Interest	-	777,863	-	777,863
Other	18,483	-	-	18,483
Loans (note 4)	-	36,613,372	-	36,613,372
Securities (note 5)	-	3,534,774	-	3,534,774
Due from other funds (note 6)	85,910	-	-	85,910
Restricted assets - Cash and cash equivalents (note 3)	709,462	50,860,693	-	51,570,155
Fixed assets, net (note 8)	33,999	-	-	33,999
Deferred issue costs, net	6,888	-	-	6,888
Other assets	6,728	-	-	6,728
Other debit - Amount to be provided for retirement of general long-term debt	-	-	9,209,000	9,209,000
Total assets and other debit	$6,722,036	$118,057,942	$9,209,000	$133,988,978
Liabilities and Equity				
Current liabilities:				
Cash overdraft (note 3)	$ 37,520	$ -	$ -	$ 37,520
Accounts payable and other liabilities	59,114	188,265	-	247,379
Accrued payroll, fringe benefits and compensated absences	26,655	-	-	26,655
Accrued interest payable	27,333	-	-	27,333
Funds held for others	-	41,080,502	-	41,080,502
Due to other state agency (note 7)	-	5,163,997	-	5,163,997
Due to trustee	-	665,823	-	665,823
Due to other funds (note 6)	-	85,910	-	85,910
Bonds payable (notes 9 and 10)	2,050,000	48,640,000	9,209,000	59,899,000
Total current liabilities	2,200,622	95,824,497	9,209,000	107,234,119
Equity:				
Contributed capital	1,109,700	-	-	1,109,700
Retained earnings:				
Reserved	4,088,223	-	-	4,088,223
Unreserved (deficit)	(676,509)	-	-	(676,509)
Fund balance - Reserved	-	22,233,445	-	22,233,445
Total equity	4,521,414	22,233,445	-	26,754,859
Total liabilities and equity	$6,722,036	$118,057,942	$9,209,000	$133,988,978

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Exhibit 2

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types

Year Ended June 30, 1996

	Expendable Trust Funds
Revenues:	
Tax revenue	$12,735,796
Interest	3,004,825
Administrative	84,097
Total revenues	15,824,718
Current expenditures:	
Grant expense (note 7)	9,000,000
Administrative fee	85,910
Total current expenditures	9,085,910
Other expenditures:	
Debt service - interest expense	2,217,869
Bond issuance costs	327,966
Total other expenditures	2,545,835
Total expenditures	11,631,745
Excess of revenues over expenditures	4,192,973
Fund balance - Beginning of year	10,741,667
Prior period adjustment (note 2)	1,883,318
Fund balance as restated	12,624,985
Fund balance - End of year	$16,817,958

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Exhibit 3

Combined Statement of Revenues, Expenses and Changes in Equity - All Proprietary Fund Types and Non Expendable Trust Fund

Year Ended June 30, 1996

	Proprietary Fund Types - Internal Service Fund	Non Expendable Trust Fund - Primary Care Fund	Totals (Memorandum Only)
Operating revenues:			
Administrative fees	$ 104,393	$ -	$ 104,393
Miscellaneous	178	-	178
Interest income	219,555	276,576	496,131
Total operating revenues	324,126	276,576	600,702
Operating expenses:			
Salaries and fringe benefits	349,333	-	349,333
In-state travel	11,812	-	11,812
Maintenance and repairs	2,861	-	2,861
Supplies	14,530	-	14,530
Contractual services	108,834	-	108,834
Operating costs	99,912	-	99,912
Out-of-state travel	5,718	-	5,718
Depreciation	11,555	-	11,555
Total operating expenses	604,555	-	604,555
Operating income (loss)	(280,429)	276,576	(3,853)
Non operating revenues (expenses):			
Tax revenue	2,484,164	-	2,484,164
Interest expense	(70,639)	-	(70,639)
Bond issue costs and other	(32,818)	-	(32,818)
Net non operating revenue (expense)	2,380,707	-	2,380,707
Income before operating transfers	2,100,278	276,576	2,376,854
Net transfers to other state agency (note 7)	(1,366,343)	-	(1,366,343)
Net income	733,935	276,576	1,010,511
Fund equity - Beginning of year	3,370,947	5,000,000	8,370,947
Prior period adjustments (note 2)	416,532	138,911	555,443
Restated balance	3,787,479	5,138,911	8,926,390
Fund equity - End of year	$ 4,521,414	$ 5,415,487	$ 9,936,901

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Exhibit 4

Combined Statement of Cash Flows - All Proprietary Fund Types and Non Expendable Trust Fund

Year Ended June 30, 1996

	Proprietary Fund Types - Internal Service Fund	Non Expendable Trust - Primary Care Fund	Total
Cash flows (used) from operating activities:			
Cash paid for employee services	$ (347,835)	$ -	$ (347,835)
Cash paid to vendors for services	(272,944)	-	(272,944)
Interest income received	231,782	-	231,782
Other	178	-	178
Net cash (used) for operating activities	(388,819)	-	(388,819)
Cash flows provided (used) for noncapital financing activities - Operating transfers	(1,366,343)	-	(1,366,343)
Cash flows from capital and related financing activities:			
Bond proceeds, net	2,045,930	-	2,045,930
Restricted bond proceeds and interest income	(709,462)	-	(709,462)
Interest expense	(43,306)	-	(43,306)
Tax revenue	2,428,953	-	2,428,953
Fixed asset purchases	(26,029)	-	(26,029)
Net cash provided for capital and related financing activities	3,696,086	-	3,696,086
Net increase in cash and cash equivalents	1,940,924	-	1,940,924
Cash and cash equivalents - Beginning of year	3,495,632	5,000,000	8,495,632
Cash and cash equivalents - End of year	$ 5,436,556	$ 5,000,000	$ 10,436,556
Reconciliation of operating loss to net cash used for operating activities - Operating income (loss)	$ (280,429)	$ 276,576	(3,853)
Adjustments to operating income (loss):			
Depreciation	11,555	-	11,555
Increase in accounts receivable	(6,256)	(276,576)	(282,832)
Increase in accrued payroll, fringe benefits and compensated absences	1,498	-	1,498
Decrease in accounts payable and cash overdraft	(22,549)	-	(22,549)
Increase in due from funds	(85,910)	-	(85,910)
Increase in other assets	(6,728)	-	(6,728)
Net cash (used) for operating activities	$ (388,819)	$ -	$ (388,819)

The accompanying notes are an integral part of this financial statement.

(1) Organization and Summary of Significant Accounting Policies

A. Organization

The Laws of 1992, Chapter 61, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico Finance Authority Act (Act), is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.

The Authority's governing board is composed of twelve members. The State Investment Officer, the Secretary of the Department of Finance and Administration, the Secretary of Economic Development, the Secretary of Energy, Minerals and Natural Resources, the Secretary of the Environment Department, the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the Authority with voting privileges. The Governor, with the advice and consent of Senate, shall appoint to the Authority the chief financial officer of an institution of higher education and four members who are residents of the state. The appointed members serve at the pleasure of the governor.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the state except as specifically provided in the New Mexico Finance Authority Act. The Act further states, "No use of the terms 'State agency' or 'instrumentality' in any other law of the state shall be deemed to refer to the Authority unless the Authority is specifically referred to in the law."

The Act specifically excludes the Authority from the definition of "state agency" or "instrumentality" in any other law of the state unless specifically referred to in the law.

The Attorney General's Opinion dated December 23, 1992, concludes that the Authority is an agency of the state at least for certain purposes. The Opinion subjects the Authority to the Open Meetings Act and concludes that the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Opinion excludes the Authority from other sections of the Per Diem and Mileage Act, the Procurement Code and DFA vouchering requirements.

Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

The Authority receives sources of tax revenue from other agencies for the purpose of issuing and financing debt. Based on the legislation, bond or joint powers agreements, the Authority determines the appropriate accounting treatment for each financing program. Financing programs which the excess tax revenue received after debt service payments can be used for the Authority's benefit or excess bond proceeds or interest income on bond proceeds can also be used by the Authority are accounted for in the internal service fund. Financing programs that the tax revenue in excess of debt service payments can only be expended for another agency, a specific purpose or have other outside restrictions are accounted for as expendable trust funds.

The Authority has the following fund types and account group:

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989 in accounting and reporting for its proprietary operations. Proprietary funds include the following fund type:

The *internal service fund* accounts for operations that provide services to other State of New Mexico departments or agencies, or to other local government entities on a cost-reimbursement basis. The internal service fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Fiduciary funds account for assets held by the Authority in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Authority under the terms of an agreement.

The *expendable trust fund* is accounted for in essentially the same manner as a governmental fund type. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers the revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for interest on long-term debt which is recognized when paid. Also bond premiums and discounts, as well as issuance costs are recognized during the current period. Expendable trust funds account for assets where both the principal and interest may be spent.

The *nonexpendable trust funds* are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent.

(1) Organization and Summary of Significant Accounting Policies (Continued)

The Governmental Accounting Standards Board (GASB) Codification Section 1500.102 states that long-term obligations "directly related to and expected to be paid from proprietary and trust funds should be included in the accounts of such funds." Accordingly the Authority has elected to record the debt of such funds to the applicable funds.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. An agency fund is used to account for assets that the Authority holds for others in an agency capacity. The Authority has established a separate agency fund for each of the equipment loan program debt issues.

Account Groups - The *general long-term debt account group* is used to account for general long-term debt that are not specific liabilities of proprietary or trust funds.

C. Programs and Funds

The following describes the nature of the programs and funds maintained by the Authority:

State Building Program-Cigarette Tax - accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico-cigarette taxes, for the purpose of financing building projects in New Mexico.

Section 7-1-6.11, NMSA, 1978 Compilation provides for a distribution to the Authority of seven and one-eighth percent of the net receipts attributable to the cigarette tax with the first distribution made as of August 1, 1993. The cigarette tax monies are to be used by the Authority to finance the construction of a cancer research center and sell revenue bonds in compliance with the New Mexico Finance Authority Act in an amount not exceeding six million dollars ($6,000,000) for the purpose of designing, constructing, equipping and furnishing an addition to the Cancer Center at the University of New Mexico. The parties have entered into a Joint Powers Agreement to accomplish this purpose. The bonds were issued on July 11, 1996. The cigarette tax proceeds distributed to the New Mexico Finance Authority pursuant to Section 7-1-6.11 NMSA 1978 are appropriated to the Authority to be pledged irrevocable for the payment of the principal or interest on the bonds or any payments for refunding or redemption premiums on the bonds and for payment of the costs incurred by the Authority related to authorization, issuance and sale of the bonds.

The Laws of 1993, Chapter 358, authorizes funds in the State Building Program-Cigarette Tax, in excess of the amount necessary for payment of principal and interest on outstanding bonds and necessary reserves or sinking funds to be transferred to any other account of the Authority and needed for purposes of the New Mexico Finance Authority Act. Also, the joint power agreement in effect as of June 30, 1996 states that all and any interest income and surplus bond proceeds will be retained by the Authority. This program is accounted for in the internal service fund.

State Building Programs-Workers' Compensation Assessment - accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico - workers' compensation assessments for the purpose of financing an office building for the Workers' Compensation Administration.

(1) Organization and Summary of Significant Accounting Policies (Continued)

The Laws of 1993, Chapter 367, Section 73, effective April 8, 1993, as amended by Laws of 1994, Chapter 91, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $3,500,000 for planning, designing, constructing, equipping and furnishing a state office building for the Workers' Compensation Administration that complies with the Americans with Disabilities Act of 1990. The 1994 amendment authorized the Authority to issue and sell additional revenue bonds in an amount not to exceed $2,500,000 when the property control division of the General Services Department certifies the need for issuance of the bonds. The bond proceeds are for acquiring land and making site improvements for the aforementioned state building. The parties have entered into a joint powers agreement to accomplish this purpose. $2,050,000 of bonds were issued during July 1995. The first 40¢ of the workers' compensation assessment imposed pursuant to Section 52-5-19, NMSA, 1978 is distributed to the Authority is appropriated to be pledged irrevocably for payment of principal, interest, any premium and expenses related to the issuance and sale of the bonds. Revenue distributed to the Authority shall be deposited in a special bond fund or account and any money remaining in the fund at the end of each calendar quarter, after all current obligations and any sinking fund requirements are met shall be transferred to the workers' compensation administration fund upon request. Also, according to the joint powers agreement in effect at June 30, 1996, any surplus bond proceeds and interest which accrue on the bond proceeds will be retained by the Authority.

This program is accounted for in the internal service fund. Revenues received in excess of debt service requirements are recorded as "due to other state agency." At June 30, 1996, there was no excess revenues due back.

Upon payment of all principal and interest and any other obligations or expenses related to issuance of the bonds, the Authority shall certify to the Taxation and Revenue Department that all obligations have been fully discharged and direct the Department to cease payments of workers' compensation assessment fee revenue to the Authority.

Public Projects Revolving Fund - is used to account for governmental gross receipts tax (GGRT) proceeds received under the Laws of 1994, Chapter 145, Section 1. The Authority receives an amount equal to seventy-five percent of the net receipts attributable to GGRT pursuant to Section 7-1-6.1, NMSA 1978.

Of the GGRT revenues directed to the Authority's public project revolving fund, an aggregate amount not to exceed thirty-five percent shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the wastewater facility construction loan fund, the rural infrastructure revolving loan fund and the solid waste facility grant fund. The remaining GGRT revenue deposited may be granted or loaned directly by the Authority to qualified entities or "leveraged" by pledging the revenue stream to the issuance of bonds and granting, or lending, the bond proceeds. All projects to be financed must be approved by the Legislature.

This program is accounted for as an expendable trust fund.

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

Primary Care Capital Fund - The Laws of 1994, Chapter 62, created the Primary Care Capital Fund to provide funding for capital projects to eligible entities in order to increase health care services in rural and other health care underserved areas in the state. The revolving fund, to be administered by the Authority, shall consist of appropriations, loan repayments, gifts, grants, donations and interest earned on investment of the fund. Money in the fund shall not revert at any fiscal year end.

The State of New Mexico, Department of Health, and the Authority administer the loan programs and contracts for services established pursuant to the Primary Care Capital Funding Act. The Department of Health, in conjunction with the Authority, shall adopt regulations to administer and implement the Act.

Laws of 1994, Chapter 147, appropriated $5,000,000 for the primary care capital fund for rural primary care capital funding. Laws of 1994, Chapter 6, appropriated $95,000 to the Department of Health to contract with the Authority for assistance to the Department and administration of the primary care capital fund.

The $5,000,000 primary care fund is accounted for as a nonexpendable trust fund and the $95,000 appropriation is accounted for as a component of the internal service fund.

Court Automation Financing Program - The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed $8.5 million for the purpose of financing acquisition of court automation systems for the state court system, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. $8.5 million of court automation fee revenue bonds were issued on June 25, 1996. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the state, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the motor vehicle code involving the operation of a motor vehicle. The pledged revenues are paid to the Authority. Pledged revenues in excess of debt service and related expenditures may be appropriated by the Legislature to the Administrative Office of the Courts for the acquisition of court automation systems. This financing program is accounted for as an expendable trust fund.

Insurance Department Financing Program - The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed $1 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar ($3.00) surcharge on the annual continuation of appointment fees on approximately 60,000 insurance agents subject to the fees to provide security for the bonds. On April 18, 1996, the New Mexico Insurance Department requested the Authority to issue $525,000 of the authorized bonds for acquiring information and communication equipment. The bonds were privately placed in a transaction that closed on May 23, 1996 and the proceeds were made available to the New Mexico Department of Insurance. The pledged revenues are to be paid to the Authority. Pledged revenue in excess of debt service and related expenditures may be appropriated by the Legislature to the Department of Insurance for the acquisition of information and communication equipment.

This financing program is accounted for as an expendable trust fund.

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

Equipment Loan Program - The Authority has established an equipment loan program under the Authority's legislation to assist local government entities in the financing and purchase of equipment. The Authority has issued the following Pooled Equipment Certificates of Participation. In October 1994, the Authority issued $646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were loaned to ten local governments in the state. On August 29, 1995, NMFA issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A, the proceeds of which were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued $2,904,000 aggregate principal amount of its Equipment Program Certificates of Participation, Series 1995B, the net proceeds of which were loaned to the City of Las Cruces.

The loans are assigned to a trustee by the Authority and the only sources of repayment are various sources of local government revenues secured by intercept agreements and paid to the trustee. These certificates are not an obligation of the Authority. The funds are maintained by the trustees and are held in the Authority's and the local entities names. Accordingly, these funds are accounted for as agency funds in the financial statements. The certificates of participation meet the criteria of conduit debt obligations. The Authority has decided to record the debt to the general long-term debt account group because of their oversight responsibilities.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer or with banks acting as bond trustees. Cash in the various programs on deposit with the State Treasurer are invested by the New Mexico State Treasurer in the "overnight" repurchase program. Interest is credited to the various programs based on the programs average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs. Funds held by the banks acting as trustees are invested money market accounts that invest in United States Treasury obligations and short-term U.S. Treasury debt.

Money in all funds of the Authority may be deposited with the State Treasurer for short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico or any political subdivision of the State or as otherwise provided by the trust indenture or bond resolution, if funds are pledged for or secure payment of bonds issued by the Authority.

E. Securities

The Authority has purchased State of New Mexico Department of Energy, Minerals and Natural Resources bonds which are recorded at cost, adjusted for the amortization of premiums and the accretion of discounts. Interest income is recorded on the accrual method. The Authority plans to hold their investment in the Energy, Minerals and Natural Resources bonds to maturity.

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

F. Loans

Loans are stated at their principal amount. Interest on loans is accrued for based on the daily principal balance outstanding except when a loan has been past due for 90 days. Since all loans are to governmental entities secured by tax revenue, management's evaluation of the loan portfolio has determined that no allowance for uncollectible loans is required at June 30, 1996. There are no loans past due for more than 90 days at the end of the fiscal year which would be required to be placed on nonaccrual status.

G. Property, Furniture and Equipment

Property, furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment purchases with useful lives over one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets which range from 3 to 7 years. In addition, furniture and equipment with lives of one year or less, and maintenance and repairs which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

H. Income Taxes

The Authority is a tax exempt, quasi-governmental organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Authority is subject to other Internal Revenue Code sections relating to the tax exempt status of the bonds issued by the Authority.

I. Accrued Compensated Absences Payable

Full-time employees are entitled to ten days annual leave with four years or less employment with the Authority. Employees with more than four years receive fifteen days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination.

Full-time employees are entitled to twelve days of sick leave each fiscal year. Part-time employees accrue annual leave and sick leave on a prorated basis based on the number of hours they work. A full-time employee may receive cash payment at a rate of fifty percent of their hourly wage for any accrued sick leave in excess of forty hours up to a maximum of one hundred twenty hours on the first full pay period in July. An employee may accrue a maximum of 1,040 hours. Accumulated sick leave is not compensated on termination of employment unless the employees retires. Then the employee can be paid for accrued sick leave in excess of 600 hours at fifty percent of their hourly wage rate, not to exceed 600 hours.

Accrued compensated absences are recorded in the internal service fund.

(1) Organization and Summary of Significant Accounting Policies (Continued)

J. Budgets and Budgetary Accounting

The Authority prepares a budget for the operations program of the internal service fund. This budget is approved by the Authority's board. The budget is also amended by the Authority's board. The budget is prepared on a non-GAAP basis. The differences between the accounting for on a budgetary basis and GAAP basis are that capital outlay is a budgetary expenditure and depreciation expense is not a budgetary expenditure.

K. Restricted Assets

Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or legislation. The cash and cash equivalents held for others by trustees have the following restricted assets. The "debt service and bond reserve" accounts are used to report resources held by trustee and set aside for future debt service payments. The "program-grant proceeds" account is used to report those proceeds of bond issuances that were issued to finance a grant to another state agency. The "program-bond proceeds" account is used to report those proceeds of bond issues that were loaned to other governmental entities which the borrowers have not yet expended. The "cash and cash equivalents held for others by the Authority" account is used to segregate bond proceeds that will be used for specific purposes as required by legislation. "Cash and cash equivalents pledged for repayment of bonds and bond expenses held by trustee" is used to report funds set aside for debt repayment and bond issuance costs by the Authority.

L. Cash Flows

For purposes of the Statement of Cash Flows, the various funds consider all highly liquid assets (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

M. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts premiums and issuance costs are recognized in the current period. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs. No interest expense has been capitalized.

N. Fund Equity

Contributed capital is recorded to the internal service fund for the cigarette tax revenue used for the start-up and funding of the internal service fund as permitted under Laws of 1993 Chapter 358. The internal service fund unreserved retained earnings deficit represents the cumulative excess of expenses over operating revenues. Reserves represent those portions of fund equity appropriated for or legally segregated for a specific future use.

(1) Organization and Summary of Significant Accounting Policies (Continued)

O. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. Interfund and Interagency Transactions - These are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except reimbursements and administrative fee transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Interagency transfers are recorded as operating transfers in (out) to other state agency under the other financing sources (uses) category.

Q. Totals (Memorandum Only) Columns - Totals columns in the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

(2) Prior Period Adjustments

The Authority is a governmental entity because it was established by statute; its relationship with other governmental entities; the governmental make-up of the Authority's governing board; sources of tax revenue and can issue tax-exempt debt.

During the June 30, 1996 audit, it was determined that proper accounting treatment for the Authority is to follow generally accepted accounting principles (GAAP) as applied to governmental units. The prior year financial statements were not prepared in accordance for a governmental unit. The prior year financial statements were also corrected by recording adjustments to accrue for tax revenue and interest income for several of the funds. These adjustments were made as increases (decreases) to June 30, 1995 fund balances and are the following:

(2) Prior Period Adjustments (Continued)

	State Building Program Cigarette Tax	State Building Program Workers' Compensation	Public Projects Revolving Funds	Primary Care Program	Equipment Program	General Fund
Fund balances, as previously reported	$2,309,868	$891,038	$10,741,667	$5,000,000	$34,916	$170,041
To correct accounting for the equipment programs which were not recorded in accordance with GAAP for governmental units	-	-	-	-	(34,916)	-
To properly accrue interest income for the Primary Care Program at June 30, 1995	-	-	-	138,911	-	-
To properly accrue tax revenue receivable at June 30, 1996	282,139	122,296	1,883,318	-	-	-
To restate beginning fund balance for an incorrect accrual at June 30, 1995	-	-	-	-	-	12,097
Fund balance, as restated	$2,592,007	$1,013,334	$12,624,985	$5,138,911	$ -	$182,138

In accordance with criteria established by the GASB, the funds reflected in the prior year financial statements have been reclassified to the applicable fund type for a governmental unit. Financing programs and operations which meet the definition of an internal service are reflected as the internal service fund. The following programs are included as the internal service fund.

	Restated Fund Equity
Cigarette tax	$2,592,007
Workers' Compensation	1,013,334
General fund	182,138
Internal service fund beginning restated fund equity	$3,787,479

The June 30, 1995 general fund classification included in the Primary Care Appropriation equity balance of $95,383. The equipment program debt at June 30, 1995 should have been recorded to the general long-term debt account group.

(2) Prior Period Adjustments (Continued)

	As Previously Reported	As Restated
General long-term debt account group		
Amount to be provided for retirement of general long-term debt	$ -	$646,000
Equipment bonds previously recorded as debt to the equipment program	$ -	$646,000

(3) Cash and Cash Equivalents and Funds Held for Others by Trustee

The Authority uses the following State Treasurer cash accounts at June 30, 1996:

Account Name	Account Number	Amount
Primary Care Capital	879-385-04	$5,000,000

The Authority follows the practice of pooling cash from various funds and invests in the funds in the Local Government Investment Pool invested by the State Treasurer for the Authority. At June 30, 1996, the book value of their investment was $27,962,575 which approximates market value. Interest income is allocated to the various funds based on the average monthly balances.

The Authority also has the following bank accounts at First Security Bank at June 30, 1996:

Internal Service Fund	Account Number	Book Balance	Bank Balance
Operating account	631-10003-99	$(62,437)	$46,815
Wire transfers	631-10003-73	24,917	24,917
Cash overdraft per the financial statements		$(37,520)	$71,732

The Authority's deposits are classified in three categories of credit risk: (1) insured or collateralized with securities in the Authority's name and held by the Authority or by its agent; (2) collateralized with securities pledged in the Authority's name and held by the pledging financial institution or by its agent and (3) uncollateralized since state law required only 50% collateralization of the uninsured balance. The Authority's deposits at First Security Bank at June 30, 1996 are in risk category 1 because of FDIC insurance coverage. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent.

Funds held for others by trustees represent funds held by financial institutions as trustees for the Authority for its various bond issues. The source of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts which invest in U.S. Treasury obligations. The trustees are also permitted to purchase U.S. Treasury obligations.

(Continued)

(3) Cash and Cash Equivalents and Funds Held for Others by Trustee (Continued)

Trustee	Money Market Account	Book Value Which Approximates Market Value
First Security Bank	U.S. Treasury Cash Reserves	$ 2,762,886
First National Bank of Dona Ana County	U.S. Treasury Obligation Money Market Account	2,957,473
Sunwest Bank	Pilot Short-term U.S. Treasury	28,377,187
Total money market accounts		$34,097,546

A portion of the funds held by a trustee has been invested in short-term U.S. Treasury obligations. Cost and market value of U.S. Treasury notes at June 30, 1996 is $13,681,456 and $13,660,589, respectively.

Funds held for other and short-term investments are held at the trustees in the name of the applicable government entity and the Authority's. The following is a reconciliation of cash and cash equivalents and funds held for others to the financial statements.

Cash and Cash Equivalents:	
State Treasurer cash account	$ 5,000,000
State Treasurer Local Government Investment Pool	27,962,575
Money Market accounts invested in short-term U.S. Treasury obligations	34,097,546
U.S. Treasury obligations	13,681,456
	$80,741,577
June 30, 1996 financial statements:	
Internal service funds:	
Cash and cash equivalents	$ 5,436,556
Restricted cash and cash equivalents	709,462
Expendable trust funds - Cash and cash equivalents	12,371,564
Restricted cash and cash equivalents:	
Held for others	40,555,505
Bond proceeds	8,802,050
Held by trustee	1,503,138
Nonexpendable trust fund - Cash and cash equivalents	5,000,000
Agency funds - Cash and cash equivalents	6,363,302
	$80,741,577

(Continued)

(4) Loans Receivable

The Public Projects Revolving Fund detail of loans receivable at June 30, 1996 is as follows:

Entity	Loan Balance
City of Santa Fe	$19,385,000
Northwest Solid Waste Authority	8,125,500
City of Las Vegas	5,419,835
County of Rio Arriba	3,012,386
County of Dona Ana	606,061
Town of Red River	64,590
	$36,613,372

Terms for each loan vary with interest rates ranging from 3% to 6%. The following is a summary of future loan principal and interest to be collected based on the loan repayment schedules after year end:

	Principal	Interest	Total
July 1, 1996 to June 30, 2001	$ 7,357,781	$ 8,661,606	$16,019,387
July 1, 2001 to June 30, 2006	6,336,295	7,579,705	13,916,000
July 1, 2006 to maturity in 2023	22,919,296	11,044,041	33,963,337
	$36,613,372	$27,285,352	$63,898,724

After June 30, 1996, the City of Santa Fe paid off its $19,385,000 loan in advance of the final maturity date of May 1, 2023. No allowance for uncollectible loans has been established as all entities are current on their payments and the repayments are secured by applicable sources of tax revenues.

(5) Securities

At June 30, 1996 securities for the Public Projects Revolving Fund consisted of Department of Energy, Minerals and Natural Resources Bonds (Series 1995A and 1995B) with interest rates ranging from 3% to 5.95% with final maturity on May 1, 2015. Cost (which approximates market value) was $3,534,774.

The following is a summary of future maturity and interest to be collected based on contractual maturity of the securities after year end.

	Principal	Interest	Total
July 1, 1996 to June 30, 2001	$ 627,592	$ 892,322	$1,519,914
July 1, 2001 to June 30, 2006	803,359	718,176	1,521,535
July 1, 2006 to maturity in 2023	2,103,823	636,793	2,740,616
	$3,534,774	$2,247,291	$5,782,065

(Continued)

(6) Due From/To Other Funds

Due from and due to other funds as reported in the combined balance sheet as of June 30, 1996 are as follows:

	Due From	Due To
Internal service fund	$85,910	$ -
Expendable trust funds:		
Public Projects Revolving Fund	-	84,097
Insurance Department Financing Fund	-	42
Court Automation Fund	-	1,771
	$85,910	$85,910

(7) Transfers, Grants and Due To Other State Agencies

The Authority's internal service fund transferred $1,366,343 to the General Services Division for the construction of an office building from the proceeds of the $2,050,000 August 1, 1995 bond issue. The remaining bond proceeds and interest income earned are accounted for as restricted assets and will be transferred to the General Services Division upon completion of specified phases of the construction project in accordance with the joint powers agreement.

The Authority granted the Environment Department $9,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1995A and B bonds issued under the Authority's legislation and joint powers agreement to the State of New Mexico Environment Department (Environment). The Environment grant bond proceeds and interest income earned of $5,163,997 are accounted for in the Public Project Revolving Fund balance sheet under restricted assets as cash and cash equivalents held for state agency and due to state agency.

(8) Fixed Assets

Fixed assets accounted for at cost in the internal service fund at June 30, 1996 consist of the following:

Furniture, fixtures and equipment	$56,284
Less accumulated depreciation	(22,285)
Net fixed assets	$33,999

Depreciation expense was $11,555 for the year ended June 30, 1996.

(9) Bonds Payable

Bonds outstanding as of June 30, 1996 for the Authority consist of the following:

Internal Service Fund - Workers' Compensation Program - In July 1995, the Authority sold $2,050,000 of New Mexico Finance Authority Workers' Compensation Administration Building Revenue Bonds, Series 1995. The proceeds are for the acquisition of land and construction of an office building for the Workers' Compensation Administration. The bonds are solely payable from the revenues derived from the first 40¢ of the quarterly workers' compensation assessment paid to the Authority. The Bonds mature on September 1, 1996. Total principal and interest due on September 1, 1996 is $2,138,833.

Public Projects Revolving Fund - In July 1995, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1995A and Taxable Series 1995B in the aggregate principal amounts of $41,230,000 and $4,000,000, respectively. The proceeds of such bonds were used to make loans to numerous governmental entities and to purchase bonds from the Department of Energy, Minerals and Natural Resources. A portion of the proceeds of such bonds were used to make a $9,000,000 grant to Environment in exchange for a pledge of Environment's share of certain moneys of the Authority to repay all outstanding public project revolving fund bonds. The $4,000,000 bond was paid off during the current year. All of such bonds are secured from the Authority's portion of governmental gross receipts tax and income and principal from the loans and investments financed by the proceeds of the issue.

The scheduled debt service requirements of the Public Project Revolving Fund Revenue Bonds are as follows for the years subsequent to June 30, 1996. Interest rates range from 4.2% to 6%.

Year Ending June 30	Principal	Interest	Total
1997	$ 1,625,000	$ 2,246,934	$ 3,871,934
1998	1,705,000	2,178,684	3,883,684
1999	1,785,000	2,105,369	3,890,369
2000	1,890,000	1,990,236	3,880,236
2001	1,400,000	1,872,111	3,272,111
Thereafter to 2023	31,335,000	19,550,967	50,885,967
	$39,740,000	$29,944,301	$69,684,301

Insurance Department Financing Fund - On May 23, 1996, the Authority issued $525,000 of New Mexico Finance Authority Insurance Department Surcharge Revenue Bonds to finance information and communication equipment for the New Mexico Department of Insurance. A $3 surcharge on insurance agents annual fee is the only pledged revenue source for the repayment of the bonds and is paid to the Authority. $125,000 of the bonds were repaid on June 15, 1996.

(Continued)

(9) Bonds Payable (Continued)

The scheduled debt service requirements of the Insurance Department Surcharge Revenue Bonds are as follows for the years subsequent to June 30, 1996. Interest rates range from 4.6% to 5.3%.

Year Ending June 30	Principal	Interest	Total
1997	$100,000	$20,050	$120,050
1998	100,000	15,450	115,450
1999	100,000	10,450	110,450
2000	100,000	5,300	105,300
	$400,000	$51,250	$451,250

Court Automation Financing Fund - On June 25, 1996, the Authority issued $8,500,000 of New Mexico Finance Authority Court Automation Fee Revenue Bonds. The bonds were issued to finance the costs of acquiring court automation systems, including acquisition, development and installation of computer hardware and software, for the Administrative office of the Courts of the State of New Mexico. The bonds are payable from and secured only by a pledge of a portion of certain docketing fees imposed and collected by the courts in the state and certain costs collected in connection with motor vehicle and other violations. These fees and costs are paid to the Authority.

The scheduled debt service requirements of the Court Automation Fee Revenue Bonds are as follows for the years subsequent to June 30, 1996. Interest rates range from 3.8% to 4.9%.

Year Ending June 30	Principal	Interest	Total
1997	$ 800,000	$ 385,375	$ 1,185,375
1998	1,150,000	354,975	1,504,975
1999	1,195,000	307,250	1,502,250
2000	1,250,000	254,670	1,504,670
2001	1,305,000	197,170	1,502,170
Thereafter to 2003	2,800,000	206,150	3,006,150
	$8,500,000	$1,705,590	$10,205,590

(10) General Long-term Debt

The Authority has issued certificates of participation under the Equipment Loan Program. The proceeds are loaned to various governmental entities to purchase equipment and the loans have been assigned to trustees. The certificates are secured by various sources of local government revenues secured by intercept agreements which direct sources of revenues from the borrowers to the trustees. The certificates are not an obligation of the State of New Mexico or the Authority. However, the Authority has decided to record the debt to the general long-term debt account group because of its oversight responsibilities.

(10) General Long-term Debt (Continued)

In October 1994, the Authority issued $646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were used to make loans to ten local governments in the State. On August 29, 1995, NMFA issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A. The proceeds were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued $2,904,000 aggregate principal amount of its Equipment Program Certificates of Participation, Series 1995B. The net proceeds were loaned to the City of Las Cruces. On March 19, 1996, the Authority issued $1,458,000 aggregate principal amount of its Pooled Equipment Program Certificates of participation, Series 1996A. The net proceeds were loaned to thirteen local governmental entities in the state.

The following changes occurred in the general long-term debt account group for the year ended June 30, 1996:

	June 30, 1995 Restated Balance	Additions	Deletions	June 30, 1996 Balance
1994 Equipment Issue	$646,000	$ -	$87,000	$ 559,000
1995 Equipment Issue A	-	4,288,000	-	4,288,000
1995 Equipment Issue B	-	2,904,000	-	2,904,000
1996 Equipment Issue	-	1,458,000	-	1,458,000
	$646,000	$8,650,000	$87,000	$9,209,000

The annual principal requirement of the equipment issues as of June 30, 1996 is as follows:

1994 Equipment Issue

Maturity Date November 1	Principal	Interest Rate
1996	$ 94,000	4.70%
1997	100,000	4.95
1998	98,000	5.15
1999	104,000	5.40
2000	34,000	5.55
Thereafter to 2005	129,000	5.70 - 6.00
	$559,000	

(Continued)

(10) General Long-term Debt (Continued)

1995A Equipment Issue

Maturity Date October 1	Principal	Interest Rate
1996	$ 696,000	4.15%
1997	732,000	4.40
1998	765,000	4.55
1999	667,000	4.70
2000	698,000	4.85
Thereafter to 2015	730,000	5.0 - 6.3
	$4,288,000	

1995B Equipment Issue:

Maturity Date October 1		
1996	$ 236,000	4.05%
1997	245,000	4.30
1998	256,000	4.45
1999	267,000	4.60
2000	279,000	4.85
Thereafter to 2005	1,621,000	5.00 - 5.40
	$2,904,000	

1996 Equipment Issue

Maturity Date April 1		
1997	$ 229,000	3.85%
1998	246,000	4.20
1999	383,000	4.40
2000	166,000	4.50
2001	88,000	4.80
Thereafter to 2016	346,000	4.95 - 5.80
	$1,458,000	

(Continued)

(11) Contributed Capital and Retained Earnings

Changes in the internal service fund contributed capital and retained earnings for the year ended is as follows:

	Contributed Capital	Retained Earnings	Total
Balance at June 30, 1995 restated	$ 684,700	$3,102,779	$3,787,479
Net activity	425,000	308,935	733,935
Balance at June 30, 1996	$1,109,700	$3,411,714	$4,521,414

(12) Internal Service Fund Information

The following is applicable segment information for the internal service fund:

Administrative income	$ 104,393
Tax revenues - Non operating revenue	2,484,164
Operating (income loss)	(280,429)
Net property and equipment additions	26,029
Working capital	3,771,065
Restricted assets	709,462
Total assets	$6,722,036

(13) Operating Leases

The Authority is committed under various lease agreements for office space, copying equipment and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 1996 amounted to approximately $40,000. Future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
1997	$43,512
1998	7,476
1999	-
	$50,988

(Continued)

(14) Retirement Plan

The Authority had established its own retirement plan since it cannot participate through the Public Employees Retirement Act (PERA) multiple employer public retirement system. The Authority also does not participate in the Retiree Health Care Act. This retirement plan was organized under Section 408(k) of the Internal Service Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make a voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested and the Authority contributions will vest 100% to the employee after five years. The contributions are invested in various mutual funds. The Authority's contribution for this retirement plan was approximately $35,000 for the year ended June 30, 1996. Substantially all full time employees participate in this plan.

(15) Budgetary Information

The Authority only budgets the operations program component of the internal service fund. The following budgetary information is for the year ended June 30, 1996 (Non GAAP Budgetary Basis):

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative fees	$ 87,211	$104,393	$17,182
Interest income	-	2,855	2,855
Miscellaneous	-	178	178
Total revenues	87,211	107,426	20,215
Operating transfer in	405,338	425,000	19,662
Total revenues and transfer in	492,549	532,426	$39,877
Cash balance carryforward	136,620		
	$629,169		

(Continued)

(15) Budgetary Information (Continued)

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personal services	$294,580	$254,938	$ 39,642
Employee benefits	92,243	94,395	(2,152)
In-state travel	29,500	11,812	17,688
Maintenance and repairs	2,500	2,861	(361)
Office supplies	9,000	14,530	(5,530)
Contractual services	73,000	89,675	(16,675)
Operating costs	90,500	99,912	(9,412)
Out-of-state travel	15,000	5,718	9,282
Total current expenditures	606,323	573,841	32,482
Capital outlay	22,846	26,029	(3,183)
Total expenditures	$629,169	599,870	$29,299
Reconciliation of budgetary basis to GAAP:			
Excess (deficiency) of revenues and other sources over expenditures		(67,444)	
Depreciation		(11,555)	
Capital outlay capitalized		26,029	
Net (loss) per schedule 2 (see page 35)		$ (52,970)	

The Authority expenditures exceeded current year revenues because the Authority expended the prior year cash balance carryforward.

(16) Subsequent Events

After June 30, 1996, the Authority issued the following debt issues:

Cigarette Tax Program - On July 11, 1996, the Authority had issued $6 million of revenue bonds for the purpose of designing, constructing, equipping and furnishing an addition to the University of New Mexico Cancer Center. Interest rates range from 3.95% to 5.25% with principal repayments due through June 2006.

Workers' Compensation Program - During July 1996, the Authority sold $4,310,000 of revenue bonds to finance the construction of the Workers' Compensation Administration Building and to retire the 1995 bond issue. Interest rates range from 5% to 5.6% with principal repayments due through September 2016.

(Continued)

(16) Subsequent Events (Continued)

Public Project Revolving Fund - On September 17, 1996, the Authority issued $17,625,000 of revenue bonds, Series 1996A. The proceeds of such bonds were used to make loans and grants to numerous political subdivisions of the state, as well as to make loans to state government departments and to purchase securities from a state agency. Such bonds are payable from certain revenues of such governmental entities and the Authority. Interest rates range from 5% to 5.5% with principal repayments due through June 2011.

Equipment Financing Program - On December 3, 1996, the Authority sold $1,839,000 of Certificates of Participation in the Pooled Equipment Program. The proceeds were loaned to various government entities and the loans were assigned to a trustee. Repayment of the equipment issue is only from the loan payments that are secured by the various borrowers' tax revenue. Interest rates range from 4.5% to 5.7% with principal repayments due through April 2008.

(17) Financial Statements

The June 30, 1996 financial statements were prepared by Barraclough & Associates, P.C.

Trust and Agency Funds

Combining Balance Sheet

June 30, 1996

	Expendable Trusts	Non Expendable Trust - Primary Care Fund	Agency Funds	Totals
Assets				
Cash and cash equivalents (note 3)	$ 12,371,564	$ 5,000,000	$6,363,302	$ 23,734,866
Tax revenue receivable	2,536,374	-	-	2,536,374
Interest receivable	362,376	415,487	-	777,863
Loans receivable (note 4)	36,613,372	-	-	36,613,372
Securities (note 5)	3,534,774	-	-	3,534,774
Restricted assets - Cash and cash equivalents (note 3)	50,860,693	-	-	50,860,693
Total assets	$106,279,153	$ 5,415,487	$6,363,302	$ 118,057,942
Liabilities and Fund Balance				
Accounts payable	$ 131,208	$ -	$ 31,365	$ 162,573
Other liabilities	25,692	-	-	25,692
Funds held for others	35,391,508	-	5,688,994	41,080,502
Due to other state agency (note 7)	5,163,997	-	-	5,163,997
Due to trustee	22,880	-	642,943	665,823
Due to other funds (note 6)	85,910	-	-	85,910
Bonds payable (note 9)	48,640,000	-	-	48,640,000
Total current liabilities	89,461,195	-	6,363,302	95,824,497
Fund balance - Reserved	16,817,958	5,415,487	-	22,233,445
Total liabilities and fund balance	$106,279,153	$ 5,415,487	$6,363,302	$ 118,057,942

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Expendable Trust Funds

Combining Balance Sheet

June 30, 1996

	Public Projects Revolving Fund	Insurance Department Financing Fund	Court Automation Financing Fund	Total
ASSETS				
Cash and cash equivalents (note 3)	$12,158,302	$ 213,262	$ -	$ 12,371,564
Tax revenue receivable	2,102,601	28,037	405,736	2,536,374
Interest receivable	362,376	-	-	362,376
Loans receivable (note 4)	36,613,372	-	-	36,613,372
Securities (note 5)	3,534,774	-	-	3,534,774
	54,771,425	241,299	405,736	55,418,460
Restricted assets (note 3):				
Cash and cash equivalents held for others by trustees:				
Debt service	686,021	-	-	686,021
Bond reserve	3,018,162	-	-	3,018,162
Program - Grant proceeds for other state agency	5,163,997	-	-	5,163,997
Program - Bond proceeds	31,687,325	-	-	31,687,325
Total cash and cash equivalents held for others	40,555,505	-	-	40,555,505
Cash and cash equivalents held for others by the Authority - Program Bond proceeds	-	403,419	8,398,631	8,802,050
Cash and cash equivalents pledged for repayment of bonds and bond expenses held by trustee	1,503,138	-	-	1,503,138
Total restricted assets	42,058,643	403,419	8,398,631	50,860,693
Total assets	$96,830,068	$ 644,718	$8,804,367	$106,279,153
LIABILITIES AND FUND BALANCES				
Accounts payable	$ 44,810	$ 18,898	$ 67,500	$ 131,208
Other liabilities	-	-	25,692	25,692
Funds held for others	35,391,508	-	-	35,391,508
Due to other state agency (note 7)	5,163,997	-	-	5,163,997
Due to trustee	22,880	-	-	22,880
Due to other funds (note 6)	84,097	42	1,771	85,910
Bonds payable (note 9)	39,740,000	400,000	8,500,000	48,640,000
Total liabilities	80,447,292	418,940	8,594,963	89,461,195
Fund balance - Reserved for program purposes	16,382,776	225,778	209,404	16,817,958
Total liabilities and fund balance	$96,830,068	$ 644,718	$8,804,367	$106,279,153

The accompanying notes are an integral part of this financial statement.

Expendable Trust Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 1996

	Public Projects Revolving Fund	Insurance Department Financing Fund	Court Automation Financing Fund	Total
Revenues:				
Tax revenue	$12,086,101	$ 243,959	$405,736	$12,735,796
Interest	2,996,941	2,328	5,556	3,004,825
Administrative	84,097	-	-	84,097
Total revenues	15,167,139	246,287	411,292	15,824,718
Current expenditures:				
Grant expense (note 7)	9,000,000	-	-	9,000,000
Administrative fee	84,097	42	1,771	85,910
Total current expenditures	9,084,097	42	1,771	9,085,910
Other expenditures:				
Debt service - Interest expense	2,216,300	1,569	-	2,217,869
Bond issuance costs	108,951	18,898	200,117	327,966
Total other expenditures	2,325,251	20,467	200,117	2,545,835
Total expenditures	11,409,348	20,509	201,888	11,631,745
Excess of revenues over expenditures	3,757,791	225,778	209,404	4,192,973
Fund balance - Beginning of year	10,741,667	-	-	10,741,667
Prior period adjustment (note 2)	1,883,318	-	-	1,883,318
Fund balance as restated	12,624,985	-	-	12,624,985
Fund balance - End of year	$16,382,776	$ 225,778	$209,404	$16,817,958

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Agency Funds

Combining Balance Sheet

June 30, 1996

	1994 Equipment Program	1995 Equipment Program	1996 Equipment Program	Total
ASSETS				
Cash and cash equivalents (note 3):				
Cash at State Treasurer	$ 46,839	$ 534,845	$ 61,259	$ 642,943
Trustee-program funds	122,398	4,510,302	1,046,742	5,679,442
Trustee-debt service	2,197	780	6,662	9,639
Trustee-expense fund	-	9,104	22,174	31,278
Total assets	$ 171,434	$ 5,055,031	$ 1,136,837	$ 6,363,302
LIABILITIES				
Due to Trustee	$ 46,839	$ 534,845	$ 61,259	$ 642,943
Assets held for others	122,398	4,510,302	1,046,742	5,679,442
Assets held for debt service	2,197	780	6,662	9,639
Accounts payable	-	9,104	22,174	31,278
Total liabilities	$ 171,434	$ 5,055,031	$ 1,136,837	$ 6,363,302

The accompanying notes are an integral part of this financial statement.

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year Ended June 30, 1996

	June 30 1995	Additions	Deletions	June 30 1996
1994 Equipment Bonds				
Assets:				
Cash and cash equivalents:				
Cash at State Treasurer	$ 36,076	$ 148,854	$ 138,091	$ 46,839
Trustee-program funds	633,080	-	510,682	122,398
Trustee-debt service	-	138,178	135,981	2,197
Total assets	669,156	287,032	784,754	$ 171,434
Liabilities:				
Due to Trustee	$ 36,076	$ 148,854	$ 138,091	$ 46,839
Funds held for others	633,080	-	510,682	122,398
Funds held for debt service	-	138,178	135,981	2,197
Total liabilities	$ 669,156	$ 287,032	$ 784,754	$ 171,434
1995 Equipment Bonds				
Assets:				
Cash and cash equivalents:				
Cash at State Treasurer	$ -	$ 615,197	$ 80,352	$ 534,845
Trustee-program funds	-	7,098,831	2,588,529	4,510,302
Trustee-debt service	-	229,561	228,781	780
Trustee-expense fund	-	67,875	58,771	9,104
Total assets	-	8,011,464	2,956,433	$ 5,055,031
Liabilities:				
Due to Trustee	$ -	$ 615,197	$ 80,352	$ 534,845
Funds held for others	-	7,098,831	2,588,529	4,510,302
Funds held for debt service	-	229,561	228,781	780
Accounts payable	-	67,875	58,771	9,104
Total liabilities	$ -	$ 8,011,464	$ 2,956,433	$ 5,055,031

(Continued)

Agency Funds

Combining Statement of Changes in Assets and Liabilities (Continued)

Year Ended June 30, 1996

	June 30 1995	Additions	Deletions	June 30 1996
1996 Equipment Bonds				
Assets:				
Cash and cash equivalents:				
Cash at State Treasurer	$ -	$ 61,259	$ -	$ 61,259
Trustee-program funds	-	1,409,668	362,926	1,046,742
Trustee-debt service	-	6,662	-	6,662
Trustee-expense fund	-	22,174	-	22,174
Total assets	-	1,499,763	362,926	$1,136,837
Liabilities:				
Due to Trustee	$ -	$ 61,259	$ -	$ 61,259
Funds held for others	-	1,409,668	362,926	1,046,742
Funds held for debt service	-	6,662	-	6,662
Accounts payable	-	22,174	-	22,174
Total liabilities	$ -	$1,499,763	$ 362,926	$1,136,837
Totals (Memorandum Only)				
Assets:				
Cash and cash equivalents:				
Cash at State Treasurer	$ 36,076	$ 825,310	$ 218,443	$ 642,943
Trustee-program funds	633,080	8,508,499	3,462,137	5,679,442
Trustee-debt service	-	374,314	364,762	9,552
Trustee-expense fund	-	90,136	58,771	31,365
Total assets	669,156	9,798,259	4,104,113	$6,363,302
Liabilities:				
Due to Trustee	$ 36,076	$ 825,310	$ 218,443	$ 642,943
Funds held for others	633,080	8,508,499	3,462,137	5,679,442
Funds held for debt service	-	374,314	364,762	9,552
Accounts payable	-	90,136	58,771	31,365
Total liabilities	$669,156	$9,798,259	$4,104,113	$6,363,302

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Schedule 1

Internal Service Fund

Combining Balance Sheet by Program

June 30, 1996

	Cigarette Tax	Operations	Primary Care Appropriation	Workers' Compensation	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$3,568,197	$ 5,452	$ 85,524	$1,777,383	$5,436,556
Due from other funds	-	85,910	-	-	85,910
Accounts receivable - Tax revenue	319,532	-	-	104,478	424,010
Accounts receivable - Other	-	18,483	-	-	18,483
Other assets	-	6,728	-	-	6,728
Total current assets	3,887,729	116,573	85,524	1,881,861	5,971,687
Restricted assets - Cash and cash equivalents	-	-	-	709,462	709,462
Fixed assets, net	-	33,999	-	-	33,999
Deferred issue costs, net	-	-	-	6,888	6,888
Total assets	$3,887,729	$ 150,572	$ 85,524	$2,598,211	$6,722,036
LIABILITIES AND EQUITY					
Current liabilities					
Cash overdraft	$ -	$ 37,520	$ -	$ -	$ 37,520
Accounts payable	-	52,612	6,502	-	59,114
Accrued payroll, fringe benefits and compensated absences	-	26,655	-	-	26,655
Accrued interest payable	-	-	-	27,333	27,333
Current portion of bonds payable	-	-	-	2,050,000	2,050,000
Total current liabilities	-	116,787	6,502	2,077,333	2,200,622
Noncurrent liabilities - Bonds payable	-	-	-	-	-
Equity:					
Contributed capital - government	-	1,014,700	95,000	-	1,109,700
Reserved retained earnings	3,662,029	-	-	426,194	4,088,223
Unreserved retained earnings (deficit)	225,700	(980,915)	(15,978)	94,684	(676,509)
Total equity	3,887,729	33,785	79,022	520,878	4,521,414
	$3,887,729	$ 150,572	$ 85,524	$2,598,211	$6,722,036

NEW MEXICO FINANCE AUTHORITY

Schedule 2

Internal Service Fund

Combining Statement of Revenues, Expenses and Changes in Equity by Program

Year Ended June 30, 1996

	Cigarette Tax	Operations	Primary Care Appropriation	Workers' Compensation	Total
Operating revenues:					
Administrative fees	$ -	$ 104,393	$ -	$ -	$ 104,393
Miscellaneous	-	178	-	-	178
Interest income	119,218	2,855	2,798	94,684	219,555
Total operating revenues	119,218	107,426	2,798	94,684	324,126
Operating expenses:					
Salaries and fringe benefits	-	349,333	-	-	349,333
In-state travel	-	11,812	-	-	11,812
Maintenance and repairs	-	2,861	-	-	2,861
Supplies	-	14,530	-	-	14,530
Contractual services	-	89,675	19,159	-	108,834
Operating costs	-	99,912	-	-	99,912
Out-of-state travel	-	5,718	-	-	5,718
Depreciation	-	11,555	-	-	11,555
Total operating expenses	-	585,396	19,159	-	604,555
Operating income (loss)	119,218	(477,970)	(16,361)	94,684	(280,429)
Non operating revenues (expenses):					
Tax revenue	1,601,504	-	-	882,660	2,484,164
Interest expense	-	-	-	(70,639)	(70,639)
Bond issue costs and other	-	-	-	(32,818)	(32,818)
Net non operating revenue (expense)	1,601,504	-	-	779,203	2,380,707
Income (loss) before operating transfers	1,720,722	(477,970)	(16,361)	873,887	2,100,278
Transfers out/in to other programs	(425,000)	425,000	-	-	-
Transfers to other state agency	-	-	-	(1,366,343)	(1,366,343)
Net transfers	(425,000)	425,000	-	(1,366,343)	(1,366,343)
Net income (loss)	1,295,722	(52,970)	(16,361)	(492,456)	733,935
Fund equity - Beginning of year	2,309,868	74,658	95,383	891,038	3,370,947
Prior period adjustments	282,139	12,097	-	122,296	416,532
Restated balance	2,592,007	86,755	95,383	1,013,334	3,787,479
Fund equity - End of year	$3,887,729	$ 33,785	$ 79,022	$ 520,878	$4,521,414

NEW MEXICO FINANCE AUTHORITY

Schedule 3

Internal Service Fund

Combining Statement of Cash Flows by Program

Year Ended June 30, 1996

	Cigarette Tax	Operations	Primary Care Appropriation	Workers' Compensation	Total
Cash flows (used) from operating activities:					
Cash paid for employee services	$ -	$(347,835)	$ -	$ -	$ (347,835)
Cash paid to vendors for services	-	(260,287)	(12,657)	-	(272,944)
Interest income received	129,411	4,889	2,798	94,684	231,782
Other	-	178	-	-	178
Net cash provided (used) for operating activities	129,411	(603,055)	(9,859)	94,684	(388,819)
Cash flows provided (used) for noncapital financing activities:					
Operating transfers	(425,000)	425,000	-	(1,366,343)	(1,366,343)
Payment (receipt) of due to (due from)	-	(222,883)	-	222,883	-
Net cash (used) provided for noncapital financing activities	(425,000)	202,117	-	(1,143,460)	(1,366,343)
Cash flows from capital and related financing activities:					
Bond proceeds, net	-	-	-	2,045,930	2,045,930
Restricted bond proceeds and interest income	-	-	-	(709,462)	(709,462)
Interest expense	-	-	-	(43,306)	(43,306)
Tax revenue	1,564,111	-	-	864,842	2,428,953
Fixed asset purchases	-	(26,029)	-	-	(26,029)
Net cash (used) provided for capital and related financing activities	1,564,111	(26,029)	-	2,158,004	3,696,086
Net increase (decrease) in cash and cash equivalents	1,268,522	(426,967)	(9,859)	1,109,228	1,940,924
Cash and cash equivalents - Beginning of year	2,299,675	432,419	95,383	668,155	3,495,632
Cash and cash equivalents - End of year	$3,568,197	$ 5,452	$ 85,524	$1,777,383	$5,436,556
Reconciliation of operating loss to net cash provided (used) by operating activities - Operating income (loss)	$ 119,218	$(477,970)	$ (16,361)	$ 94,684	(280,429)
Adjustments to operating income (loss)					
Depreciation	-	11,555	-	-	11,555
(Increase) decrease in accounts receivable and accrued interest	10,193	(16,449)	-	-	(6,256)
Increase in accrued payroll, fringe benefits and compensated absences	-	1,498	-	-	1,498
Increase (decrease) in accounts payable and cash overdraft	-	(29,051)	6,502	-	(22,549)
Increase in due from funds	-	(85,910)	-	-	(85,910)
Increase in other assets	-	(6,728)	-	-	(6,728)
Net cash provided (used) for operating activities	$ 129,411	$(603,055)	$ (9,859)	$ 94,684	$ (388,819)

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APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are extracts, supplementing the information in the body of the Official Statement, of certain provisions of the Indenture. These extracts do not purport to be complete and reference is made to the Indenture for a full and complete statement of such provisions. See "ADDITIONAL INFORMATION."

APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE

The following are certain definitions contained in the Indenture and extracts of certain provisions contained in the General Indenture and is not to be considered as a full statement thereof. Reference is hereby made to the Indenture for full details of all of the terms of the Bonds, the security provisions appertaining thereto and the other terms thereof. During the offering period of the Series 1997 Bonds, copies of the Indenture will be available at the principal office of the Underwriters. Subsequent to the offering of the Series 1997 Bonds, copies of the Indenture may be obtained from the Trustee.

CERTAIN DEFINITIONS

"Account" or "Accounts" means one or more of the special trust accounts created and established pursuant to the Indenture.

"Act" means the New Mexico Finance Authority Act, being Sections 6-21-1 through 6-21-31, inclusive, NMSA 1978, as amended and as the same may hereafter be amended and supplemented.

"Additional Bonds" means any Bonds of the NMFA, including the Series 1997 Bonds and the Series 1996 Bonds, authorized and issued under the Indenture, except for the Series 1995 Bonds.

"Additional Pledged Loans" means any additional loans or securities which (i) were made or purchased by the NMFA from amounts on deposit in the Public Project Revolving Fund and (ii) the payments of principal and interest on which have been specifically pledged by the NMFA to the payment of the Bonds and other amounts due under the Indenture. No such loans or securities shall be deemed to be Additional Pledged Loans unless the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture.

"Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Agreement" or "Agreements" means, as the case may be, one or more Loan Agreements, Grant Agreements or Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of a Project by the NMFA under the General Indenture.

"Agreement Pledged Revenues" means the pledged revenues designated by a Governmental Unit for payments to be made pursuant to the respective Loan Agreement, Security Documents or Securities.

"Agreement Reserve Fund" means the Agreement Reserve Fund established by the Indenture and each Agreement Reserve Account, if any, created by an Agreement therein.

"Agreement Reserve Requirement" for each Agreement establishing an Agreement Reserve Account, means the amount, if any, required by such Agreement to be allocated to an Agreement Reserve Account (relating to such Agreement) within the Agreement Reserve Fund.

"Approval of Bond Counsel" means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

CATEGORY OF LOANS AND ADDITIONAL PLEDGED LOANS	APPLICABLE PERCENTAGE
CATEGORY I LOANS AND ADDITIONAL PLEDGED LOANS	100%
CATEGORY II LOANS AND ADDITIONAL PLEDGED LOANS	80%
CATEGORY III LOANS AND ADDITIONAL PLEDGED LOANS	50%
CATEGORY IV LOANS AND ADDITIONAL PLEDGED LOANS	0%

"Authorized Denominations" with respect to the Series 1997 Bonds, $5,000 or any integral multiple thereof.

"Authorized Officer" means: (i) in the case of the NMFA, the Chair, any Vice Chair, Secretary, or Treasurer, and when used with reference to any act or document also means any other person authorized by resolution of the NMFA to perform such act or execute such documents; (ii) in the case of a Governmental Unit, means the person or persons authorized by resolution or ordinance of the Governmental Unit to perform

any act or execute any document; and (iii) in the case of the Trustee or the Paying Agent any person authorized to perform any act or sign any document by or pursuant to the bylaws or any resolution of the governing body of the Trustee or the Paying Agent, respectively.

"Bond Counsel" means nationally recognized bond counsel experienced in matters of municipal law, satisfactory to the Trustee and listed in the list of municipal bond attorneys, as published semiannually by The Bond Buyer, or any successor publication.

"Bond Fund" means the fund by that name established by the Indenture, to be held by the Trustee and used to pay amounts due on the Bonds.

"Bond Fund Year" means a twelve-month period ending on June 1 of each year.

"Bond Documents" means collectively, the Loan Agreements, the Grant Agreements, the Securities, the Security Documents, and the Indenture.

"Bond Registrar" or "Registrar" means the Trustee or any other registrar appointed under the Indenture.

"Bonds" means all Bonds issued under and secured by the Indenture.

"Business Day" shall mean any day, other than a day on which banks located in New York, New York or the cities in which the Principal Offices of the Trustee or the Paying Agent are located are required or authorized by law or executive order to close, or on which the New York Stock Exchange is closed.

"Cash Flow Statement" means an NMFA certificate (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate:

(1) the amount of NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(2) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(3) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding;

and (b) showing that in each such Bond Fund Year, the aggregate of the amount set forth in clause (A) of the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of the definition. For purposes of the foregoing definition the following assumptions shall apply:

(a) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period in the 24 months next preceding the delivery of the Cash Flow Statement;

(b) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(c) Loans and Additional Pledged Loans will be assumed to remain in their then current category designations throughout the period projected in the Cash Flow Statement.

"Category I Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in at least the third highest full rating category or higher by the Rating Agency.

"Category II Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

"Category III Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are not designated or rated or are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Non-Performing Loans and Additional Pledged Loans and Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been fully replenished in accordance with the related Agreement.

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

"Covenant Default" has the meaning, if any, given in any Loan Agreement, Securities or Additional Pledged Loan.

"Debt Service Fund" means the fund by that name established by the Indenture to be held by the Trustee and each Account created therein.

"Funds and Accounts" means collectively, the Debt Service Fund and the Accounts created therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, and the Bond Fund.

"Governmental Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Governmental Units" means any "qualified entity" under the Act which has executed and delivered to the NMFA a Loan Agreement, Grant Agreement or Securities for the purpose of financing all or a portion of a Project.

"Grant Agreements" means a grant or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and does not require payments by the Governmental Unit to be made thereunder.

"Grants" means collectively, the Grants made pursuant to the Grant Agreements.

"Indenture" means the General Indenture of Trust and Pledge and all Supplemental Indentures thereto.

"Interest Component" means the portion of each Loan Payment representing interest on the related Loan.

"Interest Payment Date" shall, with respect to each Series 1997 Bond, each June 1 and December 1, commencing June 1, 1998.

"Loan Agreement" means a loan or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and requires the Governmental Unit to repay the amounts advanced.

"Loan Payment" means the payments made by each Governmental Unit pursuant to the provisions of a Loan Agreement or Securities and which are to be used in accordance with the Indenture.

"Loan Payment Date" means the date specified in each Loan Agreement or Securities as the due date for Loan Payments.

"Loans" means collectively, the Loans made pursuant to the Loan Agreements and the Securities; excluding, however, all Additional Pledged Loans. Loans and Additional

Pledged Loans may be evidenced by the same document containing two or more separate obligations.

"NMFA Portion of the Governmental Gross Receipts Tax" means an amount equal to 75% of the net receipts attributable to the governmental gross receipts tax levied pursuant to Section 7-9-4.3, NMSA 1978, as amended, and distributed to the NMFA pursuant to Section 7-1-6.38, NMSA 1978, as amended.

"Nonperforming Loans and Additional Pledged Loans" means Loan Agreements and Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a Covenant Default) or under which a delinquency exists in payments of principal or interest thereunder.

"Original Issue Date" means, with respect to the Series 1997 Bonds, December 1, 1997.

The terms "Outstanding" or "Bonds outstanding" mean all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(1) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(2) any Bond (or any portion thereof) (i) for the payment or redemption of which there shall be held in trust under the Indenture and set aside for such payment or redemption, moneys and/or Governmental Obligations (not callable at the option of the issuer thereof) maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Governmental Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or redemption price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any such Bond (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

(3) Bonds deemed paid pursuant to the provisions of the Indenture; and

(4) Bonds in lieu of which others have been authenticated pursuant to the Indenture.

"Participants" means underwriters, securities brokers and dealers, banks and trust companies, clearing corporations and other persons from time to time for which DTC or any successor Securities Depository holds Series 1996 Bonds as Securities Depository.

"Paying Agent" means the Trustee or any successor or additional paying agent appointed pursuant to the Indenture.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund and the Rebate Fund or any other fund created under the Indenture, the following to the extent permitted by New Mexico law:

(a) Governmental Obligations;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Farmers Home Administration* (FmHA)
Certificates of Ownership;

ii) *Federal Housing Administration (FHA) Debentures;*

iii) *General Services Administration* Participation certificates;

iv) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates);

v) *U.S. Maritime Administration* Guaranteed Title XI financing;

vi) *U.S. Department of Housing and Urban Development* (HUD)
Project Notes
Local Authority Bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Federal Home Loan Bank System*
Senior debt obligations (Consolidated debt obligations);

ii) *Federal Home Loan Mortgage Corporation* (FHLMC or "Freddie Mac")
Participation Certificates (Mortgage-backed securities)

Senior debt obligations;

iii) *Federal National Mortgage Association* (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

iv) *Student Loan Market Association* (SLMA or "Sallie Mae")
Senior debt obligations;

v) *Resolution Funding Corp.* (REFCORP) Only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

vi) *Farm Credit System*
Consolidated systemwide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's Ratings Group ("S&P") of "AAAm-G," "AAAm" or "AAm" or by Moody's Investors Service, Inc. ("Moody's) of "Aaa";

(e) Certificates of deposit ("CD") secured at all times by collateral described in (a) and/or (b) above. CD's must have a one-year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+"or better by S&P, and "Prime-1" or better by Moody's. The collateral must be held by a third party and the third party must have a perfected first security interest in the collateral:

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BID and SAIF;

(g) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P);

(h) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P) in one of the two highest long-term rating categories assigned by such agencies;

(i) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1+" by S&P;

(j) Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; provided, however, that the repurchase agreement must satisfy certain criteria articulated in writing to the NMFA by the Rating Agency;

(k) Investment contracts with providers the long term, unsecured debt organization of which are rated at least "A" by the Rating Agency; and

(l) deposits with the Treasurer of the State for investment in obligations described above.

"Prepayment" means the amount paid by a Governmental Unit pursuant to the provisions of its Loan Agreement or Securities as a prepayment of all or a portion of the principal balance due under its Loan Agreement or a prepayment of the principal amount of the Securities.

"Principal Component" means the portion of each Loan Payment representing principal on the related Loan.

"Program" means the NMFA's public project revolving fund program.

"Program Costs" means the fees and expenses payable to the Trustee, any Paying Agent and the NMFA.

"Program Fund" means the fund by that name which is created and established by the Indenture.

"Projects" means, collectively, the projects (i) authorized by the Legislature for financing by the NMFA from the Public Project Revolving Fund (to the extent required by law) and (ii) described in a Supplemental Indenture and a Loan Agreement, Grant Agreement or Securities.

"Public Project Revolving Fund" means the public project revolving fund established pursuant to the Act.

"Rating Agency" means Moody's Investor's Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

"Rebate Calculation Date" means, with respect to each Series of Bonds, the interest payment date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the Initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last bond for such Series.

"Rebate Fund" means the Fund so designated, which is created and established by the Indenture.

"Rebate Requirement" means the amount of arbitrage profits earned from the investment of gross proceeds of the Bonds in nonpurpose investments described in Section 148(f)(2) of the Code and defined as "Rebate Amount" in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 1997 Bonds maintained by the Registrar.

"Regular Record Date" means the fifteenth (15th) day immediately preceding each Interest Payment Date (or the Business Day immediately preceding such fifteenth (15th) day, if such fifteenth (15th) day is not a Business Day).

"Registered Owner" or "Bondowner" or "Owner" or "Bondholder" or "holder" means the person or persons in whose name or names a Bond shall be registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture.

"Revenue Fund" means the Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund so designated, which is created and established by the Indenture to be held by the Trustee.

"Revenues" means (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund).

"Securities" means the securities purchased or acquired by the NMFA in consideration for a Loan made pursuant to the Indenture.

"Security Documents" means the intercept agreements or other security documents delivered by Governmental Units to provide additional security for a Loan Agreement or Securities.

"Series 1995 Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1995A, in the initial aggregate principal amount of $41,230,000.

"Series 1996 Bonds" means the Series 1996A and the Series 1996B Bonds.

"Series 1996A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1996A, in an initial aggregate principal amount of $17,625,000.

"Series 1996B Bonds" means the Public Project Revolving Fund Revenue Bonds Taxable Series 1996B, in an initial aggregate principal amount of $3,500,000.

"Series 1997 Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1997, in an initial aggregate principal amount of $_____.

"Special Record Date" means a special record date established pursuant to the Indenture.

"State" means the State of New Mexico.

"Supplemental Indenture" means any supplemental indenture approved by the NMFA in accordance with the Indenture amending or supplementing the Indenture or any Supplemental Indenture.

"Trust Estate" means the property held in trust by the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means First Security Bank of New Mexico, N.A., Albuquerque, New Mexico and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee hereunder.

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds shall be kept by the Trustee which is appointed the Bond Registrar with respect to the Bonds. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing and satisfactory to the Trustee, the NMFA shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new, fully registered Bond or Bonds for a like aggregate principal amount. Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series and the same maturity. The execution by the NMFA of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee shall not be required to transfer or exchange any Bond of a particular Series (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds of a particular Series for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The NMFA, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the NMFA, nor the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In each case the Trustee shall require the payment by the Registered Owner requesting exchange or transfer, only of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Nonpresentment of Bonds

In the event that any Bond shall not be presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the NMFA to the holder thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability to the holders of such Bonds for interest thereon, for the benefit of the holder of such Bond who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Moneys so deposited with the Trustee which remain unclaimed four (4) years after the date payment thereof becomes due shall, to the extent authorized by applicable law, at the request of the NMFA and if the NMFA is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture and if to the knowledge of the Trustee there has been no Event of Default, be repaid to the NMFA and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the NMFA; provided that the Trustee, before making payment to the NMFA, may cause a notice to be given to the Owners of the Bonds at their registered addresses, stating that the moneys remaining unclaimed will be returned to the NMFA after a specified date. Upon payment of such amounts to the NMFA by the Trustee, the NMFA shall deal with such money as required by applicable law.

Covenants of the NMFA

The NMFA will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or Supplemental Indenture or in any Bond, including the following covenants and agreements:

Covenant Against Creating or Permitting Liens. Except for the pledge of the Trust Estate to secure payment of the Bonds, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that (i) nothing contained in the Indenture shall prevent the NMFA from issuing, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinated to that of the Bonds and (ii) Revenues constituting NMFA Portion of the Governmental Gross Receipts Tax and payments of Additional Pledged Loans not needed for payments hereunder in any Bond Year may be released to the NMFA free and clear of the lien as provided in the Indenture.

Existence; Compliance with Laws. The NMFA shall take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and shall comply will all valid and applicable laws, acts, rules, regulations, permits, orders, requirements, and directions of any legislative, executive, administrative, or judicial body which may relate to the execution and delivery of the Bonds and the performance of the NMFA's obligations hereunder.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions; Further Assurance. The NMFA and the Trustee shall not transfer any of the Loan Agreements, Grant Agreements, Security Documents and Securities except as specifically authorized in the Indenture in furtherance of the security for the Bonds; provided that, (i) once the Governmental Unit has repaid all amounts, if any, owing under its Loan Agreement, Grant Agreement, Securities, or Additional Pledge Loan and complied with the other provisions thereof, the NMFA and the Trustee may release such Agreement or Additional Pledge Loan and any Security Documents from the pledge created under the Indenture; and (ii) the NMFA may direct the release of any Agreement or Additional Pledged Loan from the lien and pledge of the Trust Estate under the Indenture upon the delivery to the Trustee of a Cash Flow Statement reflecting such release. Except to the extent otherwise provided in the Indenture, the NMFA shall not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and shall, from time to time, execute and deliver such further instruments and shall take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee shall cause the Indenture to be filed as a financing statement with the Secretary of State of the State, in such manner and at such places as may be required by law fully to protect the security interest of the Owners of the Bonds and the right, title, and interest of the Trustee in and to the Trust Estate. From time to time, the Trustee may, but shall not be required to, obtain an opinion of counsel setting forth what, if any, actions by the NMFA or Trustee should be taken to preserve such security. The NMFA shall execute or cause to be executed any and all further instruments as shall reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and shall furnish satisfactory evidence to the Trustee that such actions have been taken and shall take such other action as is necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds executed and delivered under the Indenture shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds shall have been paid.

Rights Under Loan Agreements, Grant Agreements, Security Documents and Securities. The Loan Agreements, Grant Agreements, Security Documents and Securities set forth the covenants and obligations of the Governmental Units, including provisions that, subsequent to the issuance of a Series of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions of the Indenture, the Loan Agreements, Grant Agreements, Security Documents and Securities may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Trustee in accordance with the Indenture, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Governmental Units thereunder.

Bonds to be Tax-Exempt Obligations. The NMFA covenants and agrees to and for the benefit of the Owners that the NMFA (i) will not take any action that would cause interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the exemption from federal income taxation of interest on the Bonds. The provisions of this paragraph shall not apply to Bonds designated in the related Supplemental Indenture as bearing or accruing interest intended to be subject to Federal income taxation.

State Pledge of Non-Impairment The State has pledged to and agreed with the Bondholders (as an obligation issued under the Act) that the State will not limit or alter the rights vested in the NMFA under the Act to fulfill the terms of the Indenture with the Bondholders or in any way impair the rights and remedies of those holders until the Bonds together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of those holders, are fully met and discharged.

Deposit and Advance of Funds.

The NMFA and the Trustee shall deposit the proceeds of the Bonds to the Accounts created under the Indenture and shall make the advances of funds thereunder to fund the Program and the NMFA shall enter into the Loan Agreements and Grant Agreements with the Governmental Units and purchase and receive the Securities and Security Documents from the Governmental Units on the terms and conditions and upon submission of the documents as provided in the Indenture.

The following restrictions shall apply to financings made by the NMFA under the Indenture --

(a) The aggregate principal amount of each Loan Agreement, Grant Agreement and Security shall be in whole multiples of Authorized Denomination.

(b) Without the Approval of Bond Counsel, (i) no advance from the Program Fund shall be made or used to reimburse a Governmental Unit for amounts spent from such Governmental Unit's own funds prior to the date the Governmental Unit executed and delivered the Loan Agreement, Grant Agreement or Securities under the Program, and (ii) no Program Fund moneys shall be disbursed to refund or advance refund any obligations issued on behalf of a Governmental Unit.

(c) Each Agreement shall require that the final disbursement of moneys from the Governmental Unit's Account within the Program Fund to a Governmental Unit shall be made no later than the date which is three years after the execution and delivery of the Agreement, unless the NMFA and the Trustee have received the Approval of Bond Counsel for a later date.

(d) Each Governmental Unit shall agree not to take or permit any action which would cause the respective Agreement or the related Series of Bonds to be "arbitrage bonds" under Sections 103 and 148 of the Code.

(e) Without an Approval of Bond Counsel, no amounts disbursed from the Program Fund may be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit" within the meaning of Section 141(b)(6) of the Code.

(f) Amounts disbursed from each Governmental Units' Account within the Program Fund shall be used to finance the costs of the related Project and related expenditures on behalf of the Governmental Unit.

(g) Each Governmental Unit shall agree to pay the Rebatable Arbitrage relating to its Accounts in the Program Fund, the Agreement Reserve Fund and the Debt Service Fund.

(h) At the time of execution and delivery of each Agreement the related Governmental Unit shall execute and deliver a certificate to the effect that the Governmental Unit (i) will not take any action that would cause the interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Agreement in order to preserve the exemption from federal income taxation of the interest on the Bonds.

The provisions of Subsections (b), (c), (d), (e), (g) and (h) shall not apply to Agreements financed with proceeds of Bonds designated as intended to bear interest subject to Federal income taxes.

Loan Agreement and Securities - Loan Payments.

The Loan Payments shall be governed by the following provisions:

(a) Principal, Program Costs and Interest Components. A portion of each Loan Payment is paid as, and represents payment of, interest (the "Interest Component") on the related Loan and payment of a Program Cost component relating to each loan (the "Program Cost Component") and the balance of each Loan Payment is paid as, and represents payment of, principal (the "Principal Component") on the related Loan, all as set forth in the related Loan Agreement or Securities. Amounts due as the Principal, Program Costs, and Interest Components of Loan Payments due under each Loan Agreement or Securities shall be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement shall be the amount of interest based on a 360 day year comprised of twelve 30-day months, unless otherwise specified in

the related Supplemental Indenture. The Program Cost Component may be included in the interest rate borne by a Loan.

(b) Loan Agreement and Securities Term. The "Term" of a Loan Agreement or Securities shall be defined in the Loan Agreement or Securities. The Term shall not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Securities shall provide that the related Governmental Unit shall pay Loan Payments directly to the Trustee. In the case of Securities, the Securities shall be registered in the name of the Trustee or properly assigned to the Trustee on the books of any registrar for such Securities or if in bearer form delivered to and held by the Trustee.

(d) Prepayments. The Loan Agreements and Securities may contain a provision permitting the Governmental Unit to prepay the Principal Component of Loan Payments, in accordance with the provisions of the Loan Agreement and Securities by payment of Prepayments in whole on any date or in part on any Interest Payment Date, at any time when the related Series of Bonds are or are about to become subject to optional redemption upon not less than forty-five (45) days' prior written notice to the Trustee and subject to any other conditions set forth in the related Supplemental Indenture, Loan Agreement or Securities. Partial prepayments of the Principal Component of Loan Payments shall be made in multiples of the minimum Authorized Denomination. Each Prepayment shall include interest to the date upon which the Trustee has scheduled a related redemption of Bonds as provided in the related Supplemental Indenture.

(e) Use of Reserve at Final Payment. At the time of payment in full of each Loan Agreement or Securities, the applicable Agreement Reserve Account in the Agreement Reserve Fund shall be applied toward the final payment of amounts due under the related Loan Agreement or Securities.

Establishment of Funds and Accounts

There is established in the Indenture with the Trustee the following funds and accounts within funds, each of which shall be held, for the term of the Indenture, in Accounts segregated from all other moneys of the Trustee or the NMFA.

(a) a Program Fund and within such fund a separate Account for each Agreement;

(b) a Debt Service Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

(d) an Agreement Reserve Fund and within such fund, a separate Account for each Agreement which contemplates the establishment of an Agreement Reserve Account;

(e) an Expense Fund;

(f) a Rebate Fund and within such fund a separate Account for each Agreement; and

(g) a Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund (herein the "Revenue Fund") established as an account of the Public Project Revolving Fund.

In addition to the foregoing, with respect to Additional Pledged Loans the Trustee may, as directed in a Supplemental Indenture, establish subaccounts within the Program Fund, the Agreement Reserve Fund or the Debt Service Fund for such Additional Pledged Loans.

Flow of Funds

All Funds shall be accounted for and maintained by the NMFA in the Funds and Accounts established in the Indenture. Each Fund and Account shall be kept separate and apart from all other Funds and Accounts of the NMFA. The Funds shall be expended and used by the NMFA only in the manner of order and priority specified below:

Program Fund.

(a) Upon the issuance of a Series of Bonds the Trustee shall deposit the amount specified in the related Supplemental Indenture in the Program Fund and shall allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement. Disbursements from each Account within the Program Fund shall be made as provided below and may be made in stages.

(b) Disbursements from each Account within the Program Fund with respect to an Agreement with a Governmental Unit shall (except for amounts to be used for capitalized interest on the Loan and as may be directed in a Supplemental Indenture with respect to Grants) only be made upon the delivery to the Trustee of a requisition substantially in the form attached to each Agreement signed by an Authorized Officer of the Governmental Unit, as applicable: (1) stating the name and address of the payee, the amount to be paid and the purpose of the payment; (2) certifying that the amount to be paid is for costs of the Project and is due and payable, has not been the subject of any previous requisition and is a proper charge against the Account within the

Program Fund pursuant to this Paragraph (b); (3) certifying that all representations contained in the Agreement and the related documents remain true and correct and that the Governmental Unit is not in breach of any of the covenants contained therein; and (4) in the case of the final requisition, certifying that payment of costs of the Project is complete or that the Governmental Unit shall, and understands its obligation to, complete the acquisition or construction of the Project from other legally available funds.

(c) Without an Approval of Bond Counsel and except with respect to Agreements relating to Bonds designated in the related Supplemental Indenture as bearing or accruing interest subject to federal income taxation, no disbursement shall be made from the Governmental Unit's Account in the Program Fund:

(i) to reimburse the Governmental Unit's own funds for expenditures made prior to the date on which the governing body of the Governmental Unit executed and delivered the Agreement,

(ii) to refund or advance refund any obligations issued by or on behalf of the Governmental Unit, or

(iii) to be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit," within the meaning of Section 141(b)(6) of the Code.

(d) Moneys in the Governmental Unit's Account in the Program Fund following the payment of amounts due for the costs of the Project may be transferred to such Governmental Unit's Account in the Debt Service Fund for application to the payment of the principal of and interest on the Loan or the Prepayment of the Principal Component of the Loan Agreement or Securities and a related redemption of Bonds, as provided in the related Supplemental Indenture.

(e) The Trustee shall keep the Program Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

(f) Investment earnings on amounts held in each Account of the Program Fund shall be retained in such Account of the Program Fund and used as provided herein as other amounts on deposit therein or to be deposited to the Rebate Account.

(g) Moneys deposited in the Program Fund for the payment of capitalized interest on the Loan may be disbursed by the Trustee to the appropriate account in the Debt Service Fund to pay interest on the related Loan during construction of the related Project.

(h) If directed in the related Supplemental Indenture, amounts to be used to fund Grants may, in lieu of deposit to the Program Fund, be disbursed to the Governmental Unit upon the issuance of the related Series of Bonds.

(i) Proceeds of Additional Pledged Loans deposited to a separate subaccount of the Governmental Units Account within the Program Fund shall be accounted for and used as described above with respect to proceeds of Bonds; provided that the provisions of paragraph (c) above shall not apply to such amounts.

Application of Loan Payments.

The flow of funds is discussed in the forepart of this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1997 BONDS -- Flow of Funds".

All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), shall be deposited at least once each year in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement provided, however, that all earnings received on the Governmental Unit's Accounts shall be allocated solely to the benefit of such Governmental Unit. The Trustee shall notify the Governmental Unit at least fifteen (15) days prior to the due date of its next payment of Loan Payments of the amount of earnings so allocated.

In the event that the Trustee receives Prepayments under a Loan Agreement or Securities, the Trustee shall apply such Prepayments to the optional redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture.

At least once each year the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to Loans relating to the Series 1997 Bonds, any such excess shall be disbursed as follows:

(a) Any excess attributable to earnings on funds and accounts for the Governmental Unit shall be returned to the Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; and

(b) Any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the Series 1997 Bonds shall be deposited into the Revenue Fund.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement shall be transferred at least annually to the related Account of the Debt Service Fund and credited against payments next coming due under such Loan Agreement or Securities.

Amounts on deposit in the respective Account of the Agreement Reserve Fund shall be applied toward the final payment of amounts falling due under the related Loan Agreement or Securities.

As provided in an Agreement, a Governmental Unit may (i) fund an Account in the Agreement Reserve Fund over time from deposits made by or on behalf of the Governmental Unit or (ii) may use any reserve fund surety or similar investments in lieu of a cash deposit to the Agreement Reserve Fund.

Amounts on deposit in each Agreement Reserve Account, if any, secure only the payments to be made under the related Agreement and may not be applied toward payments under any other Agreement or toward payment of the Bonds, except to the extent that amounts are due and owing under the related Agreement and amounts are not otherwise available for such payments in the related Account of the Debt Service Fund.

All moneys held by the Trustee in the Bond Fund shall be applied in accordance with the Indenture to pay the principal or redemption price of Bonds as they mature or become due, upon surrender thereof, and the interest on Bonds as it becomes payable. There shall be deposited into the Bond Fund all accrued interest received, if any, at the time of the execution, sale and delivery of the Bonds. Amounts remaining on deposit in the Bond Fund at the end of each Bond Fund Year and after payment of all amounts due on the Bonds for such Bond Fund Year shall be transferred to the Revenue Fund.

Investment of Moneys

Any moneys held as part of a Governmental Unit's Account in any of the Funds established under the Indenture shall be invested and reinvested by the Trustee at the direction of the related Governmental Unit in Permitted Investments in accordance with the following provisions.

Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the related Debt Service Account is insufficient to pay the principal of and premium, if any, and interest on the related Loan Agreement or Securities when due. In the absence of an appropriate direction from a Governmental Unit as to investment of funds, the Trustee shall invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund shall be invested and reinvested by the Trustee at the direction of the NMFA only in Permitted Investments in accordance with the Indenture. Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell

and reduce to cash a sufficient amount of the investments on deposit in the Bond Fund whenever the cash balance in the Bond Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due.

All such investments shall at all times be a part of the account or fund from where the money used to acquire such investments was deposited and all gains thereon shall be credited to, and losses thereon shall be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments shall mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the owner on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes hereof.

The principal of the investments and the interest, income, and profits received in respect thereof shall be applied as follows:

(i) all interest, income, and profits received in respect of the investment of the amounts on deposit in a Governmental Unit's Account in any of the Funds established under the Indenture shall (after deduction of any losses) be retained in the applicable Governmental Unit's Account from which the investment was derived (except as otherwise required with respect to the Agreement Reserve Fund and deposits to be made to the Rebate Fund); and

(ii) all interest, income, and profits received in respect of the investment of the amounts on deposit in the Revenue Fund, the Rebate Fund or the Bond Fund shall (after deduction of any losses) be retained in such Fund; and

(iii) whenever any other transfer or payment is required to be made from any particular Fund or Account, such transfer or payment shall be made from such combination of maturing principal, redemption, or repurchase prices, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any permitted investments to be redeemed, withdrawn, or sold, and any penalties, gains, or losses to be realized upon any such redemption, withdrawal, or sale.

The Trustee shall not be accountable for any depreciation in the value of the Permitted Investments or any losses incurred upon any authorized disposition thereof.

Method and Frequency of Valuation. In computing the amount in any fund or account, Permitted Investments shall be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there shall have been paid. or there shall be provisions for payment made to or for the holders and Owners of the Bonds, the principal of and premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein, and if there shall have been paid to the Trustee and any paying agents all sums of money due or to become due according to the provisions of the Indenture, then the presents and the estate and rights granted by the Indenture shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture and on demand of the NMFA shall execute such documents to evidence such release as shall be reasonably required by the NMFA and shall turn over to the NMFA all balances held by the Trustee under the Indenture (other than amounts required for return to the Governmental Units as provided in the Indenture).

Any Bond shall be deemed to be paid within the meaning of and for all purposes of the Indenture when (a) payment of the principal of and the applicable premium, if any, on such Bond, whether at maturity or prior redemption plus interest thereon to the due date thereof, either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent shall have irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) noncallable Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or noncallable Governmental Obligations.

All moneys so deposited with the Trustee (or other escrow agent) as provided in the defeasance provisions of the Indenture may at the direction of the NMFA also be invested and reinvested in noncallable Governmental Obligations, maturing in the amounts and at times as hereinbefore set forth, and all income from all noncallable Governmental Obligations in the hands of the Trustee which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Revenue Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

All moneys or noncallable Governmental Obligations set aside and held in trust pursuant to the defeasance provisions of the Indenture for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and noncallable Governmental Obligations have been so set aside in trust.

Neither the obligations nor the moneys deposited with the Trustee (or other escrow agent) pursuant to the defeasance provisions of the Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or redemption price of, and interest on, the Bonds or portions thereof.

Whenever moneys or obligations shall be deposited with the Trustee (or other escrow agent) for the payment or redemption of any Bonds more than sixty (60) days prior to the date that such Bonds are to mature or be redeemed, the Trustee shall mail a notice stating that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held, to all Owners of Bonds for the payment of which such moneys or obligations are being held.

No such deposit under the defeasance provisions of the Indenture shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an Approval of Bond Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Sections 148 of the Code.

If moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to the defeasance provisions of the Indenture for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture shall be made without the consent of the Registered Owner of each Bond affected thereby.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on any Series of Bonds shall be paid by a bond insurer with respect to such Series of Bonds pursuant to a municipal bond insurance policy, the Bonds of such Series shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the NMFA, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the NMFA to the Registered Owners of such Series of Bonds shall continue to exist and shall run to the benefit of such bond insurer, and such bond insurer shall be subrogated to the rights of such Registered Owners of such Series of Bonds.

Default Provisions and Remedies of the Trustee and Owners

Events of Default Defined. Each of the following events is an "Event of Default" under the Indenture:

(a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable, either at maturity or by proceedings for

redemption in advance of maturity or through failure to fulfill any payment to any fund hereunder or otherwise; or

(c) if the NMFA shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the NMFA, appointing a receiver or custodian for any of the Revenues of the NMFA, or approving a petition filed against the NMFA seeking reorganization of the NMFA under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the NMFA shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof; or

(e) if any proceeding shall be instituted, with the consent or acquiescence of the NMFA, for the purpose of effecting a composition between the NMFA and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(f) if (i) the NMFA is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the NMFA, a receiver, trustee or custodian of the NMFA or of the whole or any part of their property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the NMFA or of the whole or any substantial part of the property of the NMFA, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or the Indenture or any Supplemental Indenture on the part of the NMFA to be performed, other than as set forth above in this section and such Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the NMFA by the Trustee, which may give such notice in its discretion and shall give

such notice at the written request of the Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Remedies of the Trustee. If an Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name:

(a) by mandamus or other action or proceeding or suit at law or in equity enforce the rights of the Owners of the Bonds under the Indenture, including enforcing any rights under the Agreements and Security Documents and the provisions of the Indenture for the benefit of the Owners of the Bonds against the NMFA and any related Governmental Unit, and compel the NMFA and any related Governmental Unit, to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained in the Indenture or in any Agreement (including the appointment of a receiver); or

(b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) intervene in judicial proceedings that affect the Bonds, the Agreements or the security therefor; or

(d) exercise any or all remedies permitted under the Agreements or Security Documents; or

(e) cause the NMFA or any related Governmental Unit to account as if it were the trustee of an express trust for all of the Revenues or Agreement Pledged Revenues, pledged under the Indenture or pursuant to the Agreements and any Security Documents.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Owners, the Trustee, the Owners, the NMFA, and the Governmental Units shall be restored to the former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be extended without exhausting and without regard to any other remedy conferred by any law.

No Liability by the Governmental Units to the Owners. Except for the payment when due of the Loan Payments and the performance of the other agreements and covenants required to be performed by it contained in the Agreements and Security Documents, the Governmental Units will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Loan Payments, by the Trustee, or with respect to the performance by the NMFA of any right or obligation required to be performed by it contained in the Indenture or for the performance by any other Governmental Unit of such other Governmental Unit's obligations under an Agreement or Security Documents.

Limitation of Owners' Right to Bring Suit. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, for the appointment of a receiver or trustee or for any other remedy, at law or in equity, unless;

(a) such Owner has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Owners of not less than a majority of the aggregate principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee;

(c) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of interest on such Bond when due in accordance with the terms of the Bonds and the Indenture and the principal of such Bond at the stated maturity of the Bonds and to

institute suit for the enforcement of any such payment in accordance with the provisions of the Indenture and such rights shall not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding hereunder shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee, provided that such direction shall not be in conflict with any rule of law or with the Indenture or unduly prejudice the rights of minority Owners of Bonds.

Application of Funds Upon Default. All moneys received by the Trustee or by any receiver pursuant to any right given or action taken under the default provisions of the Indenture or under the provisions of the related Agreements, shall, after payment of the reasonable costs and fees of, and the reasonable expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys deposited to the Bond Fund for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee under the Indenture, shall be applied as follows;

Unless the principal of all Bonds shall have become due and payable, all such moneys shall be applied, as follows:

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

Second: To the payment to the persons or entity entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for prepayment for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on such Bonds at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons or entities entitled thereto without any discrimination or privilege;

Third: To be held for the payment to the persons entitled thereto as the same shall become due of the principal of, the premium, if any, and interest on the Bonds which may thereafter become due at maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest

then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

If the principal of all the Bonds shall have become due all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with the interest on overdue principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bonds over any other certificates, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such moneys it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such date and of the Special Record Date in accordance with the Indenture. The Trustee shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate principal amount of all the Bonds then outstanding in respect of which Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any Event of Default in the payment of the principal of any Bonds at the date of maturity specified therein, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Owners. The NMFA and the Trustee may, without consent of, or notice to, any of the Owners enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;

(b) To cure any ambiguity or formal defect or omission in the Indenture;

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee;

(d) To subject to the Indenture additional revenues, properties or collateral;

(e) To evidence the appointment of a separate Trustee or paying agent or the succession of a new Trustee or paying agent under the Indenture;

(f) To make any other change which in the judgement of the Trustee is not materially adverse to the interests of the Trustee or any of the Owners;

(g) To make any amendments with the prior written confirmation from the Rating Agency that such amendments will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment; and

(h) To add additional covenants of the NMFA or any Governmental Unit or to surrender any right or power conferred upon the NMFA in the Indenture or any Governmental Unit or to grant additional powers or rights to the Trustee.

Supplemental Indentures Requiring Consent of Owners. Exclusive of supplemental indentures covered by the foregoing section and subject to the following terms and provisions and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the NMFA and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the NMFA for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in this section or in the

foregoing section shall permit, or be construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond, or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures, or (v) permit the creation of any lien ranking prior to the lien of the Indenture on the Trust Estate or any part thereof, or (vi) deprive the Owner of any Bond then outstanding of the lien created by the Indenture on the Trust Estate without the prior consent of 100% of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which adversely affects the Trustee's rights, duties or immunities under the Indenture or the Agreements.

If at any time the NMFA shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given by registered or certified mail to the owner of each Bond shown by the list of Owners kept at the office of the Trustee. Such notices shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Owners. If, within one hundred twenty (120) days or such longer period as the holders of not less than a majority in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Governmental Units from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA shall have the right to amend an Agreement and any existing Security Documents with the Consent of the Trustee and the related Governmental Unit without Bond Owners' consent, for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred upon the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in the Indenture or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgement of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

(b) If the NMFA or a Governmental Unit propose to amend an Agreement or related Security Documents in a manner not contemplated by (a) above the Trustee shall notify the Owners of the Bonds of the proposed amendment and may consent thereto with the consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding.

Fees, Charges and Expenses of the Trustee

Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the Trustee's advances, fees, costs and expenses incurred.

Provisions Relating to Bond Insurance Policy

Any provision of the Indenture expressly recognizing or granting rights in or to Ambac may not be amended in any manner which affects the rights of Ambac without the prior written consent of Ambac.

Ambac's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture, (ii) removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

Any reorganization or liquidation plan with respect to the NMFA must be acceptable to Ambac. In the event of any reorganization or liquidation, Ambac shall have the right to vote on behalf of all bondholders who hold Series 1997 Bonds insured by Ambac absent a default by Ambac under the Municipal Bond Insurance Policy insuring the Series 1997 Bonds.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, Ambac Assurance shall be entitled to control and

direct the enforcement of all rights and remedies granted to the holders of the Series 1997 Bonds or the Trustee for the benefit of the holders of the Series 1997 Bonds under the Indenture absent a default by Ambac Assurance under the Municipal Bond Insurance Policy insuring the Series 1997 Bonds.

Ambac shall have the right to direct an accounting at the NMFA's expense, and the NMFA's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from Ambac Assurance shall be deemed a default under the Indenture; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Registered Owner of the Series 1997 Bonds.

APPENDIX C

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE

The following economic and demographic information is furnished for information only. The Bonds do not constitute a general obligation of the State and are special obligations of NMFA payable solely from the Trust Estate. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Generally

The State of New Mexico (the "State") was admitted as the forty-seventh state on January 6, 1912. It is the fifth largest state, containing approximately 121,593 square miles. The State's terrain varies widely and incorporates six of the seven life zones between its northern mountains and its arid southern plains.

The State's climate is characterized by sunshine and warm bright skies in both winter and summer. Every part of the State receives no less than 70% sunshine year-round. Humidity ranges from 60% (mornings) to 30% (afternoons). Evenings are crisp and cool in all seasons because of the low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of its moisture. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains).

Governmental Organization

The State's government consists of the three branches characteristic of the American political system: executive, legislative and judicial. The executive branch is headed by the Governor, who is elected for a four-year term. A governor may succeed himself in office only once. Following a reorganization plan implemented in 1978 to reduce and consolidate some 390 agencies, boards and commissions, the primary functions of the executive branch are now carried out by sixteen cabinet departments, each headed by a cabinet secretary appointed by the Governor.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected to four-year terms, members of the House to two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to sixty calendar days in odd-numbered years and thirty calendar days in even-numbered years. In addition, special sessions of the Legislature may be convened by the Governor under certain limited circumstances. Legislators receive no salary, but do receive per diem and mileage allowances while in session or on official State business.

The judicial branch is composed of a statewide system of Magistrate and District Courts, the Court of Appeals and the Supreme Court. The district court is the trial court of record with general jurisdiction.

Principal Economic Activities

In general, economic growth in the New Mexico economy appears to have stabilized and moderate growth is expected in the near term. Nonagricultural employment growth has remained very close to 2.0 percent in each of the five quarters ending with the second quarter of 1997, including 2.2 percent in the second quarter of 1997. Strong sectors in the second quarter were manufacturing (3.9%) and services (3.1%). It is anticipated that nonagricultural employment growth will remain very close to 2.0 percent each year through 1999 with services and manufacturing being the major sources of strength.

Major industries in the State include energy resources, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing, and mining. In 1994, the value of energy resources production (crude petroleum, natural gas, uranium, and coal) was approximately $4.13 billion. The mining industry employed about 15,700 New Mexicans in 1995. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy.

The State has a thriving tourist industry. In 1995 there were approximately 2.25 million visits to national parks and about 4.9 million visits to various parts of the State. According to a 1995 estimate by the New Mexico Economic Development Department, the State's tourist industry generated about $2.75 billion in revenue and the New Mexico Department of Labor reported more than 66,800 in tourist-related jobs.

Agriculture is a major part of the State's economy, with crop and livestock sales in excess of $1.84 billion in 1996. As a high, relatively dry region with extensive grasslands, the State is ideal for raising cattle, sheep and other livestock. Because of irrigation and a variety of climatic conditions, the State's farmers are able to produce a diverse assortment of quality products. The State's farmers are major producers of alfalfa hay, wheat, chile peppers, cotton, fruits and pecans. Agricultural businesses include chile canneries, wineries, alfalfa pellets, chemical and fertilizer plants, farm machinery, feed lots, and commercial slaughter plants.

Economic and Demographic Information

The State's population at the time of the official 1990 United States Census was 1,515,069. Set out below is certain historical population information and certain additional historical economic information concerning the State.

State of New Mexico
Population Trends

	New Mexico (000)		United States (000)		% Urban	
Year	Population	% Change	Population	% Change	New Mexico	U.S.
1970	1,017.1	6.9%	203,302	13.4%	69.8%	73.6%
1980	1,302.3	28.0	226,546	11.4	72.2	73.7
1990 (unadjusted)	1,515.1	16.3	248,710	9.8	73.0	75.2
1991	1,547.3	2.1	252,138	1.4	N/A	N/A
1992	1,581.5	2.2	255,093	1.2	N/A	N/A
1993	1,616.4	2.2	257,800	1.1	N/A	N/A
1994	1,655.2	2.4	260,350	1.0	N/A	N/A
1995	1,685.4	1.8	262,755	1.0	N/A	N/A
1996	1,713.4	1.7	265,283	1.0	N/A	N/A

Source: U.S. Department of Commerce, Bureau of the Census

State of New Mexico
Wages and Salaries by Industry Sector, 1986 and 1996
($ in millions)

	New Mexico		% Change		Distribution of 1996 Wages and Salaries	
	1986	1996	N.M.	U.S.	N.M.	U.S.
Totals	9,947.9	17,718.2	78.1	72.2	100.0%	100.0%
Farm	71.7	136.7	90.6	70.0	.77	.40
Agriculture	47.1	107.1	127.4	111.9	.60	.58
Mining	468.8	604.9	29.0	8.6	3.41	.76
Construction	619.5	1,063.4	71.7	52.7	6.00	4.75
Manufacturing	761.3	1,367.7	79.7	40.3	7.72	18.61
Durable*	544.1	1,015.0	86.5	36.4	5.73	11.47
Non-Durable*	217.2	352.7	62.4	47.1	1.99	7.14
Transportation	767.8	1,022.5	33.2	58.8	5.77	6.37
Wholesale	456.1	773.5	69.6	69.7	4.36	6.80
Retail	1,094.8	2,009.1	83.5	63.9	11.34	9.54
Finance, Insurance and Real Estate	493.6	831.4	68.4	87.1	4.69	4.36
Services	2,113.8	4,703.3	122.5	128.0	26.50	26.60
Government	3,052.8	5,071.1	66.1	64.3	28.60	17.45
Federal*	716.3	1,187.5	65.8	48.0	6.70	3.27
Military*	399.8	547.6	37.0	21.2	3.09	1.34
State and Local*	1,936.6	3,335.9	72.3	75.8	18.83	12.80

* The indented sectors are components of the encompassing sector immediately above.
Source: U.S. department of Commerce, Bureau of Economic Analysis

State of New Mexico
Civilian Labor Force, Employment and Unemployment
in New Mexico and the United States, 1982 through 1996

	Civilian Labor Force (000)		Number Employed (000)		Unemployment Rate		
Year	N.M.	U.S.	N.M.	U.S.	N.M.	U.S.	NM as % of U.S. Rate
1982	596	110,204	541	99,526	9.2%	9.7%	95%
1983	609	115,530	547	100,834	10.2	12.7	80
1984	628	113,544	581	105,005	7.5	7.5	100
1985	644	115,461	587	107,150	8.8	7.2	122
1986	678	117,834	616	109,597	9.2	7.0	131
1987	682	119,865	622	112,440	8.9	6.2	144
1988	688	121,669	635	114,968	7.8	5.5	142
1989	698	123,869	651	117,342	6.7	5.3	126
1990	708	125,840	662	116,793	6.5	5.6	116
1991	726	126,346	674	117,718	7.1	6.8	104
1992	741	128,105	689	118,462	7.0	7.5	93
1993	756	129,200	698	120,259	7.7	6.9	112
1994	775	131,065	726	123,060	6.3	6.1	103
1995	788	132,304	738	124,900	6.3	5.6	113
1996	780	133,944	735	126,708	5.8	5.4	107

Source: New Mexico Department of Labor, Economic Research and Analysis

State of New Mexico
Per Capita Personal Income in New Mexico
and the U.S., 1980-1996

Year	Per Capita Income		New Mexico as a % of U.S.	Annual % Change	
	New Mexico	U.S.		New Mexico	U.S.
1980	$ 8,147	$ 9,940	82%	10.0%	10.2%
1981	9,064	11,009	82	11.3	10.8
1982	9,604	11,583	83	6.0	5.2
1983	9,987	12,223	82	4.0	5.5
1984	10,648	13,332	80	6.6	9.1
1985	11,322	14,155	80	6.3	6.2
1986	11,562	14,906	78	2.1	5.3
1987	11,893	15,638	76	2.9	4.9
1988	12,554	16,610	76	5.6	6.2
1989	13,338	17,690	75	6.2	6.5
1990	14,213	18,667	76	6.6	5.5
1991	14,817	19,201	77	4.3	2.9
1992	15,516	20,146	77	4.7	4.9
1993	16,295	20,809	78	5.0	3.3
1994	17,025	21,699	78	4.5	4.3
1995	18,055	21,788	79	6.1	5.0
1996	18,803	24,426	77	4.0	12.0

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

State of New Mexico
Earnings Growth by Standard Industrial Classification
% Change, 1993-1996

	New Mexico	Southwest Region (1)	U.S.
Farm Earnings	(34.5)%	(46.4)%	8.9%
Nonfarm earnings	17.7	20.5	10.9
Private	19.2	22.0	11.7
Ag. Serv, Forestry & Fisheries	23.7	20.3	11.7
Mining	8.2	7.5	7.3
Construction	30.5	34.1	12.9
Manufacturing	22.8	21.8	7.1
Non-durable Goods*	20.5	18.7	5.4
Durable Goods*	23.8	24.1	8.2
Transportation & Public Utilities	8.1	17.8	9.5
Wholesale Trade	14.8	22.5	11.8
Retail Trade	18.9	20.6	9.1
Finance, Insurance, Real Estate	23.0	20.5	17.0
Services	19.6	24.1	14.7
Government	13.7	13.2	6.4
Federal, Civilian*	8.1	6.7	1.7
Military*	9.5	9.5	3.2
State & Local*	16.6	15.5	7.9
Total Earnings:	19.7	20.6	12.2

(1) Southwest Region: Defined by the U.S. Department of Commerce as Arizona, New Mexico, Oklahoma and Texas.

* The indented sectors are components of the encompassing sectors immediately above.

Source: Regional Economic Information System, Bureau of Economic Analysis

APPENDIX D

CERTAIN INFORMATION CONCERNING THE 1997 GOVERNMENTAL UNITS

This Appendix sets forth certain information concerning the 1997 Governmental Units. The information concerning each 1997 Governmental Unit was provided by the respective 1997 Governmental Unit and other sources believed to be reliable. While NMFA believes such information is a fair summary of the matters presented, NMFA cannot guarantee its accuracy or completeness. In addition, such information is current only as of the date of this Official Statement and is subject to change at any time.

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APPENDIX D-1

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OF THE STATE OF NEW MEXICO

Generally

The Energy, Minerals and Natural Resources Department ("EMNRD") is a cabinet-level department within the executive branch of government of the State of New Mexico (the "State") established by the State Legislature in 1987. It is administered by a cabinet Secretary who is appointed by the Governor with the consent of the State Senate. EMNRD consists of six divisions, including the State Parks Division (the "Division") which is responsible for developing, maintaining, managing and supervising all state parks and state-owned or state-leased recreation areas.

The 1997 Project

Pursuant to the Indenture, a portion of the proceeds of the Series 1997 Bonds are to be used to reimburse NMFA for the purchase by NMFA of the Division's $4,245,000 State Parks Division Revenue Bonds, Series 1997A (the "1997A Securities") and the Division's $471,667 State Park and Recreation Division Revenue Bonds, Series 1997B (the "1997B Securities"), which securities constitute an Additional Pledged Loan under the Indenture. The 1997A Securities and the 1997B Securities collectively are referred to in this Appendix D-1 as the "1997 Securities." The Division is to use the proceeds of the 1997 Securities to make various capital improvements within park and recreational facilities throughout the State. These improvements are expected to be the third in a series of four such capital improvement funding allocations to be supported through the issuance of securities (including Additional Pledged Loans) to the NMFA under the Public Project Revolving Fund Program. The improvements expected to be funded from the proceeds of the 1997 Securities include the following:

Park Name or Project Location	**Project Scope**
Caballeros State Park	restroom replacement and staff residence renovation
Conchas State Park	road improvements
Coronado State Park	office and maintenance facility renovation
Coyote Creek State Park	campground renovations and maintenance facility expansion
Elephant Butte State Park	restroom replacement
Hyde Memorial State Park	campground renovation and erosion control
Living Desert State Park	nocturnal exhibit renovation
Navajo State Park	campground utility extension

Oasis State Park	pond renovation
Oliver Lee State Park	ADA renovations
Rockhound State Park	visitor center and maintenance facility
Santa Rosa State Park	workshop and residence renovation
Starrie State Park	restroom replacement
Ute State Park	restroom replacement
Statewide	ADA modification, vault toilet replacements, furnishings and equipment, vehicle controls, campsite modernization, playground replacements and improvements and water and wastewater facility improvements

Security for Payments on 1997 Securities

Generally

25% of the net governmental gross receipts tax which is imposed pursuant to Section 7-1-6.38 NMSA 1978, is allocated to EMNRD. Of this 25% portion, 60% (the "EMNRD Portion of the Governmental Gross Receipts Tax") is distributed to the EMNRD for State park and recreational area capital improvements. The 1997 Securities will be secured by a first, but not necessarily an exclusively first, pledge of the EMNRD Portion of the Governmental Gross Receipts Tax collections. For certain information concerning the governmental gross receipts tax, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1997 BONDS - Revenues -The Governmental Gross Receipts Tax." NMFA believes that the EMNRD Portion of the Governmental Gross Receipts Tax will provide sufficient funds for the payment of the debt service on the 1997 Securities and all outstanding parity obligations, as due.

Set forth below is information concerning the EMNRD Portion of the Governmental Gross Receipts Tax for the fiscal years 1993-1994 through 1996-1997 and coverage of the State Parks Division's parity obligations to NMFA.

EMNRD Portions of the Governmental Gross Receipts Tax
Fiscal Years 1993-1994 through 1996-1997

	Fiscal Year 1993-1994	Fiscal Year 1994-1995	Fiscal Year 1995-1996	Fiscal Year 1996-1997
EMNRD Portion of the Government Gross Receipts Tax	$1,876,781	$2,029,502	$2,408,918	$2,456,767
Debt Service on Parity EMNRD Obligations to NMFA			314,753	585,550
Debt Service Coverage			7.65	4.20

Parity Obligations

As of the date of issuance of the Series 1997 Bonds the only other obligations payable from the EMNRD Portion of the Governmental Gross Receipts Tax on a parity with the 1997 Securities will be the 1997 Securities and the Division's State Parks Division Revenue Bonds, Series 1995A, Series 1995B, Series 1996A and Series 1996B currently outstanding in the aggregate principal amount of $7,230,862.

Pursuant to the proceedings authorizing the issuance of the 1997 Securities, additional parity objections may be issued if (i) all payments required to be made by the EMNRD into its accounts of the Debt Service Fund and the Agreement Reserve Fund have been made; (ii) no default exists in connection with any of the covenants or requirements set forth in such proceedings; (iii) the EMNRD Portion of the Governmental Gross Receipts Tax received or credited to the Division for the fiscal year, or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such parity obligations, shall have been sufficient to pay an amount representing 135% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor); and (iv) an appropriately pledged reserve fund for such parity obligations has been provided for and funded. The Division may not issue bonds or other obligations payable from the EMNRD Portion of the Governmental Gross Receipts Tax having a lien thereon prior and superior to the 1997 Securities.

Economic and Demographic Information

For certain economic and demographic information concerning the State, see Appendix C, "CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE."

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APPENDIX D-2

MCKINLEY COUNTY

Generally

McKinley County was established by the laws of the territory of New Mexico in 1899. It comprises approximately 5,442 square miles and is located in northwest New Mexico, on the border with Arizona. The county seat is located in the City of Gallup, approximately 138 miles west of Albuquerque.

The County operates under a Commission-Manager form of government and is governed by the Board of Commissioners, comprised of three members. Commissioners are elected for a four-year term, and the Chairman is elected for a one-year term. The City Manager is appointed by the Board of Commissioners.

The 1997 Project

The NMFA Loan Agreement dated October 30, 1997, financed a portion of the acquisition and construction of a Regional Juvenile Detention Center which includes a 16-bed secured detention facility, a 12-bed non-secured short-term shelter, a day school, administrative offices, and an outdoor recreational area. The operation and maintenance of the facility will be provided by Northwest New Mexico Regional Juvenile Services Authority under a joint powers agreement between Cibola County, San Juan County, and McKinley County. The facility will be utilized by all three counties. Cibola County and San Juan County intend to participate as users of the regional juvenile detention facility and will make payments to McKinley County for their share of detainees' costs.

McKinley County had previously paid a portion of the costs of the project out of its Solid Waste Fund and passed a resolution declaring their intent to reimburse the Solid Waste Fund with the proceeds of the loan agreement. The proceeds of the Loan Agreement will be used to pay the previously paid but unreimbursed costs of construction and acquisition of the Regional Juvenile Detention Center.

Security for Loan Payments

Generally

McKinley County has pledged the revenues attributable to the first one-eighth of one percent increment of the county gross receipts tax transferred to the County pursuant to Section 7-1-6.13, NMSA 1978 (herein "First One-Eighth GRT"), and any distribution related to the first one-eighth of one percent made pursuant to Section 7-1-6.16, NMSA 1978 (herein "Equalization Distribution"), which county gross receipts tax is imposed on all persons engaging in business within the County pursuant to Ordinance No. 07-88-031 and Resolution No. SEP-88-172, and as

authorized by Sections 7-20E-1 through 7-20E-18 NMSA, 1978, as amended, (1) which tax equals, subject to the exemptions specified in Sections 7-20E-4(A) and 7-20E-5, NMSA 1978, and the deductions referred to in Sections 7-20E-7, NMSA 1978, one-eighth of one percent of the gross receipts of all persons engaging in the business in the County for the privilege of engaging in business in County, and (2) which amounts are collected and, after any deduction for administrative costs and any disbursements for tax credits, refunds and the payment of interest applicable to such gross receipts tax and subject to any increase or decrease pursuant to Section 7-1-6.15, NMSA 1978, are distributed by the Taxation and Revenue Department of the State of New Mexico to the County.

The lien of McKinley County's Loan Agreement on its First One-Eighth GRT and Equalization Distribution revenues is on a parity with the lien thereon of its outstanding McKinley County, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 1996B (the "Series 1996B Bonds") outstanding in the aggregate principal amount of $1,545,000.

Additional Parity Obligations

Pursuant to its Loan Agreement, McKinley County may enter into or issue obligations payable from its First One-Eighth GRT and Equalization Distribution on a parity with the lien thereon of the Loan Agreement upon satisfaction of the following requirements:

> (i) McKinley County is current in all of the accumulations required to be made into the Debt Service Account and the Agreement Reserve Account as provided in the Loan Agreement.
>
> (ii) No default exists in connection with any of the covenants or requirements of its Loan Agreement or the resolution approving its Loan Agreement.
>
> (iii) The First One-Eighth GRT and Equalization Distribution revenues received by or credited to McKinley County for the current fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing one hundred fifty percent (150%) of the maximum aggregate annual debt service requirement on the outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

McKinley County's Loan Agreement does not prevent the County from issuing bonds or other obligations payable from the First One-Eighth GRT and Equalization Distribution revenues which are subordinate or junior to the lien thereon of the Loan Agreement.

APPENDIX D-3

SIERRA COUNTY

Generally

Sierra County was established in 1884. Sierra County comprises approximately 4,219 square miles. The county seat is located in Truth or Consequences, New Mexico situated approximately 145 miles south of Albuquerque, New Mexico.

The 1997 Project

The proceeds of the NMFA Loan Agreement dated September 3, 1997, funded the acquisition and equipping of Sierra Vista Hospital, an acute care hospital located in Truth or Consequences, New Mexico, from Adventist Health System/Sunbelt Inc. Sierra County and the Village of Williamsburg entered into a joint powers agreement and established a joint powers commission comprised of the Sierra County Commissioners and the Village of Williamsburg Board of Trustees for the purpose of providing adequate and appropriate hospital facilities for the citizens of and visitors to Sierra County.

Security for Loan Payments

Generally

Sierra County has pledged the amounts of money derived from the one-fourth of one percent county hospital emergency gross receipts tax imposed by the County pursuant to Section 7-20E-12.1, NMSA 1978 and County Ordinance No. 94-003 as amended by County Ordinance No. 97-005 on any persons engaging in business in the County subject to any increase or decrease made pursuant to Section 7-1-6.15 NMSA 1978, and after disbursement for tax credits, refunds, payments or interest and administrative costs (herein "CHEGRT").

As of September 3, 1997, Sierra County did not have any other outstanding obligations payable from its CHEGRT.

Additional Parity Obligations

Pursuant to its Loan Agreement, Sierra County may enter into or issue obligations payable from its CHEGRT on a parity with the lien thereon of its obligations under the Loan Agreement upon satisfaction of the following requirements:

> (i) Sierra County is then current in all of the accumulations required to be made into the Debt Service Account and Loan Agreement Reserve Account as provided in the Loan Agreement.

(ii) No default exists in connection with any of the covenants or requirements of the Loan Agreement or the ordinance approving the Loan Agreement.

(iii) The CHEGRT revenues received by or credited to Sierra County for the immediately preceding fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing one hundred twenty percent of the maximum aggregate annual debt service on the Loan Agreement, other then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

Sierra County's Loan Agreement does not prevent the County from issuing bonds or other obligations payable from the CHEGRT revenues which are subordinate or junior to the lien thereon of the Loan Agreement.

APPENDIX D-4

CITY OF ESPAÑOLA

Generally

The City of Española ("Española") was founded in 1880 and incorporated in 1925. It is located on the Rio Grande, between the Sangre de Cristo and Jemez Mountain ranges approximately 25 miles north of Santa Fe, and is in both Rio Arriba and Santa Fe Counties. Española is the principal trading center for the surrounding area and is the center of the Indian Pueblo country. The City is located at the junction of U.S. Highways 84 and 285 which are principal transportation routes in northern New Mexico.

Española has a Mayor/Council form of government with a Mayor and an eight-member City Council elected at large for four-year terms which are staggered. Nonpartisan elections are held biannually. A City Manager is appointed by the City Council to act as chief administrative officer of the City.

The 1997 Project

Española financed two projects with the proceeds from its NMFA Loan Agreement dated September 5, 1997. The City financed extensions to water and sewer lines in and around the City's Johnny Roybal Industrial Park. In addition, a portion of the proceeds of the Loan financed unrelated street improvements including asphaltic paving, curbs, and gutters.

Security for Loan Payments

Generally

Under the Loan Agreement, Española has pledged the amounts of money derived from the gross receipts tax imposed by (1) the State of New Mexico on all persons engaging in business in New Mexico levied pursuant to Section 7-9-4, NMSA 1978, which (a) are distributed monthly by the Taxation and Revenue Department of the State of New Mexico to the City as authorized by Sections 7-1-6.1 and 7-1-6.4, NMSA 1978, and (b) which distributions are equal to the product of (i) the quotient of 1.225% divided by the New Mexico gross receipts tax rate imposed by Section 7-9-4, NMSA 1978, and (ii) such taxes paid by taxpayers to the Taxation and Revenue Department attributable to businesses located within the municipal boundaries of the City and on land outside those boundaries owned by the City, for the month for which the distribution is made, subject to any increase or decrease made pursuant to Section 7-1-6.15, NMSA 1978, and after disbursement of tax credits, refunds, payments of interest and administrative costs (herein "State Shared GRT"); and (2) the City on all persons engaging in business in the Española pursuant to Sections 7-1-6.1 and 7-1-6.12, NMSA 1978, and Sections 7-19D-1 through 7-19D-11, NMSA 1978 and Ordinance Nos. 350, 386, and 406 in the total amount of 0.75% of the gross receipts of a person engaging in business in Española, subject to any increase or decrease made pursuant to Section 7-1-6.15, NMSA 1978, and after any

disbursements for tax credits, refunds, payments of interest and administrative costs (herein "Municipal GRT").

The lien of Española's Loan Agreement on its State Shared GRT and Municipal GRT is on a parity with the lien thereon of its outstanding City of Española, New Mexico Gross Receipts Tax Refunding and Improvement Revenue Bonds, Series 1994 (the "Series 1994 Bonds") outstanding in the aggregate principal amount of $6,910,000. As of September 5, 1997, other than the Series 1994 Bonds and the Loan Agreement, Española did not have any additional obligations payable from its State Shared GRT and Municipal GRT revenues. Española intends to enter into a taxable loan agreement with the NMFA in the approximate principal amount of $455,556 payable from its State Shared GRT and Municipal GRT revenues on a parity with the lien thereon of its NMFA Loan Agreement and Series 1994 Bonds.

Additional Parity Obligations

Pursuant to its Loan Agreement, Española may enter into or issue obligations payable from its State Shared GRT and Municipal GRT on a parity with its obligations under its Loan Agreement upon the satisfaction of the following requirements:

> (i) It is current in all of the accumulations required to be made into the Debt Service Account and Loan Agreement Reserve Account as provided in its Loan Agreement;
>
> (ii) No default exists in connection with any of the covenants or requirements of its Loan Agreement or the ordinance approving its Loan Agreement.
>
> (iii) The State Shared GRT and Municipal GRT revenues received by or credited to Española for the current fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing two hundred percent (200%) of the combined maximum annual principal and interest requirements coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding accumulation of any reserves therefor).

Española's Loan Agreement does not prevent the City from issuing bonds or other obligations payable from the State Shared GRT and Municipal GRT revenues which are subordinate or junior to the lien thereon of the Loan Agreement.

APPENDIX E

FORMS OF OPINIONS OF CO-BOND COUNSEL

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APPENDIX E

FORM OF OPINION OF BALLARD SPAHR ANDREWS & INGERSOLL

December_, 1997

New Mexico Finance Authority
1751 Old Pecos Trail, Suite L
Santa Fe, New Mexico 87505

First Security Bank of New Mexico, N.A.
Corporate Trust Department
40 First Plaza
3rd Floor
Albuquerque, New Mexico 87102

Re: $8,585,000 New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 1997

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 1997 in the aggregate principal amount of $8,585,000 (the "Series 1997 Bonds"). The Series 1997 Bonds are being issued for the purpose of providing funds (i) to reimburse the NMFA for loans that it made to certain Governmental Units (the "Governmental Units") within the State of New Mexico (the "State") to finance public projects authorized by law for the use and benefit of the Governmental Units, and (ii) to pay costs of issuance.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 et. seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 1997 Bonds are authorized under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 as heretofore amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Seventh Supplemental Indenture of Trust dated as of December 1, 1997 (the "Seventh Supplemental Indenture", and collectively with the General Indenture, the "Indenture"). Under the General Indenture, the NMFA has previously issued its Public Project Revolving Fund Revenue Bonds, Series 1995A and its Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B (collectively, the "Series 1995 Bonds"), and its Public Project Revolving Fund Revenue Bonds, Series 1996A and its Public Project Revolving Fund Revenue Bonds, Taxable Series 1996B

(collectively, the "Series 1996 Bonds", and together with the Series 1995 Bonds and the Series 1997 Bonds, the "Bonds"). The Series 1997 Bonds are issued and secured on a parity with the Series 1995 Bonds and Series 1996 Bonds. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, an opinion of the Attorney General of the State, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 1996A Bonds. The NMFA and the Governmental Units have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 1997 Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Series 1997 Bonds. We have assumed continuing compliance by the NMFA and the Governmental Units with such requirements and restrictions in rendering our opinion regarding the tax exempt status of interest on the Series 1997 Bonds.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, it is our opinion that:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 1997 Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged therefor under the Indenture to secure the payment of the principal of and interest on the Bonds subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 1997 Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a general obligation or other indebtedness of the State or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

4. Based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, compliance with certain covenants, interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

5. Under the laws of the State as enacted and construed on the date hereof, interest on the Series 1997 Bonds is excluded from net income of the owners thereof for State income tax purposes.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 1997 Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) although we have rendered an opinion that interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 1997 Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1997 Bonds; and

(c) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 1997 Bonds or any other offering material relating to the Series 1997 Bonds and we express no opinion relating thereto. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters

Respectfully submitted,

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FORM OF CO-BOND COUNSEL OPINION OF
MODRALL, SPERLING, ROEHL, HARRIS & SISK, P.A.

New Mexico Finance Authority
1751 Old Pecos Trail, Suite L
Santa Fe, New Mexico 87505

First Security Bank of New Mexico, N.A.
Corporate Trust Department
40 First Plaza, 3rd Floor
Albuquerque, New Mexico 87102

Re: $8,585,000 New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 1997

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 1997 in the aggregate principal amount of $8,585,000 (the "Series 1997 Bonds"). The Series 1997 Bonds are being issued for the purpose of providing funds (i) to reimburse the NMFA for loans made by the NMFA to finance public projects as authorized by law for the use and benefit of McKinley County, Sierra County, the City of Española and the State Parks Division of the New Mexico Energy, Minerals and Natural Resources Department (the "1997 Governmental Units") within the State of New Mexico (the "State"), (ii) to reimburse the NMFA for deposits made to the 1997 Governmental Units' accounts within the Agreement Reserve Fund and (iii) to reimburse the NMFA for deposits made for costs of issuance and to pay a portion of the costs of issuance of the Series 1997 Bonds.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 et. seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 1997 Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 (the "General Indenture") as previously amended and supplemented between the NMFA and a predecessor trustee, and the Seventh Supplemental Indenture of Trust dated as of December 1, 1997 (the "Seventh Supplemental Indenture") between the NMFA and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico (the "Trustee"), (collectively, the "Indenture"). Under the General Indenture, the NMFA has previously issued its Public Project Revolving Fund Revenue Bonds, Series 1995A (the "Series 1995 Bonds"), its Public Project Revolving Fund Revenue Bonds, Series 1996A, its Public Project Revolving Fund Revenue Bonds, Taxable Series 1996B (the "Series 1996 Bonds", and collectively with the Series 1995 Bonds and the Series 1997 Bonds, the "Bonds"). The Series 1997 Bonds are issued and secured on a parity with the Series 1995 Bonds and the Series 1996 Bonds. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, an opinion of counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, it is our opinion that:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 1997 Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged therefor under the Indenture, to secure the payment of the principal of and interest on Bonds subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 1997 Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a debt or liability of the State of New Mexico or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 1997 bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Series 1997 Bonds; and

(c) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 1997 Bonds or any other offering material relating to the Series 1997 Bonds and we express no

opinion relating thereto. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Respectfully submitted,

Modrall, Sperling, Roehl, Harris & Sisk, P.A.

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APPENDIX F

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

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Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer

SPECIMEN

NEW ISSUE – BOOK ENTRY ONLY

Ratings: Moody's: Aaa
S&P: AAA
Fitch: AAA
(See "Ratings" Herein)

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 1999A Bonds and Series 1999B Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. ALSO, IN THE OPINION OF SUCH CO-BOND COUNSEL, INTEREST ON THE TAXABLE SERIES 1999C BONDS AND TAXABLE SERIES 1999D BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. In the opinion of such Co-Bond Counsel, under existing laws, interest on the Series 1999 Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes. Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1999 Bonds. See "TAX MATTERS."

NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
$13,135,000 SERIES 1999A
$3,025,000 SERIES 1999B

NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
$2,265,000 TAXABLE SERIES 1999C
$4,875,000 TAXABLE SERIES 1999D

Dated: January 1, 1999

Due: June 1, as shown on inside front cover

The New Mexico Finance Authority's Public Project Revolving Fund Revenue Bonds, Series 1999A and Series 1999B and Taxable Series 1999C and Taxable Series 1999D (collectively, the "Series 1999 Bonds"), are being issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Depository Trust Company will act as securities depository for all of the Series 1999 Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each series and maturity of the Series 1999 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 1999 Bonds will be made in book-entry form only, and beneficial owners of the Series 1999 Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Series 1999 Bonds.

The Series 1999 Bonds will be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995, as previously amended and supplemented, and as amended and supplemented by a Fifteenth Supplemental Indenture of Trust, dated as of January 1, 1999 (collectively, the "Indenture"), between the New Mexico Finance Authority and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico (successor to prior trustees), as Trustee. Principal of and interest (and premium, if any) on the Series 1999 Bonds will be payable to DTC, or its nominee, as owner of the Series 1999 Bonds, by the Trustee. Interest on the Series 1999 Bonds is payable on June 1 and December 1 of each year, commencing June 1, 1999, as more fully described herein. Principal of the Series 1999 Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedule set forth on the inside front cover.

SEE MATURITY SCHEDULES
ON INSIDE FRONT COVER

The Series 1999 Bonds are subject to optional and mandatory redemption, and mandatory sinking fund redemption prior to maturity as more fully described herein.

The Series 1999 Bonds are being issued by the NMFA to reimburse the Public Project Revolving Fund for loans made by the NMFA to the 1999 Governmental Units, to reimburse the Public Project Revolving Fund for deposits made to certain 1999 Governmental Units' accounts within the Agreement Reserve Fund and to reimburse the NMFA for and to finance the costs of issuance of the Series 1999 Bonds. The principal of, premium, if any, and interest on the Series 1999 Bonds are payable solely from and secured solely by the Trust Estate, which includes the NMFA Portion of the Governmental Gross Receipts Tax, certain amounts payable pursuant to agreements between the NMFA and the 1999 Governmental Units and other Governmental Units heretofore or hereafter entering into agreements with NMFA and certain moneys in funds and accounts described herein. Parity bonds have heretofore been issued and may hereafter be issued pursuant to the Indenture with a lien on the Trust Estate on a parity with the lien of the Series 1999 Bonds.

The Series 1999 Bonds are special, limited obligations of the NMFA, payable, together with additional Bonds heretofore or hereafter issued, solely from and secured solely by the Trust Estate pledged under the Indenture. The Series 1999 Bonds do not constitute nor create a general obligation or other indebtedness of the State of New Mexico or (except as expressly provided in an Agreement) any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 1999 Bonds or the Indenture is to be construed or interpreted as creating a delegation of governmental powers or as a donation by or lending of the credit of the NMFA, the State or any Governmental Unit within the meaning of the State Constitution.

Payment of principal of and interest on the Series 1999 Bonds when due will be insured under separate insurance policies to be issued concurrently with the delivery of the Series 1999 Bonds by MBIA Insurance Corporation.

MBIA

The NMFA has undertaken, for the benefit of owners of the Series 1999 Bonds, to provide certain annual and periodic disclosure as described herein under the caption "CONTINUING DISCLOSURE UNDERTAKING."

Certain legal matters will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Co-Bond Counsel, Albuquerque, New Mexico. Certain legal matters, including certain legal matters with respect to the tax status of the interest paid on the Series 1999 Bonds, will be passed on by Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, Salt Lake City, Utah. Certain legal matters will be passed on for the NMFA by the Office of the Attorney General of the State of New Mexico and for the Underwriters by Squire, Sanders & Dempsey L.L.P. Certain legal matters relating to the 1999 Governmental Units will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A. Clancy, Gardiner & Pierce, LLC has acted as financial advisor to the NMFA in connection with the Series 1999 Bonds. It is expected that a single certificate for each maturity of each series of the Series 1999 Bonds will be issued to DTC in New York, New York on or about January 26, 1999. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in Series 1999 Bonds.

DAIN RAUSCHER INCORPORATED
GEORGE K. BAUM & COMPANY
JOHN NUVEEN & CO. INC.

The date of this Official Statement is January 14, 1999.

Maturity Schedules

New Mexico Finance Authority
Public Project Revolving Fund
Revenue Bonds

$13,135,000 Series 1999A

$12,285,000 Serial Bonds

Year (June 1)	Principal Amount	Interest Rate	Price or Yield	Year (June 1)	Principal Amount	Interest Rate	Price or Yield
1999	$575,000	4.25%	3.10%	2008	$845,000	5.00%	4.30%
2000	580,000	4.25	3.25	2009	780,000	4.35	4.40
2001	610,000	4.25	3.60	2010	815,000	4.45	4.50
2002	635,000	4.25	3.75	2011	850,000	4.55	4.60
2003	655,000	4.25	3.85	2012	890,000	4.65	4.70
2004	695,000	5.00	3.95	2013	930,000	4.75	4.80
2005	720,000	5.00	4.05	2014	360,000	4.80	4.90
2006	765,000	5.00	4.15	2015	380,000	4.75	4.95
2007	800,000	5.00	4.25	2016	400,000	4.75	5.00

$850,000 Series 1999A Term Bonds due June 1, 2018 at 4.75% Price 95.958

$3,025,000 Series 1999B

$2,635,000 Serial Bonds

Year (June 1)	Principal Amount	Interest Rate	Price or Yield	Year (June 1)	Principal Amount	Interest Rate	Price or Yield
1999	$175,000	3.15%	100%	2008	$160,000	4.40%	100%
2000	120,000	3.30	100	2009	130,000	4.50	4.55
2001	120,000	3.65	100	2010	135,000	4.60	4.65
2002	125,000	3.80	100	2011	140,000	4.70	4.75
2003	135,000	3.90	100	2012	150,000	4.80	4.85
2004	135,000	4.05	100	2013	155,000	4.90	4.95
2005	140,000	4.15	100	2014	165,000	5.00	5.05
2006	145,000	4.25	100	2015	175,000	5.00	5.10
2007	150,000	4.35	100	2016	180,000	5.00	5.15

$390,000 Series 1999B Term Bonds due June 1, 2018 at 5.00% Price 97.215

$2,265,000 Taxable Series 1999C

$1,930,000 Serial Bonds

Year (June 1)	Principal Amount	Interest Rate	Price or Yield	Year (June 1)	Principal Amount	Interest Rate	Price or Yield
1999	$140,000	4.95%	4.98%	2006	$190,000	6.00 %	100 %
2000	145,000	5.15	100	2007	205,000	6.05	100
2001	150,000	5.30	100	2008	215,000	6.05	6.07
2002	155,000	5.45	100	2009	50,000	6.05	6.10
2003	165,000	5.50	100	2010	50,000	6.10	6.125
2004	170,000	5.65	100	2011	55,000	6.125	6.15
2005	180,000	5.85	100	2012	60,000	6.15	6.20

$335,000 Taxable Series 1999C Bonds due June 1, 2018 at 6.60% Price 98.913

$4,875,000 Taxable Series 1999D

$3,610,000 Serial Bonds

Year (June 1)	Principal Amount	Interest Rate	Price or Yield	Year (June 1)	Principal Amount	Interest Rate	Price or Yield
1999	$240,000	4.95%	4.98%	2006	$335,000	6.05%	6.10%
2000	245,000	5.20	100	2007	360,000	6.15	6.17
2001	260,000	5.35	100	2008	380,000	6.15	6.18
2002	270,000	5.50	100	2009	140,000	6.20	6.23
2003	285,000	5.50	5.55	2010	150,000	6.25	6.28
2004	300,000	5.65	5.70	2011	160,000	6.30	6.33
2005	320,000	5.90	5.95	2012	165,000	6.30	6.38

$1,265,000 Taxable Series 1999D Bonds due June 1, 2018 at 6.80% Price 99.033

(Accrued Interest from January 1, 1999)

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No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 1999 Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the NMFA or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been obtained from the NMFA, the 1999 Governmental Units and other sources which are believed to be reliable, but it is not guaranteed as to completeness or accuracy by, and is not to be construed as a representation by, the Underwriters. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the NMFA, the 1999 Governmental Units or others since the date hereof.

THE PRICES AT WHICH THE SERIES 1999 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE INSIDE FRONT COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE SERIES 1999 BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 1999 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Series 1999 Bonds have not been registered under the Securities Act of 1933, nor has the Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such Acts. The registration and qualification of the Series 1999 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 1999 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 1999 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

NEW MEXICO FINANCE AUTHORITY
1751 Old Pecos Trail, Suite L
Santa Fe, New Mexico 87505
telephone: (505) 984-1454
telecopy: (505) 984-0002

Board of Directors

Robert M. Goodman, Chairman
Jack A. Martines, Vice Chairman
William F. Fulginiti, Secretary
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Danny K. Earp
John Garcia
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Executive Director

Tom K. Pollard, Ph.D.

NMFA Counsel

Office of the Attorney General
State of New Mexico

Financial Advisor

Clancy, Gardiner & Pierce, LLC
Portland, Oregon

Co-Bond Counsel

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
Albuquerque, New Mexico

Ballard Spahr Andrews & Ingersoll, LLP
Salt Lake City, Utah

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OFFICIAL STATEMENT

NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
$13,135,000 SERIES 1999A
$ 3,025,000 SERIES 1999B

NEW MEXICO FINANCE AUTHORITY
PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS
$2,265,000 TAXABLE SERIES 1999C
$4,875,000 TAXABLE SERIES 1999D

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale of the Public Project Revolving Fund Revenue Bonds, Series 1999A (the "Series 1999A Bonds"), Series 1999B (the "Series 1999B Bonds"), Taxable Series 1999C (the "Taxable Series 1999C Bonds") and Taxable Series 1999D Bonds (the "Taxable Series 1999D Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 1999A Bonds, Series 1999B Bonds, Taxable Series 1999C Bonds and Taxable Series 1999D Bonds are collectively referred to herein as the "Series 1999 Bonds". The Series 1999 Bonds, together with additional bonds heretofore or hereafter issued on a parity therewith, are collectively referred to herein as the "Bonds." Capitalized terms used herein and not defined have the meanings specified in the General Indenture of Trust and Pledge dated as of June 1, 1995, as heretofore supplemented and amended (the "General Indenture") between the NMFA and a predecessor trustee, and the Fifteenth Supplemental Indenture of Trust dated as of January 1, 1999 (the "Supplemental Indenture") between the NMFA and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico (the "Trustee") supplementing the General Indenture and are set forth under "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - CERTAIN DEFINITIONS" in Appendix B hereto. The General Indenture and the Supplemental Indenture are collectively referred to herein as the "Indenture". See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 1999 Bonds to potential investors is made only by means of the entire Official Statement.

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality created to coordinate the planning and financing of state and local public projects. The NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the State, except that a legislative oversight committee is empowered to monitor and oversee its operations. For additional information concerning the

NMFA, see "NEW MEXICO FINANCE AUTHORITY" herein and the financial statements included as Appendix A hereto.

Purposes of the Series 1999 Bonds; The 1999 Governmental Units; Other Governmental Units;

Proceeds from the sale of the Series 1999 Bonds will be used to reimburse NMFA (i) for loans made by NMFA (the "1999 Loans") to Doña Ana County, the City of Clovis, the City of Raton, the City of Española, the Village of Logan, West Hammond Domestic Water Consumers and Mutual Sewage Works Association and Lee Acres Water Users Cooperative Association, Inc., North Star Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc., Lower Valley Water Users Cooperative Association, and the Northwest New Mexico Solid Waste Disposal Authority comprised of the County of McKinley, the County of Cibola, the City of Gallup, the City of Grants and the Village of Milan, and (ii) for securities (the "1999 Securities") purchased by NMFA from the State Parks Division of the Energy, Minerals and Natural Resources Department of the State and the State of New Mexico Interstate Stream Commission. The 1999 Loans and 1999 Securities provided funds to such participating governmental entities (the "1999 Governmental Units") to pay for all or a portion of the costs of certain projects (the "1999 Projects"), as more fully described herein. Proceeds will also be used to reimburse NMFA for deposits made to certain 1999 Governmental Units' accounts within the Agreement Reserve Fund and for the payment of and the reimbursement of NMFA for payment by NMFA of costs of issuance of the Series 1999 Bonds. For certain information concerning the 1999 Governmental Units and their respective 1999 Projects see "THE PLAN OF FINANCING" herein and "CERTAIN INFORMATION CONCERNING THE 1999 GOVERNMENTAL UNITS" in Appendix D hereto. The 1999 Governmental Units have each executed an individual loan agreement (the "1999 Loan Agreements") or have issued 1999 Securities, as appropriate (collectively the "1999 Agreements"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The 1999 Agreements, together with loan agreements, grant agreements and securities relating to parity bonds heretofore or hereafter issued, are referred to herein as the "Agreements." The 1999 Governmental Units together with other governmental units heretofore or hereafter entering into Agreements are herein collectively referred to as "Governmental Units."

Parity Bonds have previously been issued to provide loans and grants to and to purchase securities from certain other Governmental Units. See "PLAN OF FINANCING - Governmental Units and Projects". For a description of the parity bonds currently outstanding, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" - Outstanding Parity Bonds.

Authority for Issuance

The Series 1999 Bonds are being issued under the authority of and pursuant to the laws of the State of New Mexico, including particularly the New Mexico Finance Authority Act, Section 6-21-1 et seq., NMSA 1978, as amended (the "Act"), and the Indenture. For a description of the Public Project Revolving Fund Program, see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein.

Terms of the Series 1999 Bonds

Payments

The Series 1999 Bonds will be dated January 1, 1999. Interest on the Series 1999 Bonds is payable on June 1 and December 1 of each year, commencing June 1, 1999. The Series 1999 Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear the interest rates shown on the inside front cover hereof.

Denominations

The Series 1999 Bonds are issuable in denominations of $5,000 or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only, and purchasers of the Series 1999 Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 1999 Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 1999 Bonds, all as more fully described in "THE SERIES 1999 BONDS - Book-Entry-Only System." *When reading this Official Statement, it should be understood that while the Series 1999 Bonds are in book-entry-only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participants (as hereinafter defined) and indirect participants acquire an interest in the Series 1999 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system as described more fully herein, and (ii) notices that are to be given to Owners by the NMFA, the Trustee, the Registrar or the Paying Agent will be given only to DTC.*

Redemption of the Series 1999 Bonds

The Series 1999 Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity. See "THE SERIES 1999 BONDS - Redemption of the Series 1999 Bonds."

Security and Sources of Payment for the Bonds

Special, Limited Obligations

The Bonds are special, limited obligations of the NMFA payable solely from the Trust Estate, which includes the Revenues and certain funds and accounts created and maintained pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Special, Limited Obligations."

Revenues

Revenues are defined by the General Indenture to mean: (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund). For a description of the Agreements, the NMFA Portion of the Governmental Gross Receipts Tax and the Additional Pledged Loans, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues." For a description of the funds and accounts created by the Indenture see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Flow of Funds." See also "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto.

Additional Bonds

The NMFA must meet certain requirements prior to the issuance of Additional Bonds or other obligations with a lien on the Trust Estate on a parity with the lien of the Series 1999 Bonds. For a description of these requirements, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Bonds." For a discussion of the outstanding parity Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Outstanding Parity Bonds." The NMFA may not issue bonds or other indebtedness payable with a priority senior to the lien on the Trust Estate for the payment of the Bonds without the written consent of 100% of the owners of Outstanding Bonds. The NMFA may issue, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinate to that of the Series 1999 Bonds.

Bond Insurance

For information concerning MBIA Insurance Corporation and the separate Financial Guaranty Insurance Policies to be issued for each series of the Series 1999 Bonds see "BOND INSURANCE" herein. See Appendix F for a specimen of the Financial Guaranty Insurance Policy.

Continuing Disclosure

The NMFA has undertaken for the benefit of the Bondowners that; so long as the Series 1999 Bonds remain outstanding, the NMFA will provide certain annual financial information with respect to NMFA and any Governmental Unit whose repayment obligations to the NMFA will represent more than 5% of the estimated annual Revenues for any year during which the Series 1999 Bonds are outstanding to each nationally recognized municipal securities information repository and notice of certain material events to the Municipal Securities Rulemaking Board (the "MSRB") in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as described in "CONTINUING DISCLOSURE UNDERTAKING."

Continuing disclosure undertakings previously entered into by NMFA called for it to file an annual report and audit with respect to the Fiscal Year ended June 30, 1997 no later than 270 days after the end of such fiscal year. NMFA recently discovered that such report and audit had not yet been filed. On November 25, 1998, NMFA notified the MSRB of its failure to file the report and audit and by December 15, 1998, such report and audit had been filed with the NRMSIRs. NMFA believes that it is now in compliance with its continuing disclosure undertakings.

Tax Considerations

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Series 1999A Bonds and Series 1999B Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

IN THE OPINION OF BALLARD SPAHR ANDREWS & INGERSOLL, LLP, CO-BOND COUNSEL, INTEREST ON THE TAXABLE SERIES 1999C BONDS AND THE TAXABLE SERIES 1999D BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.

In the opinion of such Co-Bond Counsel, under existing laws of the State of New Mexico as currently enacted and construed, interest on the Series 1999 Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

Such Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1999 Bonds.

The form of opinion to be delivered by Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel to the NMFA, is included in Appendix E hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 1999 Bonds, see "TAX MATTERS" herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 1999 Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel, will deliver the opinion included in Appendix E hereto and Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel to the NMFA, will deliver the opinion discussed under "TAX MATTERS" and included in Appendix E hereto. Certain legal matters relating to the Series 1999 Bonds will be passed upon for the Underwriters by their counsel, Squire, Sanders & Dempsey L.L.P. Certain legal matters have been passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. Certain legal matters relating to the 1999 Governmental Units will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A. See "LEGAL MATTERS." Clancy, Gardiner & Pierce, LLC has acted as financial

advisor to the NMFA in connection with its issuance of the Series 1999 Bonds. See "EXPERTS."

The NMFA's financial statements for the Fiscal Year ended June 30, 1998, included in Appendix A hereto, have been audited by Barraclough & Associates, P.C., certified public accountants, Santa Fe, New Mexico.

Offering and Delivery of the Series 1999 Bonds

The Series 1999 Bonds are offered when, as and if issued, subject to approval as to their legality by Co-Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each maturity of each series of the Series 1999 Bonds will be issued to DTC in New York, New York, on or about January 26, 1999.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents may be obtained during the offering period, upon request to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 1751 Old Pecos Trail, Suite L, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 1999 Bonds.

THE SERIES 1999 BONDS

Generally

Set forth below is a summary of certain provisions of the Series 1999 Bonds. Other information describing the Series 1999 Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Indenture and the Series 1999 Bonds. For a description of certain provisions of the Indenture, see "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Appendix B hereto. Copies of the approved forms of the Indenture are available as provided in "ADDITIONAL INFORMATION."

The Series 1999 Bonds are being issued pursuant to the Act, the Indenture and resolutions adopted on November 19, 1998, and on January 14, 1999. The Series 1999 Bonds are being issued to reimburse NMFA for loans made to and securities purchased from the 1999 Governmental Units and to pay a portion of the costs of issuance as more particularly described herein as part of the NMFA's Public Project Revolving Fund Program. For a description of such

program see "NEW MEXICO FINANCE AUTHORITY - Public Project Revolving Fund Program" herein.

Proceeds will also be used to reimburse NMFA for deposits made to 1999 Governmental Units' accounts within the Agreement Reserve Fund and for payment of costs of issuance of the Series 1999 Bonds. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Description of the Series 1999 Bonds

The Series 1999 Bonds are being issued pursuant to the Indenture and will be dated January 1, 1999. Interest on the Series 1999 Bonds will accrue from the dated date of the Series 1999 Bonds at the rates set forth on the cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), on June 1 and December 1 of each year, commencing June 1, 1999. The Series 1999 Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts shown on the front cover (unless redeemed prior to maturity). The Series 1999 Bonds are issuable in denominations of $5,000 or integral multiples thereof.

As long as no Event of Default (as defined in the Indenture) exists under the Indenture and so long as MBIA Insurance Company ("MBIA") is not in payment default under the Financial Guaranty Insurance Policies, MBIA will be considered to be an owner of the Series 1999 Bonds and will have the same rights as owners of the Series 1999 Bonds. In the event that an Event of Default exists under the Indenture and so long as MBIA is not in payment default under such policies, MBIA will be deemed to be the sole owner of the Series 1999 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Series 1999 Bonds would be entitled to take pursuant to the Indenture.

Book-Entry-Only System

The information in this section concerning DTC and DTI's book-entry system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 1999 Bonds. One fully registered bond for each maturity of each series in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in accounts of the Participants, thereby eliminating the need

for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 1999 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 1999 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 1999 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 1999 Bonds are to be accomplished by entries made on the books of Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 1999 Bonds, except in the event that use of the book-entry system for the Series 1999 Bonds is discontinued.

To facilitate subsequent transfers, all Series 1999 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 1999 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 1999 Bonds. DTC's records reflect only the identity of the Participants to whose accounts such Series 1999 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

For every transfer and exchange of Series 1999 Bonds or an interest therein, the Beneficial Owner may be charged a service charge together with a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Series 1999 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 1999 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 1999 Bonds are credited on the record

date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the Series 1999 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the NMFA or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants and Indirect Participants.

So long as Cede & Co. or its registered assign is the registered owner of the Series 1999 Bonds, the NMFA and the Trustee will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the NMFA or the Trustee and the NMFA and the Trustee will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Series 1999 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC, and neither NMFA nor the Trustee has responsibility for distributing such notices to the Beneficial Owners.

Neither the NMFA nor the Trustee have any responsibility or obligation to the DTC Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 1999 Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 1999 Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bondowner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Series 1999 Bonds.

DTC may discontinue providing its services as securities depository with respect to the Series 1999 Bonds at any time by giving reasonable notice to the NMFA or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

Redemption of the Series 1999 Bonds

Generally

The Series 1999 Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth below.

Optional Redemption by NMFA

The Series 1999 Bonds maturing on or after June 1, 2009, are subject to optional redemption at any time on and after June 1, 2008, in whole or in part, in such order of maturity as may be selected by the NMFA and by lot within each maturity of a series (if in part, in integral multiples of $5,000 of a series), at the option of the NMFA, upon notice as provided in the Indenture and at the redemption price of 100% of the principal amount of the Series 1999 Bonds to be redeemed, plus accrued interest to the redemption date, but without premium.

Mandatory Redemption Upon Prepayment under a 1999 Agreement

Series 1999A Bonds and Taxable Series 1999C Bonds

If a 1999 Governmental Unit whose 1999 Project was financed by the Series 1999A Bonds or the Taxable Series 1999 C Bonds makes a Prepayment in whole or in part under its 1999 Agreement, the Series 1999A Bonds or Taxable Series 1999C Bonds which financed such 1999 Governmental Unit's 1999 Project are subject to mandatory redemption, in whole or in part, on the dates and upon Prepayment of an amount equal to the applicable redemption price set forth under "Optional Redemption by NMFA," above. The maturity dates of the Series 1999A Bonds or Taxable Series 1999C Bonds to be redeemed are to correspond to the principal amounts and due dates of the Principal Component of such Prepayment, and the Series 1999A Bonds or Taxable Series 1999C Bonds to be redeemed within each maturity are to be selected by lot in such manner as the Trustee deems appropriate. No 1999 Governmental Unit whose 1999 Project was financed by the Series 1999A Bonds or the Taxable Series 1999C Bonds shall have the option to make a Prepayment resulting in such a mandatory redemption prior to the date on which the Series 1999 Bonds are subject to optional redemption by the NMFA.

Series 1999B Bonds and Taxable Series 1999D Bonds

If a 1999 Governmental Unit whose 1999 Project was financed by the Series 1999B Bonds or the Taxable Series 1999D Bonds makes a Prepayment in whole or in part under its 1999 Agreement, the Series 1999B Bonds or the Taxable Series 1999D Bonds which financed such 1999 Governmental Unit's 1999 Project are subject to mandatory redemption, in whole or in part, on any date upon Prepayment of an amount equal to a redemption price of 100% of the principal amount of the Series 1999B Bonds or the Taxable Series 1999D Bonds to be redeemed plus accrued interest to the redemption date. A 1999 Governmental Unit whose 1999 Project was financed by the Series 1999B Bonds or the Taxable Series 1999D Bonds shall have the option to make a Prepayment resulting in such mandatory redemption at such redemption price at any time. The maturity dates of the applicable Series 1999B Bonds or Taxable Series 1999D Bonds to be redeemed are to correspond to the principal amounts and due dates of the Principal Component of such Prepayment, and the Series 1999B Bonds or Taxable Series 1999D Bonds to

be redeemed within each maturity are to be selected by lot in such manner as the Trustee deems appropriate.

General.

The NMFA or the Trustee is to recalculate the Loan Payments due under any 1999 Agreement in the case of a partial Prepayment of Loan Payments under such 1999 Agreement in a manner which is consistent with the manner in which the Series 1999 Bonds are redeemed. For a listing of the 1999 Projects financed by each series of Series 1999 Bonds see "THE PLAN OF FINANCING – Sources and Uses of Funds".

Mandatory Sinking Fund Redemption of the Series 1999A Bonds

The Series 1999A Bonds maturing on June 1, 2018, are subject to mandatory sinking fund redemption on June 1, 2017, at a price equal to the principal amount of each Series 1999A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to Be Redeemed
2017	$415,000
2018	$435,000*

* Final Maturity

If less than all of the Series 1999A Bonds maturing on June 1, 2018, then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA, as follows: (i) if the Series 1999A Bonds are redeemed upon a Prepayment of all or a portion of a 1999 Agreement relating to the Series 1999A Bonds, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments and (ii) if the Series 1999A Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

Mandatory Sinking Fund Redemption of the Series 1999 B Bonds

The Series 1999B Bonds maturing on June 1, 2018, are subject to mandatory sinking fund redemption on June 1, 2017, at a price equal to the principal amount of each Series 1999B Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to Be Redeemed
2017	$190,000
2018	$200,000*

* Final Maturity

If less than all of the Series 1999B Bonds maturing on June 1, 2018, then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA, as follows: (i) if the Series 1999B Bonds are redeemed upon a Prepayment of all or a portion of a 1999 Agreement relating to the Series 1999B Bonds, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments and (ii) if the Series 1999B Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

Mandatory Sinking Fund Redemption of the Taxable Series 1999 C Bonds

The Taxable Series 1999C Bonds maturing on June 1, 2018, are subject to mandatory sinking fund redemption on June 1 in the years 2013 through 2017, at a price equal to the principal amount of each Taxable Series 1999C Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to Be Redeemed
2013	$60,000
2014	65,000
2015	50,000
2016	50,000
2017	55,000
2018	55,000*

* Final Maturity

If less than all of the Taxable Series 1999C Bonds maturing on June 1, 2018, then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA, as follows: (i) if the Taxable Series 1999C Bonds are redeemed upon a Prepayment of all or a portion of a 1999 Agreement relating to the Taxable Series 1999C Bonds, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments and (ii) if the Taxable Series 1999C Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date

and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

Mandatory Sinking Fund Redemption of the Taxable Series 1999 D Bonds

The Taxable Series 1999D Bonds maturing on June 1, 2018, are subject to mandatory sinking fund redemption on June 1 in the years 2013 through 2017, at a price equal to the principal amount of each Taxable Series 1999D Bonds so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to Be Redeemed
2013	$180,000
2014	190,000
2015	205,000
2016	215,000
2017	230,000
2018	245,000*

* Final Maturity

If less than all of the Taxable Series 1999D Bonds maturing on June 1, 2018, then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed is to be credited at 100% of the principal amount thereof by the Trustee against the obligation of the NMFA, as follows: (i) if the Taxable Series 1999D Bonds are redeemed upon a Prepayment of all or a portion of a 1999 Agreement relating to the Taxable Series 1999D Bonds, to the redemption requirements corresponding to the due dates of the Principal Component of such Prepayments and (ii) if the Taxable Series 1999D Bonds are redeemed in any other manner, on the next mandatory sinking fund redemption date and any excess is to be credited against future mandatory sinking fund redemption obligations in chronological order.

Notice of Redemption

In the event any of the Series 1999 Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 1999 Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar at least 30 days, but not more than 60 days, prior to the date fixed for redemption.

In addition, further notice of any redemption of Series 1999 Bonds is to be given by the Trustee, at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 1999 Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 1999 Bonds.

Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

If at the time of mailing of any notice of redemption there is not on deposit with the Trustee moneys sufficient to redeem all the Series 1999 Bonds called for redemption, such notice is to state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

A second notice of redemption is to be given, not later than 90 days subsequent to the redemption date, to Registered Owners of Series 1999 Bonds or portions thereof redeemed but who failed to deliver Series 1999 Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Series 1999 Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption, and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 1999 Bonds.

Partially Redeemed Series 1999 Bonds

In case any Series 1999 Bond is redeemed in part, upon the presentation of such Series 1999 Bond for such partial redemption, the NMFA is to execute and the Trustee is to authenticate and deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the NMFA, a Series 1999 Bond or Series 1999 Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 1999 Bond. A portion of any Series 1999 Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or an integral multiple thereof and in selecting portions of such Series 1999 Bonds for redemption, the Trustee will treat each such Series 1999 Bond as representing that number of Series 1999 Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 1999 Bonds by $5,000.

If less than all the Series 1999 Bonds of any one maturity is called for redemption, the particular denominations to be redeemed are to be selected by the Trustee in such manner as the Trustee, in its discretion, may deem appropriate and fair.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special, Limited Obligations

The Bonds are special, limited obligations of the NMFA payable solely from the Revenues, proceeds of the Bonds (until used as provided in the Indenture) and other moneys held in certain funds and accounts held by the Trustee under the Indenture (the "Trust Estate"). **The Bonds shall not constitute nor create a general obligation or other indebtedness of the State or (except as expressly provided in an Agreement) any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Bonds shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or lending of the credit of the NMFA, the State or any Governmental Unit**

within the meaning of the Constitution of the State. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Bonds shall not constitute or give rise to a pecuniary liability on the part of the directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA shall impose a pecuniary liability or a charge upon the general credit or taxing power of the State or any political subdivision of the State.

Revenues

Generally

Revenues include (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the funds and accounts created under the Indenture (except the Rebate Fund). As discussed under "Flow of Funds" below, revenues received from a Governmental Unit by the Trustee on behalf of the NMFA pursuant to an Agreement are deposited directly in a separate account of the Debt Service Fund established for that Governmental Unit and are periodically transferred by the Trustee to the Bond Fund and used to make debt service payments on the Bonds. All revenues received by the NMFA from the NMFA Portion of the Governmental Gross Receipts Tax and from any Additional Pledged Loans are transferred to the Trustee and deposited in the Revenue Fund. Moneys in the Revenue Fund are used each Bond Fund Year to pay debt service on the Bonds to the extent that moneys in the several accounts of the Debt Service Fund are insufficient and to pay debt service on the portions of the Bonds used to finance grants. At the end of each Bond Fund Year moneys in the Revenue Fund in excess of the requirements for such moneys under the Indenture are transferred to the NMFA and are no longer part of the Trust Estate. For a more complete description of the funds and accounts into which Revenues are deposited, see "Flow of Funds" below under this caption, and EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts" in Appendix B hereto.

The Agreements and the Agreement Pledged Revenues

Generally. The Agreements consist of Loan Agreements and Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of their respective projects by the NMFA. (Under the Indenture "Agreements" also includes Grant Agreements, however the Grant Agreements contain no repayment provisions.) Under each Loan Agreement or issue of Securities, the respective Governmental Unit pledges to the NMFA for payment of all amounts due under their respective Agreements (i) revenues of specific enterprise systems or revenues attributable to certain taxes (such pledged revenues the "Agreement Pledged Revenues") and (ii) moneys in certain funds and accounts held by the Trustee. Each Governmental Unit executing a Loan Agreement or issuing Securities warrants to promptly pay principal of and interest on its loan from its Agreement Pledged Revenues and to continue such payments until its loan is paid in full.

Agreement Reserve Fund. Pursuant to the Indenture, an Agreement Reserve Fund has been created which will be held by the Trustee. Within such fund currently are accounts relating

to those Governmental Units having a repayment obligation to the NMFA pursuant to a Loan Agreement or Securities for which the NMFA determined to require such accounts. The NMFA has determined to require such accounts for those 1999 Governmental Units shown as receiving a deposit to the Agreement Reserve Fund in the Sources and Uses Tables under "PLAN OF FINANCING—Sources and Uses of Funds" herein. Amounts in a Governmental Unit's account of the Agreement Reserve Fund will be withdrawn by the Trustee and deposited into that Governmental Unit's account of the Debt Service Fund to the extent of any shortfall in payments by such Governmental Unit under its Loan Agreement or Securities and any associated Additional Pledged Loans. **Amounts in a Governmental Unit's account of the Agreement Reserve Fund will not be used to cover shortfalls in payments of other Governmental Units and will not otherwise be available to defray deficiencies in the Bond Fund.** See "PLAN OF FINANCING - Sources and Uses of Funds" herein and "Flow of Funds" below under this caption.

For a discussion of the separate reserve account established within the Revenue Fund see "Flow of Funds" below under this caption.

Agreements with 1999 Governmental Units. Each 1999 Governmental Unit which either has entered into a 1999 Loan Agreement (Doña Ana County, the City of Clovis, the City of Raton, the City of Española, the Village of Logan, West Hammond Domestic Water Consumers and Mutual Sewage Works Association and Lee Acres Water Users Cooperative Association, Inc., North Star Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc., Lower Valley Water Users Cooperative Association, and the Northwest New Mexico Solid Waste Disposal Authority comprised of the County of McKinley, the County of Cibola, the City of Gallup, the City of Grants and the Village of Milan) or has issued 1999 Securities (the State Parks Division of the Energy, Minerals and Natural Resources Department of the State and the State of New Mexico Interstate Stream Commission) has pledged specific Agreement Pledged Revenues to the repayment of its Loan. A brief description of the Agreement Pledged Revenues and the applicable 1999 Loan Agreement or 1999 Securities for each such 1999 Governmental Unit is set forth in the entry for each such 1999 Governmental Unit under "CERTAIN INFORMATION CONCERNING THE 1999 GOVERNMENTAL UNITS" in Appendix D hereto. The amounts deposited in the Agreement Reserve Fund account established with respect to certain of the 1999 Governmental Unit is set forth under "THE PLAN OF FINANCING - Sources and Uses of Funds" herein. Financial information and operating data for the State Parks Division of the Energy, Minerals and Natural Resources Department of the State, the only 1999 Governmental Unit which is expected to be providing more than 5% of estimated annual Revenues in any year when Bonds will be Outstanding, is set forth in Appendix D-1 hereto. Financial information and operating data are not set forth for any other 1999 Governmental Unit.

Agreements with Other Governmental Units. In connection with the issuance of NMFA's $41,230,000 Public Project Revolving Fund Revenue Bonds, Series 1995A (the "Series 1995A Bonds"), $17,625,000 Public Project Revolving Fund Revenue Bonds, Series 1996A (the "Series 1996A Bonds") and $8,585,000 Public Project Revolving Fund Revenue Bonds, Series 1997 (the "Series 1997 Bonds") Agreements were entered into with other Governmental Units. For a description of such Agreements, including a brief description of the Agreement Pledged Revenues for such Governmental Units, see "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in

Appendix D of the NMFA's final Official Statement dated June 28, 1995 relating to its Public Project Revolving Fund Revenue Bonds, Series 1995A and Series 1995B (the "1995 Official Statement"), "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS" in Appendix D of the NMFA's final Official Statement dated August 22, 1996 relating to its Public Project Revolving Fund Revenue Bonds Series 1996A and Taxable Series 1996B (the "1996 Official Statement") and "CERTAIN INFORMATION GOVERNING THE 1997 GOVERNMENTAL UNITS" in Appendix D of the NMFA's final Official Statement dated December 16, 1997, relating to its Public Project Revolving Fund Revenue Bonds Series 1997 (the "1997 Official Statement") each of which is on file with the Municipal Securities Rulemaking Board ("MSRB"). For a listing of each Governmental Unit which has an outstanding Agreement with the NMFA which has been financed with the proceeds of Bonds, see "THE PLAN OF FINANCING - Governmental Units and Projects" herein.

No Obligation of Nondefaulting Governmental Units to Cover Shortfalls. A nondefaulting Governmental Unit is not required to make up any Loan Payment not paid in full by a defaulting Governmental Unit or to make up any insufficiency in the NMFA Portion of the Governmental Gross Receipts Tax.

The Governmental Gross Receipts Tax

Generally. Pursuant to Section 7-1-6.38, NMSA 1978, the NMFA is allocated 75% of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-3.2, NMSA 1978. For purposes of this Official Statement, the 75% net receipts which is allocated to NMFA is referred to as the "NMFA Portion of the Governmental Gross Receipts Tax." Under the Indenture, the NMFA Portion of the Governmental Gross Receipts Tax, along with payments attributable to Additional Pledged Loans, if any, shall be paid when received by NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund created under the Indenture within the Public Project Revolving Fund and are available (i) to pay debt service on the Bonds to the extent Loan Payments paid by the Governmental Units pursuant to the Agreements are not sufficient to pay debt service when due and (ii) to pay debt service on the portions of the Bonds issued to fund Grants. See "Flow of Funds" under this caption. Pursuant to Section 7-9-4.3, NMSA 1978, the governmental gross receipts tax is imposed on the governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except school districts and certain health care entities. See "EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" in Exhibit B hereto for certain information concerning the Revenue Fund and allocation of amounts therein to payment of principal and interest on the Bonds.

Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State of New Mexico or any agency, institution, instrumentality or public subdivision thereof except any school district and any entity licensed by the State Department of Health that is particularly engaged in providing health care services, from:

(a) the sale of tangible personal property other than water from facilities open to the general public;

(b) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public;

(c) refuse collection, refuse disposal or both;

(d) sewage services; and

(e) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State of New Mexico.

The definition of governmental gross receipts includes receipts from the sale of tangible personal property handled on consignment when sold from facilities open to the general public, but excludes cash discounts taken and allowed, governmental gross receipts tax payable on transactions reportable for the period and any type of time-price differential.

The governmental gross receipts tax was enacted into law and first imposed in 1991. It is imposed at a rate of 5% on governmental gross receipts of every agency, institution, instrumentality or political subdivision of the State of New Mexico, except any school district and any entity licensed by the State Department of Health that is principally engaged in providing health care services. In addition, the governmental gross receipts tax is not imposed on: (i) receipts from transactions involving tangible personal property or services on which the gross receipts tax, compensating tax, motor vehicle excise tax, gasoline tax, special fuel tax, special fuel excise tax, oil and gas emergency school tax, resources tax, processors tax, service tax, or the excise tax imposed under Section 66-12-6.1 NMSA 1978, are imposed; (ii) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision or on receipts from operation of a cable television system owned or operated by a municipality, because those receipts are subject to the regular gross receipts tax under Section 7-9-13, NMSA 1978, or (iii) receipts from selling livestock and receipts of growers, producers, trappers or nonprofit marketing associations from selling livestock, live poultry, unprocessed agricultural products, hides or pelts. Deductions from the governmental gross receipts tax include: (i) receipts from selling tangible personal property to the United States government or the State or any governmental unit or subdivision, agency, department or instrumentality thereof (which may be deducted from governmental gross receipts); (ii) receipts from selling tangible personal property to an Indian tribe, nation or pueblo or any governmental subdivision, agency, department or instrumentality thereof for use on Indian reservations or pueblo grants; (iii) receipts from a sale made to a person engaged in the business of manufacturing or to receipts from selling tangible personal property or licenses if the sale is made to a person that delivers a non-taxable transaction certificate to the seller; (iv) receipts from transactions in interstate commerce; (v) receipts from selling a service for resale if the sale is made to a person who delivers a nontaxable transaction certificate; (vi) receipts (except those from selling tangible personal property that will become an ingredient or component part of a construction project or from selling metalliferous mineral ore) from selling tangible personal property to entities exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended or renumbered, if the sale is made to an organization that delivers a nontaxable transaction certificate to the seller; (vii) refunds and allowances made to buyers or amounts written off the books as an uncollectible debt by a person reporting governmental gross receipts tax on an accrual basis; (viii) receipts from selling prosthetic devices if the sale is made to a person who is licensed to practice medicine, osteopathic medicine, dentistry, podiatry, optometry, chiropractic or professional nursing and who delivers a nontaxable transaction certificate to the seller; and (ix) beginning January 1, 1999, receipts from the sale of prescription drugs.

Collection and Distribution Information. Governmental agencies are treated as taxpayers under the provisions of the Tax Administration Act, Section 7-1-1, et seq., NMSA 1978, and are responsible for paying the governmental gross receipts tax to the New Mexico Department of Taxation and Revenue in accordance with the State's Tax Administration Act. Collections are first deposited into a tax administration suspense fund for the purpose of making disbursements for refunds, among other things. On the last day of each month, the balance in the suspense fund is identified by tax source and distributed to the appropriate municipalities or state agencies, including the NMFA. Collection of governmental gross receipts tax is administered by the New Mexico Department of Taxation and Revenue. Governmental gross receipts taxes are to be paid on or before the 25th day of the month following the month in which the taxable event occurs.

Set forth below is information from the New Mexico Department of Taxation and Revenue concerning collections of the governmental gross receipts tax for the fiscal years 1994-1995 through 1997-1998.

Governmental Gross Receipts Taxes Collections
Fiscal Years 1994 - 1995 through 1997 - 1998

	Fiscal Year 1994 - 1995	Fiscal Year 1995 – 1996	Fiscal Year 1996 – 1997	Fiscal Year 1997 – 1998
Total Net Receipts	$13,530,014	$16,059,454(1)	$16,378,444	$16,859,875
NMFA Portion of the Governmental Gross Receipts Tax	$10,147,511	$12,044,591	$12,283,833	$12,644,906

(1) The increase in net receipts for Fiscal Year 1995-1996 reflects acquisitions by the City of Santa Fe and the City of Rio Rancho of water systems which had been privately owned and therefore not subject to the tax.

Set out below and on the following page is information concerning the top eight payers of the governmental gross receipts tax for fiscal years 1996-1997 and 1997-1998. Such information is not publicly available from the State and has instead been obtained from each individual entity. As a result, the NMFA cannot guaranty the accuracy of any such information.

Eight Largest Payers of
Governmental Gross Receipts Taxes
Fiscal Years 1996-1997 and 1997-1998

	Fiscal Year 1996-1997		Fiscal Year 1997-1998	
Entity	Amount Paid	% of Total GGRT of All Entities in NM	Amount Paid	% of Total GGRT of All Entities in NM
City of Albuquerque	$5,708,434	34.85%	$5,843,771	34.55%
City of Santa Fe	1,490,026	9.10%	1,338,922	7.94%
University of New Mexico	1,126,513	6.88%	1,245,428	7.39%
City of Las Cruces	753,761	4.60%	770,115	4.57%
City of Rio Rancho	636,006	3.88%	617,492	3.66%
City of Farmington	594,821	3.63%	608,518	3.61%
City of Roswell	503,161	3.07%	517,105	3.07%
City of Gallup	247,333	1.51%	249,716	1.48%
Total	$11,060,055	67.52%	11,191,067	66.27%

Source: Individual entities.

Additional Pledged Loans

NMFA may make loans from or purchase securities with available funds in the Public Project Revolving Fund other than proceeds of Bonds. At its option, the NMFA may designate such loans or securities as "Additional Pledged Loans" and upon such designation the principal

and interest payments on such loans or securities become pledged by NMFA to the payment of Bonds. See "Flow of Funds," below under this caption. For the total amount of outstanding Additional Pledged Loans, as hereinafter defined, see "THE PLAN OF FINANCING - Governmental Units and the 1999 Projects." The repayment obligations of those Government Units receiving Additional Pledged Loans who have also entered Loan Agreements with or issued Securities purchased by NMFA are on a parity with amounts due with respect to such Loan Agreements or Securities.

Flow of Funds

The Indenture creates a Revenue Fund, a Bond Fund, a Debt Service Fund with separate accounts for each Governmental Unit receiving a Loan, and an Agreement Reserve Fund with a separate account, if required, for each Governmental Unit receiving a Loan that has a reserve requirement.

All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements and Securities are to be paid directly to the Trustee, and the Trustee is to deposit all such payments immediately upon receipt thereof, as follows:

> First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan.
>
> Second: to the related Account, if any, in the Agreement Reserve Fund to the extent necessary to cause the balance in said Account to equal the Agreement Reserve Requirement, if any, of such Account.
>
> Third: to the payment of Program Costs (to the extent allocable to such Agreement).

On the fifth day preceding a Loan Payment Date (or, if such fifth day is not a Business Day, on the Business Day next preceding such fifth day), if the amount on deposit in any Governmental Unit's Account of the Debt Service Fund is insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, the Trustee is to transfer from the related Agreement Reserve Account, if any, to that Governmental Unit's Account of the Debt Service Fund, an amount sufficient, together with amounts in such Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date.

On each Interest Payment Date for the Bonds, the Trustee is to transfer moneys in the respective Accounts of the Debt Service Fund to the Bond Fund to pay the interest on the related Bonds becoming due on such Interest Payment Date and to pay the principal of each related Bond due at maturity or by prior redemption.

At least once each year the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the

Governmental Unit's Account in the Agreement Reserve Fund, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to Loans relating to the Series 1999 Bonds any such excess shall be distributed as follows: (a) any excess attributable to earnings on funds and accounts for a 1999 Governmental Unit shall be returned to the 1999 Governmental Unit or shall be credited to the Loan Payments next coming due under the 1999 Governmental Unit's Agreement and (b) any excess attributable to the difference in interest rates on a 1999 Governmental Unit's Loan and the Series 1999 Bonds shall be deposited into the Revenue Fund.

During each Bond Fund Year, all Revenues constituting receipts from the NMFA Portion of the Governmental Gross Receipts Tax and principal and interest payments from Additional Pledged Loans are to be paid when received by the NMFA to the Trustee and shall be accounted for and maintained by the Trustee in the Revenue Fund. On each Interest Payment Date, the Trustee (except as otherwise provided in a Supplemental Indenture) is to transfer from the Revenue Fund (including any amounts in the separate account described in the next paragraph) to the Bond Fund (i) an amount equal to the principal and interest due on such Interest Payment Date on the portion of any Bonds the proceeds of which were used to make Grants and (ii) if the amounts on deposit in the Bond Fund are insufficient for payments coming due with respect to the Bonds on such Interest Payment Date, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the principal and interest due on the Bonds on such Interest Payment Date.

At the conclusion of each Bond Fund Year, the Trustee is to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining therein), the following:

(i) an amount equal to any deficiency in any account in the Agreement Reserve Fund;

(ii) with respect to Agreements for which (A) no Agreement Reserve Account was created in the Agreement Reserve Fund and (B) a default in the payment of principal or interest under such Agreement has occurred and is continuing, an amount equal to the least of (x) 10% of the proceeds of such Agreement, (y) maximum annual debt service on such Agreement and (z) 1.25 times average annual debt service on such Agreement; and

(iii) with respect to Bonds issued to finance Grants and for which no other debt service reserve fund has been created, an amount equal to the least of (A) 5% of the proceeds of the Bonds issued to finance such Grant, (B) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (C) .625 times average annual debt service on the Bonds issued to finance such Grant.

Pursuant to the Indenture, the NMFA is not required to contribute any amounts to fund the retention described in the preceding paragraph other than from amounts on deposit in the Revenue Fund at the end of each Bond Fund Year, and no default under the Indenture occurs

solely by reason of any insufficiency of funds remaining in the Revenue Fund to fund such retention.

After making the foregoing deposits, at the conclusion of each Bond Fund Year, and after making the payments required by the Indenture during such Bond Fund Year, the Trustee is to transfer the balance on deposit in the Revenue Fund to the NMFA, and the NMFA may use such balance for:

(i) Public Project Revolving Fund purposes;

(ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund;

(iii) refinancing, refunding, purchasing or advance refunding of any Bonds; or

(iv) any other lawful purpose.

The balance so transferred to NMFA is no longer pledged to the payment of debt service on the Bonds.

Additional Bonds

Generally

Additional Bonds or other indebtedness, bonds or notes of the NMFA payable on a parity with the Bonds out of the Trust Estate may be issued or incurred, only if certain requirements have been met, including the following:

(a) NMFA must deliver to the Trustee a Cash Flow Statement, taking into account the issuance of the Additional Bonds or other indebtedness, bonds or notes. The requirements of the Cash Flow Statement are set forth under "Cash Flow Statement," below.

(b) All payments required by the Indenture to be made into the Bond Fund must have been made in full.

(c) The proceeds of the Additional Bonds or other indebtedness, bonds or notes must be used (i) to refund Bonds issued hereunder or other obligations of the NMFA (including the funding of necessary reserves and the payment of costs of issuance) or (ii) to make additional Loans or Grants or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default shall have occurred and be continuing under the Indenture, except that the foregoing provisions of this paragraph (d) shall not preclude the issuance of Additional Bonds or other indebtedness, bonds or notes if (i) the issuance of such Additional Bonds or other indebtedness, bonds or notes otherwise complies with the requirements of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of the Additional Bonds or other indebtedness, bonds or notes and the application of the proceeds thereof.

Any of the foregoing requirements may be revised or deleted with written evidence from the Rating Agency to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

Cash Flow Statement

Pursuant to the Indenture, "Cash Flow Statement" means a certificate of NMFA:

(a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate, the following:

(A) the amount of the NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(B) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(C) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding;

and (b) and showing that in each such Bond Fund Year the aggregate of the amount set forth in clause (A) of this definition divided by 1.35, plus the aggregate amount set forth in clause (B) of this definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of this definition. For purposes of the foregoing definition, the following assumptions apply:

(i) The NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period during the 24 months next preceding the delivery of the Cash Flow Statement;

(ii) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above;

(iii) Loans and Additional Pledged Loans will be assumed to remain in their current category designations throughout the period projected in the Cash Flow Statement.

For purposes of the Indenture and the Cash Flow Statement, "Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

Category of Loans and Additional Pledged Loans	**Applicable Percentage**
Category I	100%
Category II	80%
Category III	50%
Category IV	0%

Category I Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the third highest full rating category or higher by the Rating Agency.

Category II Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

Category III Loans and Additional Pledged Loans are Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

Category IV Loans and Additional Pledged Loans are all Non-Performing Loans and Additional Pledged Loans, Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been replenished in accordance with the related Agreement, and Loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agency.

"Non-Performing Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a covenant default) or under which a delinquency exists in payments of principal or interest thereunder.

"Rating Agency" means Moody's Investors Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

Pursuant to the Indenture, at the time of issuance of each Series of Bonds, each of the Agreements executed in connection with such issuance is required to be submitted to the Rating

Agency for assignment of a designation or rating or shall be designated in Category IV by the NMFA without submission to the Rating Agency. In addition, each Additional Pledged Loan is required to be submitted to the Rating Agency for assignment of a designation or a rating or shall be designated in Category IV by NMFA without submission to the Rating Agency. At any time (including upon issuance of Additional Bonds), the category assigned to an Agreement or to Additional Pledged Loans may be revised by the Rating Agency.

Of the Agreements submitted to the Rating Agency to date, $11,523,581 have been designated Category I, $19,928,103 have been designated Category II and $2,397,644 have been designated Category III.

The formula described above may also be summarized as follows (where A = NMFA Portion of Governmental Gross Receipts Tax, B = Assumed Repayments of Loans and Additional Pledged Loans and C = Aggregate Annual Debt Service on all Bonds Outstanding):

$$(A \div 1.35) + B > C$$

No Senior Lien Obligation

No additional indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of the Revenues for payment of the Bonds shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds.

Additional Parity Obligations of Governmental Units

For a description of the restrictions, if any, governing the issuance by 1999 Governmental Units of additional obligations on a parity with the obligations of such 1999 Governmental Units to make payments under their respective Agreements, see "CERTAIN INFORMATION CONCERNING THE 1999 GOVERNMENTAL UNITS" in Appendix D. For a description of the restrictions, if any, governing the issuance by certain other Governmental Units of additional parity obligations, see "CERTAIN INFORMATION CONCERNING THE 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D to the 1995 Official Statement, "CERTAIN INFORMATION CONCERNING THE 1996 GOVERNMENTAL UNITS" in Appendix D to the 1996 Official Statement, and "CERTAIN INFORMATION CONCERNING THE 1997 GOVERNMENTAL UNITS' in Appendix D to the 1997 Official Statement, each of which is on file with the MSRB.

Outstanding Parity Bonds

The only Outstanding parity Bonds of the NMFA are the Series 1995A Bonds, the Series 1996A Bonds, the Taxable Series 1996B Bonds and the Series 1997 Bonds which are currently outstanding in $46,190,000 aggregate principal amount (collectively the "Outstanding Parity Bonds"). See "ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE RATIOS" for Debt Service Requirements on the Outstanding Parity Bonds and aggregate payments under Agreements relating to the Bonds. See "THE PLAN OF FINANCING - Governmental Units" for a listing of the 1995, 1996 and 1997 Governmental Units which received proceeds from the Outstanding Parity Bonds.

Supplemental Indentures and Amendments to Loan Agreements; Rating Agency Discretion

Pursuant to the Indenture, the NMFA and the Trustee may, without the consent of or notice to any of the Owners of the Bonds, enter into an indenture or indentures supplemental to the Indenture in order to make certain amendments or changes to the Indenture, including any amendment so long as prior written confirmation has been obtained from the Rating Agency that such amendment will not result in the rating on the Bonds, following such amendment, being lower than the rating on the Bonds immediately prior to such amendment.

In addition, the NMFA with the consent of the Trustee and the related Governmental Unit may, without the consent of any Owners of the Bonds, amend any Loan Agreement for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred in the Indenture to the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgment of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

BOND INSURANCE

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix F for a specimen of the Insurer's policy.

The Insurer's policy for each series of the Series 1999 Bonds unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the applicable series of the Series 1999 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or

otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration), and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 1999 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 1999 Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 1999 Bonds upon tender by an owner thereof or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Series 1999 Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 1999 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a Series 1999 Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with the State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 1999 Bonds or presentment of such other proof of ownership of the Series 1999 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 1999 Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Series 1999 Bonds in any legal proceeding related to payment of insured amounts on the Series 1999 Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Series 1999 Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA, Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is

required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

Effective February 17, 1998, the Company acquired all of the outstanding stock of Capital Markets Assurance Corporation ("CMAC") through a merger with its parent CapMAC Holdings, Inc. Pursuant to a reinsurance agreement, CMAC has ceded all of its net insured risks (including any amounts due but unpaid from third party reinsurers), as well as its unearned premiums and contingency reserves to the Insurer. The Company is not obligated to pay the debts of or claims against CMAC.

As of December 31, 1997, the Insurer had admitted assets of $5.3 billion (audited), total liabilities of $3.5 billion (audited) and total capital and surplus of $1.8 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 1998, the Insurer had admitted assets of $6.3 billion (unaudited), total liabilities of $4.1 billion (unaudited), and total capital and surplus of $2.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of the Company is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

THE PLAN OF FINANCING

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series 1999 Bonds, other than accrued interest to be received in connection with the sale of the Series 1999 Bonds are set forth in the following tables. Accrued interest from January 1, 1999, will be deposited in the Bond Fund.

Sources and Uses of Funds

Series 1999A Bonds

1999 Governmental Unit	City of Raton	Northwest Solid Waste Authority	EMNRD	City of Clovis	Total
SOURCES:					
Series 1999A Bond Proceeds(1)	$1,760,000	$1,580,000	$4,495,000	$5,300,000	$13,135,000
Net Original Issue Premium (Discount) on Series 1999A Bonds	21,664	29,316	9,996	99,765	160,741
TOTAL SOURCES:	$1,781,664	$1,609,316	$4,504,996	$5,399,765	$13,295,741
USES:					
Deposits to 1999 Governmental Units' Accounts within Program Fund (2)	$1,600,000	$1,450,000	$4,054,959	$4,842,021	$11,946,980
Deposits to 1999 Governmental Units' Accounts Within Agreement Reserve Fund (3)	145,873	129,001	364,275	462,584	1,101,733
Costs of Issuance (4)	35,791	30,315	85,762	95,160	247,028
TOTAL USES:	$1,781,664	$1,609,316	$4,504,996	$5,399,765	$13,295,741

(1) The 1999A Bond Proceeds will be paid to NMFA to reimburse it for advances made by it for the deposits listed under the Uses caption described in this Table and will also be used to pay a portion of the costs of issuance.

(2) The amounts deposited to the Program Fund have been or will be used to pay all or a portion of the costs of the 1999 Projects. See "The 1999 Governmental Units and the 1999 Projects" under this caption and "EXTRACT OF CERTAIN PROVISIONS OF THE INDENTURE-Funds and Accounts" in Appendix B hereto.

(3) These amounts are to be used to defray deficiencies in the respective accounts of the 1999 Governmental Units within the Debt Service Fund. Such amounts will not be otherwise available to defray deficiencies in the Bond Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1999 BONDS-Flow of Funds."

(4) Includes legal and accounting fees, printing, rating fees, bond insurance premium, Underwriters' discount and other miscellaneous costs. See "UNDERWRITING."

Sources and Uses of Funds

Series 1999B Bonds

1999 Governmental Unit	City of Raton	EMNRD	Doña Ana County	Total
SOURCES:				
Series 1999B Bond Proceeds(1)	$285,000	$515,000	$2,225,000	$3,025,000
Net Original Issue Premium (Discount) on Series 1999B Bonds	0	(3,872)	(16,233)	(20,105)
TOTAL SOURCES:	$285,000	$511,128	$2,208,767	$3,004,895
USES:				
Deposits to 1999 Governmental Units' Accounts within Program Fund (2)	$250,000	$500,163	$2,000,000	$2,750,163
Deposits to 1999 Governmental Units' Accounts Within Agreement Reserve Fund (3)	25,500	0	165,374	190,874
Costs of Issuance (4)	9,500	10,965	43,393	63,858
TOTAL USES:	$285,000	$511,128	$2,208,767	$3,004,895

(1) The 1999B Bond Proceeds will be paid to NMFA to reimburse it for advances made by it for the deposits listed under the Uses caption described in this Table and will also be used to pay a portion of the costs of issuance.

(2) The amounts deposited to the Program Fund have been or will be used to pay all or a portion of the costs of the 1999 Projects. See "The 1999 Governmental Units and the 1999 Projects" under this caption and "EXTRACT OF CERTAIN PROVISIONS OF THE INDENTURE-Funds and Accounts" in Appendix B hereto.

(3) These amounts are to be used to defray deficiencies in the respective accounts of the 1999 Governmental Units within the Debt Service Fund. Such amounts will not be otherwise available to defray deficiencies in the Bond Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1999 BONDS-Flow of Funds."

(4) Includes legal and accounting fees, printing, rating fees, bond insurance premium, Underwriters' discount and other miscellaneous costs. See "UNDERWRITING."

Sources and Uses of Funds

Taxable Series 1999C Bonds

1999 Governmental Unit	City of Española	Lower Valley Water	North Star	Village of Logan	Total
SOURCES:					
Series 1999C Bond Proceeds(1)	$450,000	$1,335,000	$265,000	$215,000	$2,265,000
Net Original Issue Premium (Discount) on Series 1999C Bonds	(2,339)	(281)	(1,405)	(676)	(4,701)
TOTAL SOURCES:	$447,661	$1,334,719	$263,595	$214,324	$2,260,299
USES:					
Deposits to 1999 Governmental Units' Accounts within Program Fund (2)	$400,000	$1,233,099	$234,844	$188,943	$2,056,886
Deposits to 1999 Governmental Units' Accounts Within Agreement Reserve Fund (3)	40,563	79,021	23,898	21,567	165,049
Costs of Issuance (4)	7,098	22,599	4,853	3,814	38,364
TOTAL USES:	$447,661	$1,334,719	$263,595	$214,324	$2,260,299

(1) The 1999C Bond Proceeds will be paid to NMFA to reimburse it for advances made by it for the deposits listed under the Uses caption described in this Table and will also be used to pay a portion of the costs of issuance.

(2) The amounts deposited to the Program Fund have been or will be used to pay all or a portion of the costs of the 1999 Projects. See "The 1999 Governmental Units and the 1999 Projects" under this caption and "EXTRACT OF CERTAIN PROVISIONS OF THE INDENTURE-Funds and Accounts" in Appendix B hereto.

(3) These amounts are to be used to defray deficiencies in the respective accounts of the 1999 Governmental Units within the Debt Service Fund. Such amounts will not be otherwise available to defray deficiencies in the Bond Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1999 BONDS-Flow of Funds."

(4) Includes legal and accounting fees, printing, rating fees, bond insurance premium, Underwriters' discount and other miscellaneous costs. See "UNDERWRITING."

Sources and Uses of Funds

Taxable Series 1999D Bonds

1999 Governmental Unit	West Hammond-Lee Acres	Interstate Stream Commission	Total
SOURCES:			
Series 1999D Bond Proceeds(1)	$2,885,000	$1,990,000	$4,875,000
Net Original Issue Premium (Discount) on Series 1999D Bonds	(16,127)	(2,991)	(19,118)
TOTAL SOURCES:	$2,868,873	$1,987,009	$4,855,882
USES:			
Deposits to 1999 Governmental Units' Accounts within Program Fund (2)	$2,568,756	$1,950,000	$4,518,756
Deposits to 1999 Governmental Units' Accounts Within Agreement Reserve Fund (3)	246,600	0	246,600
Costs of Issuance (4)	53,517	37,009	90,526
TOTAL USES:	$2,868,873	$1,987,009	$4,855,882

(1) The 1999D Bond Proceeds will be paid to NMFA to reimburse it for advances made by it for the deposits listed under the Uses caption described in this Table and will also be used to pay a portion of the costs of issuance.

(2) The amounts deposited to the Program Fund have been or will be used to pay all or a portion of the costs of the 1999 Projects. See "The 1999 Governmental Units and the 1999 Projects" under this caption and "EXTRACT OF CERTAIN PROVISIONS OF THE INDENTURE-Funds and Accounts" in Appendix B hereto.

(3) These amounts are to be used to defray deficiencies in the respective accounts of the 1999 Governmental Units within the Debt Service Fund. Such amounts will not be otherwise available to defray deficiencies in the Bond Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1999 BONDS-Flow of Funds."

(4) Includes legal and accounting fees, printing, rating fees, bond insurance premium, Underwriters' discount and other miscellaneous costs. See "UNDERWRITING."

Governmental Units and the 1999 Projects

1999 Governmental Units

Set out below is certain information concerning the 1999 Governmental Units which received advances from NMFA for the financing of their respective 1999 Projects which advances will be reimbursed from the proceeds of the Series 1999 Bonds. For information concerning the Agreement Pledged Revenues for each 1999 Governmental Unit and for additional information concerning the 1999 Governmental Units and the 1999 Projects, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein and "CERTAIN INFORMATION CONCERNING THE 1999 GOVERNMENTAL UNITS" in Appendix D hereto.

The 1999 Governmental Units and the 1999 Projects

1999 Governmental Unit	1999 Project
Doña Ana County	Construction and acquisition of Brahman Road Channel flood control and drainage improvements
City of Raton	Street improvements, construction of welcome center and acquisition of fire-fighting equipment
State Parks Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico	State park system improvements
Northwest New Mexico Solid Waste Authority comprised of the County of McKinley, the County of Cibola, the City of Gallup, the City of Grants and the Village of Milan	Refunding, construction of access entry to landfill, and construction and lining of a cell
City of Clovis	Construction and acquisition of solid waste disposal facilities
West Hammond Domestic Water Consumers and Mutual Sewage Works Association and Lee Acres Water Users Cooperative Association	Construction of a water treatment plant
State of New Mexico Interstate Stream Commission	Hydrographic survey
City of Española	Construction of a facility in the Johnny Roybal Industrial Park
Lower Valley Water Users Cooperative Association	Refunding five loans
North Star Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc.	Refunding one loan
Village of Logan	Refunding outstanding bonds

Other Governmental Units.

The Series 1995A Bonds were issued to purchase securities of the Park and Recreation Division of the Energy, Minerals and Natural Resources Department of the State, to make loans to the City of Las Vegas, to the City of Santa Fe and to the Northwest New Mexico Regional Solid Waste Authority and Cibola County, the City of Gallup, the City of Grants, McKinley County, and the Village of Milan. For a description of the Projects of each such Governmental

Unit see "CERTAIN INFORMATION CONCERNING 1995 GOVERNMENTAL UNITS AND THE AGREEMENT PLEDGED REVENUES" in Appendix D of the 1995 Official Statement on file with the MSRB. The obligations of the City of Santa Fe under its Loan Agreement have been defeased and the City's Loan payments are being made solely from a defeasance escrow consisting of Governmental Obligations being held by the Trustee. The Loan will be prepaid on June 1, 2005 and a corresponding amount of Series 1995 A Bonds will be called on that date.

The Series 1996 Bonds were issued to purchase securities of the Park and Recreation Division of the Energy, Minerals and Natural Resources Department of the State, and to make a loan to Central Solid Waste Authority and certain of its participating entities including the City of Belen, the Village of Bosque Farms, the Village of Magdalena and the Village of Los Lunas, and to make a grant to the Department of Environment of the State. For a description of the Projects of such Governmental Units see "CERTAIN INFORMATION CONCERNING 1996 GOVERNMENTAL UNITS" in Appendix D of the 1996 Official Statement on file with the MSRB.

The Series 1997 Bonds were issued to reimburse NFMA for (i) its purchase of securities of the State Parks Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico, and (ii) loans made to McKinley County, Sierra County and the City of Española. For a brief description of such Governmental Units see "CERTAIN INFORMATION CONCERNING GOVERNMENTAL UNITS" in Appendix D of the 1997 Official Statement on file with the MSRB.

Generally

The following table lists all Governmental Units which have entered into Agreements with the NMFA for Projects which have been financed with Bonds. The table includes each such entity, the principal amount of the currently outstanding loan obligation (including any outstanding Additional Pledged Loans), the estimated percentage of estimated total annual Revenues to be provided by such entity, the NMFA Bond issue with respect to which an Agreement was issued and the final maturity date of the obligation of such entity. The table also lists the aggregate amount of Agreement Pledged Revenues and the estimated percentage of estimated total annual Revenues to be provided by such Agreement Pledged Loans for Governmental Units whose Projects have not been financed with Bonds. The NMFA has $46,190,000 of Outstanding Parity Bonds outstanding and, upon issuance, will have $23,300,000 Series 1999 Bonds outstanding.

Currently Outstanding Obligations
Which Are Included In Trust Estate

Borrower(1)	Amount of Outstanding Obligations(2)	Estimated Percentage of Annual Revenues	Bond Issue(s)(3)	Final Maturity
Department of Energy	$16,556,915	7.62%	1995A, 1996A, 1997A, 1999A, 1999B and APL	2018
Northwest Solid Waste Authority	$9,169,111	4.91	1995A, 1999A and APL	2018
City of Las Vegas	5,065,246	2.73	1995A and APL	2015
City of Clovis	5,426,707	1.44	1999A	2013
Interstate Stream Commission	2,000,000	1.40	1999D	2008
Doña Ana County	2,215,217	1.03	1999B	2018
City of Raton	2,069,395	1.02	1999A and 1999B	2018
Sierra County	2,035,913	0.96	1997	2017
City of Española	1,628,970	0.81	1997 and 1999C	2017
Lower Valley Water Users Cooperative Association	1,412,377	0.77	1999C	2008
West Hammond Domestic Water Consumers and Mutual Sewage Works Association and Lee Acres Water Users Cooperative Association	3,214,713	0.76	1999D	2018
Central Solid Waste Authority	1,754,233	0.75	1996A and APL	2021
McKinley County	450,705	0.38	1997	2008
North Star Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc.	299,845	0.11	1999C	2018
Village of Logan	215,669	0.09	1999C	2014
Other Borrowers	6,571,025	3.33	APL	--

(1) Includes 1999 Governmental Units.

(2) Includes Obligations of 1999 Governmental Units payable to NMFA, including Additional Pledged Loans where indicated.

(3) APL means the obligation includes Additional Pledged Loans.

ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE RATIOS

The following schedule shows the total debt service (excluding any optional prior redemptions) payable for the Series 1999 Bonds for each fiscal year through their respective final maturity dates.

Debt Service for the Series 1999 Bonds

Fiscal Year	Principal(1)	Interest(2)	Annual Debt Service Requirements
1999	$1,130,000	$ 488,043	$1,618,043
2000	1,090,000	1,122,544	2,212,544
2001	1,140,000	1,073,726	2,213,726
2002	1,185,000	1,021,561	2,206,561
2003	1,240,000	966,526	2,206,526
2004	1,300,000	908,674	2,208,674
2005	1,360,000	841,901	2,201,901
2006	1,435,000	770,681	2,205,681
2007	1,515,000	694,601	2,209,601
2008	1,600,000	613,534	2,213,534
2009	1,100,000	527,866	1,627,866
2010	1,150,000	476,381	1,626,381
2011	1,205,000	421,479	1,626,479
2012	1,265,000	362,775	1,627,775
2013	1,325,000	300,105	1,625,105
2014	780,000	232,135	1,012,135
2015	810,000	189,395	999,395
2016	845,000	145,355	990,355
2017	890,000	99,435	989,435
2018	935,000	50,953	985,953

(1) Payable on June 1. Includes mandatory sinking fund payments.

(2) Payable on June 1 and December 1, commencing June 1, 1999.

The following table shows estimated available Revenues, total debt service requirements for the Series 1999 Bonds and the Outstanding Parity Bonds and the resulting estimated annual coverage ratios. See "THE PLAN OF FINANCING - Sources and Uses of Funds."

Debt Service Requirements and Coverage Ratios

Fiscal Year	Estimated Fiscal Year 1997-1998 Collections of NMFA Portion of Gov't Gross Receipts Tax(1)	Aggregate Payments Under Agreements(2)(4)	Estimated Payments Under Additional Pledged Loans(3)	Estimated Total Revenues	Total Debt Service Requirements for the 1999 Bonds (5)	Total Debt Service Requirements For the Outstanding Parity Bonds(5)	Total Debt Service Requirements for the 1999 and the Outstanding Parity Bonds(5)	Estimated Annual Coverage Ratios
1999	12,644,906	4,191,072	728,716	17,564,694	$1,618,043	4,783,331	6,401,374	2.74
2000	12,644,906	4,692,896	960,493	18,298,295	2,212,544	4,799,849	7,012,393	2.61
2001	12,644,906	4,686,712	779,799	18,111,417	2,213,726	4,793,603	7,007,329	2.58
2002	12,644,906	4,701,701	758,683	18,105,290	2,206,561	3,951,394	6,157,955	2.94
2003	12,644,906	4,702,632	706,955	18,054,493	2,206,526	3,951,849	6,158,375	2.93
2004	12,644,906	4,694,486	680,809	18,020,201	2,208,674	3,941,285	6,149,959	2.93
2005	12,644,906	4,711,171	678,114	18,034,191	2,201,901	3,961,660	6,163,561	2.93
2006	12,644,906	4,702,238	674,050	18,021,194	2,205,681	3,943,005	6,148,686	2.93
2007	12,644,906	4,711,787	675,671	18,032,364	2,209,601	3,952,928	6,162,529	2.93
2008	12,644,906	4,711,992	657,570	18,014,468	2,213,534	3,955,575	6,169,109	2.92
2009	12,644,906	4,067,328	627,058	17,339,292	1,627,866	3,894,218	5,522,084	3.14
2010	12,644,906	4,062,936	623,352	17,331,194	1,626,381	3,890,798	5,517,179	3.14
2011	12,644,906	4,068,057	597,561	17,310,524	1,626,479	3,893,773	5,520,251	3.14
2012	12,644,906	4,059,669	593,308	17,297,883	1,627,775	3,880,128	5,507,903	3.14
2013	12,644,906	4,074,781	593,136	17,312,823	1,625,105	3,890,560	5,515,665	3.14
2014	12,644,906	3,452,822	588,166	16,685,894	1,012,135	3,895,175	4,907,310	3.40
2015	12,644,906	3,430,215	588,152	16,663,273	999,395	3,889,208	4,888,603	3.41
2016	12,644,906	2,071,735	479,260	15,195,901	990,355	2,102,600	3,092,955	4.91
2017	12,644,906	1,776,140	375,110	14,796,156	989,435	765,688	1,755,123	8.43
2018	12,644,906	1,139,114	79,371	13,863,391	985,953	124,725	1,110,678	12.48
2019	12,644,906	123,975	81,464	12,850,345	-	123,975	123,975	103.65
2020	12,644,906	122,938	12,566	12,780,410	-	122,938	122,938	103.96
2021	12,644,906	121,613	12,591	12,779,110	-	121,613	121,613	105.08

(1) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Revenues-The Governmental Gross Receipts Tax."

(2) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues - The Agreements and the Agreement Pledged Revenues." Includes 1999 Agreements and Agreements entered into in connection with the Outstanding Parity Bonds.

(3) See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Revenues-Additional Pledged Loans." Includes both outstanding Additional Pledged Loans. Also includes administrative fees charged to borrower.

(4) Does not include Prepayment of Loan by City of Santa Fe in Fiscal Year 2005.

(5) Does not include redemption of a portion of Series 1995A Bonds on June 1, 2005 to reflect Loan Prepayment by City of Santa Fe.

NEW MEXICO FINANCE AUTHORITY

Generally

The NMFA is a public body politic and corporate and governmental instrumentality of the State. It was created in 1992 pursuant to the Act for the purpose of coordinating the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. Pursuant to the Act, the NMFA and its corporate existence shall continue until terminated by law, provided that no such law shall take effect so long as the NMFA has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The NMFA is governed by a Board of Directors and currently employs eleven persons.

Powers

Pursuant to the Act, the NMFA is granted all powers necessary and appropriate to carry out and effectuate its public and corporate purposes, including but not limited to the following powers: to sue or be sued; to adopt, subject to the review and approval of the NMFA oversight committee, such regulations as are necessary and appropriate to implement the provisions of the Act; to make, enter into and enforce all contracts, agreements and other instruments necessary, convenient or desirable in the exercise of its powers and functions and for the purposes of the Act; to acquire, construct, hold, improve, mortgage, sell, lease, convey or dispose of real and personal property for its public purposes; to make loans and purchase securities and contract to make loans and purchase securities; to make grants to qualified entities to finance public projects; to procure insurance to secure payment on any loan, lease or purchase payments owed to the NMFA by a qualified entity in such amounts and from such insurers, including the federal government, as it may deem necessary or desirable, and to pay any premiums for such insurance; to fix, revise from time to time, charge and collect fees and other charges in connection with the making of loans and any other services rendered by the NMFA; and to borrow money and to issue bonds.

Organization and Governance

The Board of Directors of the NMFA is composed of 12 members, seven of which are ex-officio members designated in the Act and five of which are appointed by the Governor with the advice and consent of the State senate. The seven designated members include five ex-officio State officials, of which four are cabinet-level secretaries (the secretary of finance and administration, the secretary of economic development, the secretary of energy, minerals and natural resources, and the secretary of environment), and one is a State agency official (the State investment officer), and two are the chief executives of state-wide associations (the executive director of the State municipal league and the executive director of the State association of counties). One of the five members appointed by the Governor must be the chief financial officer of a State higher educational institution and the remaining four members appointed by the Governor are members of the public. Each of the appointed members of the NMFA serve staggered four-year terms, so that the term of at least one member expires on January 1 of each

year. Vacancies are filled by appointment by the successor for the remainder of the unexpired term. Any member is eligible for reappointment.

The Act also provides for the creation of a legislative oversight committee, whose membership is determined by the State Legislative Council. The oversight committee is required to monitor and oversee the operation of the NMFA, and in that connection it: meets on a regular basis to receive and review reports from the NMFA on implementation of the provisions of the Act and to review and approve regulations proposed for adoption; monitors and provides assistance and advice on the public project financing program of the NMFA; oversees and monitors State and local government capital planning and financing; provides advice and assistance to the NMFA and cooperates with the executive branch of State government and local governments on planning, setting priorities for and financing of State and local capital projects; undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the legislature. The report and proposed legislation is required to be made available on or before December 15 each year.

Governing Board and Staff Members

Current members of the Board of Directors of the NMFA, and their respective occupations, are set out below:

New Mexico Finance Authority
Board of Directors

Name	Occupation	Term Expires
Phil Archibeck(1)	State Investment Officer, State Investment Council	not applicable
William Fulginiti(1) (Secretary)	Director, New Mexico Municipal League	not applicable
John Garcia(1)	Secretary, Economic Development Department, State of New Mexico	not applicable
Robert Goodman(2) (Chairman)	Chief Executive Officer, Capital Bank	January 1, 2001
David Harris(1)	Secretary, Department of Finance and Administration, State of New Mexico	not applicable
Jack A. Martines(2) (Vice Chairman)	Programs Decision Director Department of Labor, State of New Mexico	January 1, 2000
Danny K. Earp(2)	Chief Financial Officer, Eastern New Mexico University	January 1, 2003
Kelly Orrick(1)	Director, New Mexico Association of Counties	not applicable

Name	Occupation	Term Expires
Jennifer Salisbury(1)	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
H. Dan Shannon	President and Managing Officer of Santa Fe Branch, Norwest Bank New Mexico, N.A.	January 1, 2002
Mary L. Thompson(2)	Realtor	January 1, 2000
Peter Maggiore(1)	Secretary, Environment Department, State of New Mexico	not applicable

(1) Ex-Officio Member.
(2) Appointed by the Governor of the State to four-year term.

Set out below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 1999 Bonds and the administration of the public project revolving fund program.

Tom K. Pollard, Ph.D., Executive Director. Dr. Pollard has directed the operations of the NMFA since its inception. He previously served for five years as Executive Director of the Texas Bond Review Board from its inception in 1987. The Board, chaired by the Governor of Texas, is responsible for the approval of all state bond issuance. Dr. Pollard directed all research, technical and administrative functions of the Board and analyzed the legal and financial soundness of each bond transaction reviewed by the Bond Review Board. He also administered the allocation of the State's $850 million federal private activity bond authorization among Texas bond issuing entities and reported to the bond rating agencies on the fiscal condition of state government and Texas' state-backed loan programs. Before coming to the Board, Dr. Pollard served the Texas State Comptroller as the government's primary forecaster of state economic conditions and state government revenue from all sources. Dr. Pollard received a Ph.D. in economics from the University of Texas in 1980.

Keith H. Mellor, Controller. Mr. Mellor joined the NMFA in November 1995. Before coming to the NMFA Mr. Mellor was controller for the Los Alamos Credit Union. He brings with him an extensive background in controllership, investment portfolio management, governmental auditing and accounting. His responsibilities include design, implementation, and maintenance of financial controls, reporting systems and investment strategies. Prior to serving at the Credit Union, Mr. Mellor was CFO/Controller for CNS, Inc., a systems engineering and integration firm. Mr. Mellor holds B.S. in accounting from Metro State College, Denver, Colorado. He holds a Certified Public Accountant's license in the State of Colorado.

Jon K. Zaman, Director of Program Outreach. Mr. Zaman joined the NMFA in November 1997. Prior to working at the NMFA, Mr. Zaman worked as a legislative drafter with the New Mexico Legislative Council Service and as an analyst for the New Mexico House of

Representatives. Mr. Zaman has experience working both with state legislators and local government officials. Prior to moving to New Mexico, Mr. Zaman worked as a research and budget analyst for the Denver City Council and Denver Finance Department. Mr. Zaman holds a B.S. in Engineering from the New Mexico Institute of Mining and Technology.

Kathy Sylvia, Director of Financial Analysis. Ms. Sylvia joined the NMFA in February 1997. Prior to working at the NMFA, Ms. Sylvia was the Telecommunications Policy analyst at the New Mexico Municipal League. She brings with her an extensive knowledge of local governmental auditing, accounting and financial management. Prior to serving at the New Mexico Municipal League, Ms. Sylvia was Chief Financial Officer of the City of Alamogordo, New Mexico. Ms. Sylvia holds a B.S. in Management and Finance from Chaminade University and a Masters in Public Administration from New Mexico State University.

The Public Project Revolving Fund Program

The Public Project Revolving Fund Program of the NMFA is authorized by the Act and was created to fulfill the duty of the NMFA to develop and administer a program to assist qualified entities, individually or jointly, in financing all types of projects of a long-term capital nature, including but not limited to buildings, water systems, sewerage and waste disposal systems, solid waste disposal systems, streets, airports, municipal utilities and parking facilities. To implement the Public Project Revolving Fund Program, the NMFA has been granted the following specific powers: to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA; to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (i) a loan to a qualified entity, (ii) a grant to a qualified entity, (iii) a purchase or sale of securities individually or on a pooled basis, or (iv) the performance of its duties and execution of any of its powers under the Act; to purchase, hold or sell securities; to charge for its costs and services in review or consideration of a proposed loan to a qualified entity or purchase by the NMFA of securities; in connection with the purchase of any securities, to consider the ability of the qualified entity to secure financing from other sources and the costs of that financing and the particular public project or purpose to be financed or refinanced with the proceeds of the securities to be purchased by the NMFA; and to acquire and hold title to or leasehold interest in real and personal property and to sell, convey or lease that property for the purpose of satisfying a default or enforcing the provisions of a loan agreement.

In order to expand future availability of financing for projects under the Public Project Revolving Fund Program, it is NMFA's intent to make revolving loans at market or below market interest rates and to relend loan repayments on such loans. When possible, assistance will be provided in particular to those projects that have associated user fees or other revenues that can be used to pay debt service. However in order to ensure that financing is available to the largest number possible, the NMFA may provide three levels of assistance, depending on the credit worthiness of the project and the borrower:

- For entities which have the financial capacity to issue bonds but find it difficult to enter the credit market on their own, the NMFA may assemble pooled bond issues which will provide a lower cost of capital for the localities

than would be available if entering the credit market on their own. The Series 1999 Bonds are such a pooled bond issue.

- For those entities which can afford to pay for only a portion of their project, the NMFA may provide a combination of grant and loan financing. The grant portion may come from a legislative appropriation or from NMFA funds. The loan may be a direct loan from cash on hand or from funds raised through the issuance of bonds.

- For the most needy applicants, the NMFA may provide grants on a limited basis.

Other NMFA Programs and Projects

Generally

The NMFA participates in several other programs designed to provide financing for equipment and projects to both municipal and state agencies. These projects are funded by various sources and do not have a lien or claim of any type on the Trust Estate, including the Revenues, which secures the Bonds.

Equipment Finance Program

The NMFA established its Equipment Finance Program to assist local governments within the State in the financing and purchase of capital equipment, such as fire equipment, police cars and road maintenance vehicles, with a useful life of three years or more. Under this program the local government enters into a loan or other financing agreement with the NMFA. The NMFA provides cash (either from cash on hand in the Public Project Revolving Fund or from the proceeds of bonds or similar instruments) for the capital equipment purchase and the loan is repaid by the local government. Payments by local governments may be made from several sources, including enterprise funds or special tax or revenue funds, such as gross receipts tax revenues, gasoline tax revenues, law enforcement fund distributions and fire protection fund distributions.

Workers' Compensation Administration Building Revenue Bonds

In 1993 the New Mexico Legislature authorized the NMFA to sell $3.5 million in revenue bonds for the planning, designing, constructing, equipping and furnishing of a state office for the Workers' Compensation Administration ("WCA"). In 1994 the New Mexico Legislature authorized the NMFA to sell an additional $2.5 million in revenue bonds for the acquisition of land and site improvements for the WCA's proposed new office building. The Legislature also provided that the first forty cents ($.40) of each quarterly four dollar ($4.00) of Workers' Compensation assessment paid to the State would be pledged to the NMFA for payment of the revenue bonds associated with the WCA project. The NMFA and the General Services Department ("GSD") entered into a Joint Powers Agreement in May 1994 providing that, upon notification by the GSD that the project is sufficiently developed to warrant the

issuance of bonds and the provision of a detailed written estimate of the cost of the project, the NMFA shall issue bonds and make available to the GSD, at least ten days prior to the closing date of the land purchase, proceeds necessary for purchase of the land and site improvements. The remaining disbursements will be made on a construction schedule agreed to by NMFA and GSD. In July 1995 the NMFA publicly sold $2,050,000 of its revenue obligations to provide funds for the acquisition of land and the construction and equipping of an office building in Albuquerque. In July 1996, the NMFA sold $4,310,000 in long-term bonds to retire the outstanding bonds and to finance construction of the Workers' Compensation Administration Building.

UNM Cancer Research Center

In 1993 the New Mexico Legislature authorized the NMFA to issue revenue bonds payable from a portion of the net cigarette tax receipts collected by the State and distributed to the NMFA. The NMFA issued such revenue bonds in an aggregate principal amount of $6,000,000 in July 1996. The proceeds of the bonds are being used to design, construct, equip and furnish an addition to the University of New Mexico Cancer Center.

Primary Care Capital Fund

In 1994, a $5 million revolving fund was created in the State treasury from which to provide loans and other financial assistance to rural primary care health clinics. The legislation establishing the fund directed NMFA to administer the revolving fund, and to assume responsibility for all financial duties related to the program. The New Mexico Health Department and the NMFA have negotiated a joint powers agreement whereby the Health Department will provide all required health-related services and the NMFA will administer the revolving fund. In September 1994, later amended in April 1998, the NMFA and the Health Department adopted program operation rules to govern the financing of the repair, renovation or construction of primary care clinics in underserved areas of the State. The NMFA has funded six loans totaling approximately $1.71 million and anticipates funding four loans over the next eight months from the revolving fund totaling approximately $1.06 million.

Administrative Office of the Courts Financing

The 1996 Legislature authorized NMFA to issue revenue bonds in an amount not to exceed $8.5 million for the purpose of financing acquisition of court automation systems for the State court system, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. Bonds in the principal amount of $8.5 million were issued on June 25, 1996. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the State, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violation any provision of the Motor Vehicle Code involving the operation of a motor vehicle (including uncontested violations, misdemeanors, and violations enforced by imprisonment).

Insurance Department Financing

The 1996 Legislature authorized the NMFA to issue revenue bonds in an amount not to exceed $1.0 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance (the "Insurance Department Project"). The Legislature imposed a three dollar ($3.00) surcharge on the annual continuation of appointment fees on the approximately 60,000 insurance agents subject to the fees to provide security for the bonds. On April 18, 1996, the New Mexico Insurance Department requested NMFA to issue $525,000 of the authorized bonds for acquiring information and communication equipment. The Series 1996 Insurance Bonds were privately placed in a transaction that closed on May 23, 1996 and the proceeds were made available to the New Mexico Insurance Department.

On August 12, 1998, the New Mexico Insurance Department requested that the NMFA issue an additional $200,000 of the authorized bonds for the Insurance Department Project. The NMFA and the Insurance Department entered into an Interim Loan Agreement dated as of October 1, 1998 pursuant to which the NMFA advanced to the Insurance Department $200,000 for the Insurance Department Project. On December 1, 1998, the NMFA issued $400,000 in the aggregate principal amount of its New Mexico Finance Authority Insurance Department Surcharge Refunding and Improvement Revenue Bonds, Series 1998 to reimburse the NMFA for amounts advanced under the Interim Loan Agreement and to refund, refinance and prepay in full the outstanding Series 1996 Insurance Bonds.

Tax and Revenue Information Management Information System ("TRIMS" Project)

In 1997 the New Mexico Legislature authorized the NMFA to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (the "NMTRD") information management systems project (the "TRIMS Project"). The TRIMS project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD, which is responsible for collecting revenues for the State, its local governments, and others.

The NMFA sold $17,440,600 of Series 1997A Administrative Fee Revenue Bonds in September 1997. The Bonds are secured by certain administrative fees imposed by the NMTRD on local governments for the services associated with collection of local options gross receipts tax revenues, as well as NMTRD administrative fees imposed in connection with other taxes, fees, and charges.

New Mexico State Highway and Transportation Department – Corridor 44 Project

On October 2, 1998, the NMFA issued its $100,230,000 Federal Highway Grant Anticipation Revenue Bonds, Series 1998A for the purpose of financing the costs of acquiring, constructing, expanding and improving approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes (the "Corridor 44 Project") by the New Mexico State Highway and Transportation Department ("NMSHTD"). The bonds are payable from the NMFA's rights to payments under a Loan Agreement between the NMFA and NMSHTD. The obligations of

NMSHTD under the Loan Agreement are payable solely from and secured by a pledge of certain revenues received by or on behalf of NMSHTD pursuant to Chapter 1 of Tile 23, United States Code, Highways, as amended and supplemented.

It is expected that a second series of bonds will be issued in the fall of 1999 and that a third series will be issued in the fall of 2001 to complete the Corridor 44 Project.

LITIGATION

According to the NMFA, there is no controversy or litigation known to be pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 1999 Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any payments which will provide Revenues for the payment of the debt service on the Series 1999 Bonds or in any way contesting or affecting the validity or enforceability of the Series 1999 Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. NMFA will deliver a no-litigation certificate as to the foregoing prior to the issuance of the Series 1999 Bonds.

UNDERWRITING

Dain Rauscher Incorporated, George K. Baum & Company, and John Nuveen & Co. Inc., (the "Underwriters") have agreed to purchase the Series 1999 Bonds from the NMFA pursuant to a Bond Purchase Agreement dated January 14, 1999 (the "Bond Purchase Agreement"), at an aggregate price of $23,263,702.70 (being the aggregate principal amount plus a net original issue premium of $116,818.15 and less an Underwriters' discount of $153,115.45), plus accrued interest on the Series 1999 Bonds from their dated date to the date of delivery of and payment for the Series 1999 Bonds. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 1999 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 1999 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

TAX MATTERS

Taxable Series 1999C Bonds and Taxable Series 1999D Bonds

IN THE OPINION OF CO-BOND COUNSEL, INTEREST ON THE TAXABLE SERIES 1999C BONDS AND THE TAXABLE SERIES 1999D BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL TAX.

Series 1999A and Series 1999B Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 1999A Bonds and the Series 1999B Bonds (the "Tax-Exempt Bonds"). NMFA and the 1999 Governmental Units whose Loans are being financed by the issuance of the Tax-Exempt Bonds have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Tax-Exempt Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. Ballard Spahr Andrews and Ingersoll LLP, Co-Bond Counsel, has assumed continuing compliance by NMFA and the 1999 Governmental Units with such requirements and restrictions in rendering their opinion regarding the tax exempt status of interest on the Tax-Exempt Bonds.

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Co-Bond Counsel, based on an analysis of currently existing laws, regulations, decisions and interpretations and assuming, among other matters, continuing compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

Although said Co-Bond Counsel will render an opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Tax-Exempt Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. Said Co-Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Tax-Exempt Bonds.

State of New Mexico Income Tax

In the opinion of Co-Bond Counsel, under laws of the State of New Mexico as currently enacted and construed, interest on the Series 1999 Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

LEGAL MATTERS

In connection with the issuance and sale of the Series 1999 Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Co-Bond Counsel, and Ballard Spahr Andrews & Ingersoll, LLP, as Co-Bond Counsel, will deliver the respective opinions included in Appendix E hereto. Certain legal matters relating to the Series 1999 Bonds will be passed upon for the Underwriters by their counsel, Squire, Sanders & Dempsey L.L.P. Neither Squire, Sanders & Dempsey L.L.P. nor either Co-Bond Counsel has participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA or any of the 1999 Governmental Units contained in this Official Statement.

Certain legal matters will be passed upon for the NMFA by the Office of the Attorney General for the State of New Mexico. Certain legal matters relating to the 1999 Governmental Units will be passed upon by Modrall, Sperling, Roehl, Harris & Sisk, P.A.

EXPERTS

The NMFA has retained Clancy, Gardiner & Pierce, LLC, as financial advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 1999 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Clancy, Gardiner & Pierce, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

FINANCIAL STATEMENTS

The combined financial statements of the NMFA for the year ended June 30, 1998, included as Appendix A of this Official Statement have been audited by Barraclough & Associates P.C., certified public accountants, Santa Fe, New Mexico, as set forth in their report thereon dated December 2, 1998. Such financial statements represent the most current audited financial information available for the NMFA.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rules 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission in connection with the issuance of the Series 1999 Bonds, the NMFA will agree to provide the following information:

(i) to each nationally recognized municipal securities information repository ("NRMSIR"):

(1) annual financial information and operating data as follows:

(a) with respect to NMFA, information concerning the NMFA Portion of the Governmental Gross Receipts Tax Revenues, such information to be of the type set forth under the table captioned "Governmental Gross Receipts Taxes Collections Fiscal Years 1994-1995 through 1997-1998" under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues - The Governmental Gross Receipts Tax" in the Official Statement; and

(b) with respect to any Governmental Unit whose Loan repayment obligations constitute more than 5% of the estimated annual Revenues in any year when the Series 1999 Bonds are outstanding (the "5% test") information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues.

and

(2) audited financial statements for NMFA and any Governmental Unit meeting the 5% test.

Such information will be provided within 270 days of the end of each fiscal year and will be made available, in addition to each NRMSIR, to the Trustee and to each holder of the Series 1999 Bonds who requests such information. In the event that audited financial statements are not available within such time period, unaudited financial statements will be provided;

(ii) in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") and to a State information depository, if any, notice of the occurrence of any of the following events (if applicable) with respect to the Series 1999 Bonds or the Agreements, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Series 1999 Bonds;

(7) modification of rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Series 1999 Bonds; and

(11) rating changes.

The NMFA may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the NMFA, such other event is material with respect to the Series 1999 Bonds or the Agreements. However, the NMFA does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above; and

(iii) in a timely manner to the MSRB notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The NMFA reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the NMFA; provided that, the NMFA has agreed that any such modification will be done in a manner consistent with the Rule. The NMFA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Owners of the Series 1999 Bonds and shall be enforceable by the Owners; provided that, the right to enforce the provisions of this undertaking are limited to a right to obtain specific enforcement of the NMFA's obligations, and any failure by the NMFA to comply with the provisions of the undertaking shall not be an event of default with respect to the Series 1999 Bonds.

Continuing disclosure undertakings previously entered into by NMFA called for it to file an annual report and audit with respect to the Fiscal Year ended June 30, 1997 no later than 270 days after the end of such fiscal year. NMFA recently discovered that such report and audit had not yet been filed. On November 25, 1998, NMFA notified the MSRB of its failure to file the report and audit and by December 15, 1998, such report and audit had been filed with the NRMSIRs. NMFA believes that it is now in compliance with its continuing disclosure undertakings.

YEAR 2000 ISSUES

Many computer programs utilized throughout the world use a two digit field rather than a four digit field to identify the year. The year 2000 as a calendar year poses a problem ("Year 2000 issues") concerning the capability of computer systems to process date data accurately (including, but not limited to, calculating, comparing, and sequencing) from, into, and between the twentieth and twenty-first centuries. Computer programs that have date-sensitive software

may cause system failure and miscalculations if, for example, date entry of "00" is recognized as year 1900 rather than 2000. The computer coding practice of using only a two digit field has the potential to affect computer systems, software, and hardware, application software, and specialized computer items which use embedded information technology. If not corrected, Year 2000 issues not only could affect internal financial and operational systems, but also leaves entities vulnerable to failures in the systems of those government agencies and companies on which they depend.

Both the State of New Mexico and NMFA have been actively addressing the Year 2000 Issues. With respect to the State, each agency is evaluating its computer systems for Year 2000 compliance, taking corrective actions as needed, and testing the actions taken. The State is also developing contingency plans for dealing with internal and external non-compliance and business interruptions.

As part of the State's remedial efforts, the Information Systems Division ("ISD") has formed a steering committee which will direct an independent consultant to perform high level testing and validation of all agency "mission critical" Year 2000 corrective actions. The steering committee will also direct the review of all related contingency plans. NMFA's CFO will participate as a member of the steering committee.

NMFA is also actively addressing Year 2000 Issues. It has undertaken an audit of its own systems and based upon such audit and the compliance programs which it has undertaken, NMFA believes that its systems will be Year 2000 compliant.

NMFA is also in the process of requesting and reviewing information and representations from State agencies that directly interact with the flow of funds to NMFA and from Governmental Units and material third party vendors and suppliers regarding the status of their Year 2000 compliance efforts. The results of such surveys and requests are incomplete at this time. There can be no assurance that the systems or products of other entities on which the NMFA must rely will be converted on a timely basis or that any such failure to convert by a State agency, third party supplier, vendor, or Governmental Unit would not have an adverse effect on the NMFA's systems or operations or its ability to repay the Series 1999 Bonds.

In addition, the Trustee's ability to make timely payments on the Bonds is dependent on the Trustee's systems. The Trustee has advised NMFA that it has implemented a program to address Year 2000 Issues. However, there can be no assurance that the Trustee will not experience problems with the Year 2000 issues that may materially adversely affect payments on the Series 1999 Bonds.

DTC's Internet site (http://www.dtc.org) contains detailed information regarding DTC's progress and plans to support industry preparations for the impending date change at the end of the decade. DTC has informed its Participants and other members of the financial community that it is implementing a program so that its systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries and settlement of trades within DTC, continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete according to DTC. DTC's plan also includes a testing phase, which is expected to be completed within appropriate time frames.

DTC's ability to perform its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has indicated that it is contacting third party vendors from whom DTC acquires services to: (1) impress upon them the importance of such services being Year 2000 compliant; and (2) determine the extent of their efforts for Year 2000 remediation of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind. Failure by DTC to identify and correct Year 2000 problems in its computer systems could adversely affect the ability of DTC to perform its duties in connection with the remittance of the payments on the Series 1999 Bonds on a timely basis.

RATINGS

Moody's Investor's Service ("Moody's"), Standard & Poor's Rating Group ("S&P") and Fitch IBCA, Inc. ("Fitch") have assigned ratings of "Aaa," "AAA" and "AAA," respectively, to the Series 1999 Bonds with the understanding that upon delivery of the Series 1999 Bonds, separate policies insuring the payment when due of the Series 1999 Bonds will be issued by MBIA Insurance Corporation. Such ratings reflect only the views of such organizations. An explanation of the significance of such ratings may be obtained from Moody's at 99 Church Street, New York, New York 10007, S&P at 25 Broadway, New York, New York 10004, and Fitch Investors Service, Inc., One State Street Plaza, New York, New York 10004. The ratings are not a recommendation to buy, sell or hold the Series 1999 Bonds and there is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings given to the Series 1999 Bonds may have an adverse effect on the market price of the Series 1999 Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 1999 Bonds any proposed revision or withdrawal of the ratings on the Series 1999 Bonds, or to oppose any such proposed revision or withdrawal.

ADDITIONAL INFORMATION

The quotations from and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements of the NMFA, may be obtained during the offering period upon request directly to the NMFA at 1751 Old Pecos Trail, Suite L, Santa Fe, New Mexico 87505, Attention: Executive Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official

Statement is not to be construed as a contract or agreement between the NMFA and the purchasers or holders of any of the Series 1999 Bonds.

APPROVAL BY THE NMFA

This Official Statement and its distribution and use by the Underwriters have been duly authorized and approved by the NMFA, and this Official Statement has been executed and delivered on behalf of the NMFA by the Chairman of its Board of Directors and its Executive Director.

NEW MEXICO FINANCE AUTHORITY

By /s/ Robert Goodman
Chairman of the Board of Directors

By /s/ Tom K. Pollard
Executive Director

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA FOR THE FISCAL YEAR ENDED JUNE 30, 1998

"13 Years of Excellence"

Barraclough & Associates, P.C.
Certified Public Accountants & Consultants

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James E. Latham, C.P.A.

Douglas W. Fraser, C.P.A.
Annette V. Hayden, C.P.A.
Candace M. Hintenach, C.P.A.
Benjamin R. Smiley, C.P.A.
Amy J. Robinson, C.P.A.
Susan L. Wittman, C.P.A.

INDEPENDENT AUDITORS' REPORT

Mr. Robert E. Vigil, CPA, State Auditor
and
Mr. Robert Goodman, Chairman
New Mexico Finance Authority:

We have audited the accompanying general-purpose financial statements and the combining and individual fund and account group financial statements of the New Mexico Finance Authority (Authority), as of and for the year ended June 30, 1998 as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund type and its nonexpendable trust funds, for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements of the Authority referred to above present fairly in all material respects, the financial position of each of the individual funds and the account group of the Authority as of June 30, 1998, and the results of its operations for such funds and the cash flows of its proprietary fund type and its nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As described in note 2 to the financial statements, the Authority has changed its accounting for investment securities in accordance with Governmental Accounting Standards Board Statement No. 31.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 1998 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole and on the combining and individual fund and account group financial statements The accompanying other supplementary financial information listed as supplemental schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose, combining and individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and the account group taken as a whole.

Barraclough & Associates P.C.

December 2, 1998

NEW MEXICO FINANCE AUTHORITY

Exhibit 1

Combined Balance Sheet - All Fund Types and Account Group

June 30, 1998

	Proprietary Fund Type - Internal Service	Fiduciary Fund Types - Trust and Agency	Account Group - General Long-term Debt	Totals (Memorandum Only)
Assets and Other Debits				
Assets:				
Cash and cash equivalents (note 3)	$ 5,504,978	$ 22,620,275	$ -	$ 28,125,253
Cash and cash equivalents - nonexpendable trusts (note 3)	-	4,679,193	-	4,679,193
Receivables:				
Taxes	294,934	3,203,971	-	3,498,905
Interest	-	490,327	-	490,327
Grant and other	-	129,733	-	129,733
Loans (note 4)	-	50,525,266	-	50,525,266
Securities (note 5)	-	11,821,871	-	11,821,871
Due from other funds (note 6)	169,142	2,109,890	-	2,279,032
Restricted assets - Cash and cash equivalents (note 3)	1,053,732	52,108,692	-	53,162,424
Fixed assets, net (note 8)	21,909	61,213	-	83,122
Deferred issue costs, net	145,960	-	-	145,960
Other assets	2,406	-	-	2,406
Other debit - Amount to be provided for retirement of general long-term debt	-	-	8,269,000	8,269,000
Total assets and other debit	$ 7,193,061	$ 147,750,431	$ 8,269,000	$ 163,212,492
Liabilities and Equity				
Liabilities:				
Accounts payable and other liabilities	$ 65,379	$ 315,704	$ -	$ 381,083
Accrued payroll, fringe benefits and compensated absences	49,378	-	-	49,378
Accrued interest payable	19,925	-	-	19,925
Funds held for others	-	21,814,685	-	21,814,685
Due to other state agencies (note 7)	-	14,991,977	-	14,991,977
Due to trustee	5,793	75,070	-	80,863
Due to other funds (note 6)	2,037,236	241,796	-	2,279,032
Bonds payable (notes 9 and 10)	4,800,000	91,940,600	8,269,000	105,009,600
Total liabilities	6,977,711	129,379,832	8,269,000	144,626,543
Equity:				
Contributed capital	2,108,754	-	-	2,108,754
Retained earnings:				
Unreserved (deficit)	(1,893,404)	-	-	(1,893,404)
Fund balance - Reserved	-	18,370,599	-	18,370,599
Total equity (notes 11 and 16)	215,350	18,370,599	-	18,585,949
Total liabilities and equity	$ 7,193,061	$ 147,750,431	$ 8,269,000	$ 163,212,492

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Exhibit 2

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types

Year Ended June 30, 1998

	Expendable Trust Funds
Revenues:	
Tax revenue	$ 19,197,586
Interest	5,040,595
Administrative	184,044
Total revenues	24,422,225
Current expenditures:	
Administrative fee	231,280
Professional services	111,949
Total current expenditures	343,229
Other expenditures:	
Debt service - interest expense	4,528,447
Bond issuance costs	457,706
Total other expenditures	4,986,153
Total expenditures	5,329,382
Excess of revenues over expenditures	19,092,843
Other financing sources (uses):	
Transfers to other funds (note 6)	(24,681)
Transfers to other state agencies (note 7)	(14,064,285)
Total other financing sources (uses)	(14,088,966)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	5,003,877
Fund balance - Beginning of year	7,200,946
Prior period adjustments (note 2)	72,526
Fund balance as restated	7,273,472
Fund balance - End of year	$ 12,277,349

The accompanying notes are an integral part of this financial statement.

Combined Statement of Revenues, Expenses and Changes in Equity - All Proprietary Fund Types and Non Expendable Trust Funds

Year Ended June 30, 1998

	Proprietary Fund Types - Internal Service Fund	Non Expendable Trust Funds	Totals (Memorandum Only)
Operating revenues:			
Administrative fees	$ 236,465	$ -	$ 236,465
Interest income	330,968	300,911	631,879
Total operating revenues	567,433	300,911	868,344
Operating expenses:			
Salaries and fringe benefits	483,018	28,051	511,069
In-state travel	15,990	3,983	19,973
Maintenance and repairs	4,683	240	4,923
Supplies	18,957	-	18,957
Contractual services	124,687	21,042	145,729
Operating costs	108,671	5,572	114,243
Out-of-state travel	3,993	2,969	6,962
Depreciation	15,919	333	16,252
Total operating expenses	775,918	62,190	838,108
Operating income (loss)	(208,485)	238,721	30,236
Non operating revenues (expenses):			
Tax revenue	1,561,342	-	1,561,342
Federal grant revenue	-	123,403	123,403
Interest expense	(263,025)	-	(263,025)
Bond issue costs and other	(18,245)	-	(18,245)
Net non operating revenue (expense)	1,280,072	123,403	1,403,475
Income before operating transfers	1,071,587	362,124	1,433,711
Transfers from other funds (note 6)	-	24,681	24,681
Transfers to other state agencies (note 7)	(58,679)	-	(58,679)
Total transfers	(58,679)	24,681	(33,998)
Net income	1,012,908	386,805	1,399,713
Fund equity (deficit) - Beginning of year	(797,558)	5,706,445	4,908,887
Fund equity - End of year	$ 215,350	$ 6,093,250	$ 6,308,600

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Exhibit 4

Combined Statement of Cash Flows
- All Proprietary Fund Types and Non Expendable Trust Funds

Year Ended June 30, 1998

	Proprietary Fund Types - Internal Service Fund	Non Expendable Trust Funds	Totals (Memorandum Only)
Cash flows provided (used) from operating activities:			
Cash paid for employee services	$ (464,129)	$ (28,051)	$ (492,180)
Cash paid to vendors for services	(278,763)	(33,806)	(312,569)
Interest income received	330,968	332,290	663,258
Administrative fees received	152,858	-	152,858
Net cash provided (used) for operating activities	(259,066)	270,433	11,367
Cash flows provided (used) for noncapital financing activities:			
Operating transfers	(113,348)	-	(113,348)
Cash provided by other funds	1,920,990	123,403	2,044,393
Net cash provided (used) for noncapital financing activities	1,807,642	123,403	1,931,045
Cash flows from capital and related financing activities:			
Loans funded	-	(1,305,816)	(1,305,816)
Payment of bonds	(600,000)	-	(600,000)
Restricted assets - reserve funds	(29,271)	-	(29,271)
Interest expense	(265,200)	-	(265,200)
Tax revenue	1,541,622	-	1,541,622
Fixed asset purchases	(10,327)	(61,546)	(71,873)
Net cash provided (used) for capital and related financing activities	636,824	(1,367,362)	(730,538)
Net (decrease) increase in cash and cash equivalents	2,185,400	(973,526)	1,211,874
Cash and cash equivalents - Beginning of year	3,319,578	5,652,719	8,972,297
Cash and cash equivalents - End of year	$ 5,504,978	$ 4,679,193	$ 10,184,171
Reconciliation of operating loss to net cash used for operating activities- Operating income (loss)	$ (208,485)	$ 238,721	$ 30,236
Adjustments to operating income (loss):			
Depreciation	15,919	333	16,252
(Increase) decrease in accounts receivable and accrued interest	22,570	(92,024)	(69,454)
Increase in accrued payroll, fringe benefits and compensated absences	35,871	-	35,871
Increase (decrease) in accounts payable and cash overdraft	(3,298)	15,360	12,062
Increase (decrease) in due to other funds	(211,081)	108,043	(103,038)
(Increase) decrease in due from other funds	89,438	-	89,438
Net cash provided (used) for operating activities	$ (259,066)	$ 270,433	$ 11,367

The accompanying notes are an integral part of this financial statement.

(1) Organization and Summary of Significant Accounting Policies

A. Organization

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico Finance Authority Act (Act), is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.

The Authority's governing board is composed of twelve members. The State Investment Officer, the Secretary of the Department of Finance and Administration, the Secretary of Economic Development, the Secretary of Energy, Minerals and Natural Resources, the Secretary of the Environment Department, the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the Authority with voting privileges. The Governor, with the advice and consent of Senate, shall appoint to the Authority the chief financial officer of an institution of higher education and four members who are residents of the state. The appointed members serve at the pleasure of the governor.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the state except as specifically provided in the New Mexico Finance Authority Act. The Act further states, "No use of the terms 'State agency' or 'instrumentality' in any other law of the state shall be deemed to refer to the Authority unless the Authority is specifically referred to in the law."

The Act specifically excludes the Authority from the definition of "state agency" or "instrumentality" in any other law of the state unless specifically referred to in the law.

The Attorney General's Opinion dated December 23, 1992, concludes that the Authority is an agency of the state at least for certain purposes. The Opinion subjects the Authority to the Open Meetings Act and concludes that the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Opinion excludes the Authority from other sections of the Per Diem and Mileage Act, the Procurement Code and DFA vouchering requirements.

Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof.

The Authority is a governmental entity in accordance with Governmental Accounting Standard Board Statement No. 14. The Authority is a governmental entity because it was established by statute: its relationship with other governmental entities; the governmental make-up of the Authority's governing board; sources of tax revenue and can issue tax-exempt debt.

(1) Organization and Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial statements of the Authority have been prepared by Barraclough & Associates, P.C. in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Authority is responsible for the fair presentation in the general-purpose financial statements of financial position, results of operations and cash flows of the proprietary funds and non-expendable trust funds in conformity with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority receives sources of tax revenue from other agencies for the purpose of issuing and financing debt. Based on the legislation, bond or joint powers agreements, the Authority determines the appropriate accounting treatment for each financing program. Certain financing programs in which the excess tax revenue received after debt service payments or excess bond proceeds, or interest income earned on the bond proceeds can be used for the Authority's benefit and are accounted for in the internal service fund. Other financing programs are accounted for as expendable trust funds when tax revenue in excess of debt service payments can only be expended for another agency, a specific purpose or have other outside restrictions.

The Authority has the following fund types and account group:

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989 in accounting and reporting for its proprietary operations. Proprietary funds include the following fund type:

The *internal service fund* accounts for operations that provide services to other State of New Mexico departments or agencies or to other local government entities on a cost-reimbursement basis. The internal service fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund (CFAS #956).

Fiduciary funds account for assets held by the Authority in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Authority under the terms of an agreement.

(1) Organization and Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The *expendable trust fund* is accounted for in essentially the same manner as a governmental fund type. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers the revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for interest on long-term debt, which is recognized when paid. Also bond premiums and discounts, as well as issuance costs are recognized during the current period. Expendable trust funds account for assets where both the principal and interest may be spent.

The *nonexpendable trust funds* are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent.

The Governmental Accounting Standards Board (GASB) Codification Section 1500.102 states that long-term obligations "directly related to and expected to be paid from proprietary and trust funds should be included in the accounts of such funds." Accordingly the Authority has elected to record the debt of such funds to the applicable funds.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. An agency fund is used to account for assets that the Authority holds for others in an agency capacity. The Authority has established a separate agency fund for each of the equipment loan program debt issues.

Account Groups - The *general long-term debt account group* is used to account for general long-term debt that are not specific liabilities of proprietary or trust funds.

C. Programs and Funds

The following describes the nature of the programs and funds maintained by the Authority:

State Building Program-Cigarette Tax - accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico-cigarette taxes, for the purpose of financing building projects in New Mexico.

(1) Organization and Summary of Significant Accounting Policies (Continued)

C. Programs and Funds (Continued)

Section 7-1-6.11, NMSA, 1978 Compilation provides for a distribution to the Authority of seven and one-eighth percent of the net receipts attributable to the cigarette tax with the first distribution made as of August 1, 1993. The cigarette tax monies are to be used by the Authority to finance the construction of a cancer research center and sell revenue bonds in compliance with the New Mexico Finance Authority Act in an amount not exceeding six million dollars ($6,000,000) for the purpose of designing, constructing, equipping and furnishing an addition to the Cancer Center at the University of New Mexico. The parties have entered into a Joint Powers Agreement to accomplish this purpose. The bonds were issued on July 11, 1996. The cigarette tax proceeds distributed to the New Mexico Finance Authority pursuant to Section 7-1-6.11 NMSA 1978 are appropriated to the Authority to be pledged irrevocably for the payment of the principal or interest on the bonds or any payments for refunding or redemption premiums on the bonds and for payment of the costs incurred by the Authority related to authorization, issuance and sale of the bonds.

The Laws of 1993, Chapter 358, authorizes funds in the State Building Program-Cigarette Tax, in excess of the amount necessary for payment of principal and interest on outstanding bonds and necessary reserves or sinking funds, to be transferred to any other account of the Authority as needed for purposes of the New Mexico Finance Authority Act. Also, the joint power agreement in effect as of June 30, 1998 states that all and any interest income and surplus bond proceeds will be retained by the Authority. This program is accounted for in the internal service fund (CFAS #958).

State Building Programs-Workers' Compensation Assessment - accounts for the proceeds from bonds, the debt service requirements of the bonds and receipts from the State of New Mexico - workers' compensation assessments for the purpose of financing an office building for the Workers' Compensation Administration.

The Laws of 1993, Chapter 367, Section 73, effective April 8, 1993, as amended by Laws of 1994, Chapter 91, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $3,500,000 for planning, designing, constructing, equipping and furnishing a state office building for the Workers' Compensation Administration that complies with the Americans with Disabilities Act of 1990. The 1994 amendment authorized the Authority to issue and sell additional revenue bonds in an amount not to exceed $2,500,000 when the property control division of the General Services Department certifies the need for issuance of the bonds. The bond proceeds are for acquiring land and making site improvements for the aforementioned state building. The parties have entered into a joint powers agreement to accomplish this purpose. $4,310,000 of bonds were issued during July 1996. The first 40¢ of the workers' compensation assessment imposed pursuant to Section 52-5-19, NMSA, 1978 is distributed to the Authority and is appropriated to be pledged irrevocably for payment of principal, interest, any premium and expenses related to the issuance and sale of the bonds. Revenue distributed to the Authority shall be deposited in a special bond fund or account and any money remaining in the fund at the end of each calendar quarter, after all current obligations and any sinking fund requirements are met shall be transferred to the workers' compensation administration fund upon

(1) Organization and Summary of Significant Accounting Policies (Continued)

C. Programs and Funds (Continued)

request. Also, according to the joint powers agreement in effect, any surplus bond proceeds and interest will be used for the project.

This program is accounted for as an expendable trust fund (CFAS #764).

Upon payment of all principal and interest and any other obligations or expenses related to issuance of the bonds, the Authority shall certify to the Taxation and Revenue Department that all obligations have been fully discharged and direct the Department to cease payments of workers' compensation assessment fee revenue to the Authority.

Public Projects Revolving Fund - is used to account for governmental gross receipts tax (GGRT) proceeds received under the Laws of 1994, Chapter 145, Section 1. The Authority receives an amount equal to seventy-five percent of the net receipts attributable to GGRT pursuant to Section 7-1-6 1, NMSA 1978.

Of the GGRT revenues directed to the Authority's Public Project Revolving Fund, which are not used to pay debt service on PPRF obligations, an aggregate amount not to exceed thirty-five percent shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the wastewater facility construction loan fund, the rural infrastructure revolving loan fund, the solid waste facility grant fund, and the drinking water state revolving loan fund. The remaining GGRT revenue deposited may be granted or loaned directly by the Authority to qualified entities or "leveraged" by pledging the revenue stream to the issuance of bonds and granting, or lending, the bond proceeds. All projects to be financed must by approved by the Legislature.

This program is accounted for as an expendable trust fund (CFAS #955).

Primary Care Capital Fund - The Laws of 1994, Chapter 62, created the Primary Care Capital Fund to provide funding for capital projects to eligible entities in order to increase health care services in rural and other health care underserved areas in the state. The revolving fund, to be administered by the Authority, shall consist of appropriations, loan repayments, gifts, grants, donations and interest earned on investment of the fund. Money in the fund shall not revert at any fiscal year end.

The State of New Mexico, Department of Health, and the Authority administer the loan programs and contracts for services established pursuant to the Primary Care Capital Funding Act. The Department of Health, in conjunction with the Authority, shall adopt regulations to administer and implement the Act.

Laws of 1994, Chapter 147, appropriated $5,000,000 for the primary care capital fund for rural primary care capital funding. Laws of 1994, Chapter 6, appropriated $95,000 to the Department of Health to contract with the Authority for assistance to the Department and administration of the Primary Care Capital Fund.

(1) Organization and Summary of Significant Accounting Policies (Continued)

C. Programs and Funds (Continued)

The $5,000,000 primary care fund is accounted for as a nonexpendable trust fund (CFAS #879) and the $95,000 appropriation is accounted for as a component of the internal service fund.

Court Automation Financing Program - The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed $8.5 million for the purpose of financing acquisition of court automation systems for the state court system, including the acquisition, development and installation of computer hardware and software by the Administrative Office of the Courts. $8.5 million of court automation fee revenue bonds were issued on June 25, 1996. Such bonds are payable solely from a portion of the docketing fees and costs collected by the various courts of the state, and a portion of certain costs and penalty assessments to be collected upon conviction from persons convicted of violating any provision of the motor vehicle code involving the operation of a motor vehicle.

The pledged revenues are paid to the Authority. Pledged revenues in excess of debt service and related expenditures may be appropriated by the Legislature to the Administrative Office of the Courts for the acquisition of court automation systems. This financing program is accounted for as an expendable trust fund.

Insurance Department Financing Program - The 1996 New Mexico Legislature authorized the Authority to issue revenue bonds in an amount not to exceed $1 million for the purpose of financing information and communication equipment, including computer hardware and software, for the New Mexico Department of Insurance. The Legislature imposed a three dollar ($3.00) surcharge on the annual continuation of appointment fees on approximately 60,000 insurance agents subject to the fees to provide security for the bonds. On April 18, 1996, the New Mexico Insurance Department requested the Authority to issue $525,000 of the authorized bonds for acquiring information and communication equipment. The bonds were privately placed in a transaction that closed on May 23, 1996 and the proceeds were transferred to the New Mexico Department of Insurance. The pledged revenues are paid to the Authority. Pledged revenue in excess of debt service and related expenditures may be appropriated by the Legislature to the Department of Insurance for the acquisition of information and communication equipment.

This financing program is accounted for as an expendable trust fund.

Administrative Fee Revenue (Trims Project) Program – Chapter 125, Laws of New Mexico 1997 was enacted to authorize the Authority to sell up to $33,709,800 of bonds for the purpose of financing the New Mexico Taxation and Revenue Department (NMTRD) information management systems project (Trims Project). The Trims Project is an integration and updating of on-line, multi-user systems that process taxation, motor vehicle tax and fee collections, revenue distributions and information processing by the NMTRD. Revenue from NMTRD's administrative fees are pledged to repay the bonds. The Authority issued $17,440,660 of Administrative Fee Revenue Bonds Series 1997A in September 1997.

(1) Organization and Summary of Significant Accounting Policies (Continued)

C. Programs and Funds (Continued)

This financing program is accounted for as an expendable trust fund.

New Mexico Drinking Water State Revolving Loan Fund – The New Mexico Drinking Water State Revolving Loan Fund Act (Act) creates the New Mexico Drinking Water State Revolving Loan Fund (DWRLF), which is administered by the Authority.

The Authority is charged with establishing, in cooperation with the New Mexico Environment Department, a loan program to provide local authorities with low-cost financial assistance in the construction of necessary drinking water facilities.

Money deposited into the DWRLF may be used: 1) to make loans at or below the market rate for eligible purposes for terms no longer than twenty years after completion of construction (loans for disadvantaged communities are the exception and may be for terms up to thirty years); 2) to buy or refinance a municipality's debt obligation, if combined with a new project, if the debt was incurred after July 1, 1993; 3) to guarantee or buy insurance for a local obligation to improve credit access or market rates; 4) as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the State, if the proceeds will be deposited in the DWRLF; and, 5) to earn interest on the amounts deposited into the DWRLF.

The Act states further that grants from the federal government or its agencies, allotted to New Mexico for capitalization of the DWRLF, shall be directly deposited into the DWRLF and the Authority shall maintain full authority for the operation of the DWRLF, in accordance with applicable federal and state law.

New Mexico's capitalization grant for Fiscal Year 1998 will be approximately $12,759,800. This will require a State match of $2,551,960. The State matching funds were appropriated with the passage of House Bill 1277, (Laws 1997, Chapter 170) by the 1997 Legislature. House Bill 1277 appropriated $2,600,000 from the PPRF to the DWRLF. In addition, the full 4%, or $510,392, would be set aside for administration. Any part of the administrative set-aside not used in the current year can be "banked" and used in later years to fund DWRLF administration.

This financing program is accounted for as a non-expendable trust fund.

Equipment Loan Program - The Authority has established an equipment loan program under the Authority's legislation to assist local government entities in the financing and purchase of equipment. The Authority has issued the following Pooled Equipment Certificates of Participation. In October 1994, the Authority issued $646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were loaned to ten local governments in the state. On August 29, 1995, NMFA issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A, the proceeds of which were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued $2,904,000

(Continuec)

(1) Organization and Summary of Significant Accounting Policies (Continued)

C. Programs and Funds (Continued)

aggregate principal amount of its Equipment Program Certificates of Participation, Series 1995B, the net proceeds of which were loaned to the City of Las Cruces. On December 3, 1996, the Authority issued $1,820,000 aggregate principal amount of its Pooled Equipment Program Certificates of participation Series 1996B, the proceeds of which were loaned to various governmental entities in the state.

The loans are assigned to a trustee by the Authority and the only sources of repayment are various sources of local government revenues secured by intercept agreements and paid to the trustee. These certificates are not an obligation of the Authority. The funds are maintained by the trustees and are held in the Authority's and the local entity's names. Accordingly, these funds are accounted for as agency funds in the financial statements. The certificates of participation meet the criteria of conduit debt obligations. The Authority has decided to record the debt to the general long-term debt account group because of their oversight responsibilities.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, First Security Bank and with banks acting as bond trustees. Cash in the various programs on deposit with the State Treasurer are invested by the New Mexico State Treasurer in the "overnight" repurchase program. Interest is credited to the various programs based on the programs average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs. Funds held by the banks and the Authority acting as trustees are invested money market accounts that invest in United States Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. State law requires that repurchase agreements be secured by collateral with a market value greater than 102% of the value of the agreement.

Money in all funds of the Authority may be deposited with the State Treasurer for short-term investment pursuant to Section 6-10-10.1, NMSA 1978 Compilation, or may be invested in direct and general obligations or of obligations fully and unconditionally guaranteed by the United States, obligations issued by agencies of the United States, obligations of the State of New Mexico or any political subdivision of the State or as otherwise provided by the trust indenture or bond resolution, if funds are pledged for or secure payment of bonds issued by the Authority.

E. Securities

The Authority has purchased State of New Mexico Department of Energy, Minerals and Natural Resources and Jemez Springs bonds which are recorded at market value in accordance with GASB 31. Changes in market value are reflected in interest income. Interest income is recorded on the accrual method. The Authority plans to hold their investment in the Energy, Minerals and Natural Resources and the Jemez Springs bonds to maturity.

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

F. Loans

Loans are stated at their principal amount. Interest on loans is accrued for based on the daily principal balance outstanding except when a loan has been past due for 90 days. All significant loans are to governmental entities secured by tax revenue or are loaned to other entities, which are repaying the loans in accordance with their loan agreements. Management's evaluation of the loan portfolio has determined that no allowance for uncollectible loans is required at June 30, 1998. There are no loans past due for more than 90 days at the end of the fiscal year, which would be required to be placed on nonaccrual status.

G. Property, Furniture and Equipment

Property, furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment purchases with useful lives over one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets which range from 3 to 7 years. In addition, furniture and equipment with lives of one year or less, and maintenance and repairs, which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

H. Income Taxes

The Authority is a tax exempt, quasi-governmental organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Authority is subject to other Internal Revenue Code sections relating to the tax-exempt status of the bonds issued by the Authority.

I. Accrued Compensated Absences Payable

Full-time employees are entitled to ten days annual leave with four years or less employment with the Authority. Employees with more than four years receive fifteen days. When employees terminate they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination.

Full-time employees are entitled to twelve days of sick leave each fiscal year. Part-time employees accrue annual leave and sick leave on a prorated basis based on the number of hours they work. A full-time employee may receive cash payment at a rate of fifty percent of their hourly wage for any accrued sick leave in excess of forty hours up to a maximum of one hundred twenty hours on the first full pay period in July. An employee may accrue a maximum of 1,040 hours. Accumulated sick leave is not compensated on termination of employment unless the employees retire. Then the employee can be paid for accrued sick leave in excess of 600 hours at fifty percent of their hourly wage rate, not to exceed 600 hours.

Accrued compensated absences are recorded in the internal service fund.

(1) Organization and Summary of Significant Accounting Policies (Continued)

J. Budgets and Budgetary Accounting

The Authority prepares a budget for the operations program of the internal service fund and for the DWRLF. These budgets are approved by the Authority's board. The budgets are also amended by the Authority's board. The budgets are prepared on a non-GAAP basis. The differences between the accounting on a budgetary basis and GAAP basis are that capital outlay is a budgetary expenditure and depreciation expense is not a budgetary expenditure.

K. Restricted Assets

Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or legislation. The cash and cash equivalents held for others by trustees have the following restricted assets. The "debt service and bond reserve" accounts are used to report resources held by trustee and set aside for future debt service payments. The "program-grant proceeds" account is used to report those proceeds of bond issuances that were issued to finance a grant to another state agency. The "program-bond proceeds" account is used to report those proceeds of bond issues that were loaned to other governmental entities, which the borrowers have not yet expended. The "cash and cash equivalents held for others by the Authority" account is used to segregate bond proceeds that will be used for specific purposes as required by legislation. "Cash and cash equivalents pledged for repayment of bonds and bond expenses held by trustee" is used to report funds set aside for debt repayment, bond issuance, and other costs by the Authority.

L. Cash Flows

For purposes of the Statement of Cash Flows, the various funds consider all highly liquid assets (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

M. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts premiums and issuance costs are recognized in the current period. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs. No interest expense has been capitalized.

N. Fund Equity

Contributed capital is recorded to the internal service fund for the cigarette tax revenue used for the start-up and funding of the internal service fund as permitted under Laws of 1993, Chapter 358. The internal service fund unreserved retained earnings deficit represents the cumulative excess of

(1) Organization and Summary of Significant Accounting Policies (Continued)

N. Fund Equity (Continued)

expenses over operating revenues. Reserves represent those portions of fund equity appropriated for or legally segregated for a specific future use.

O. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. Interfund and Interagency Transactions

These are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except reimbursements and administrative fee transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Interagency transfers are recorded as operating transfers in (out) to other state agency under the other financing sources (uses) category.

Q. Totals (Memorandum Only) Columns

Totals columns in the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

(2) Prior Period Adjustments

The Authority adjusted beginning fund equity in the Insurance Department financing fund to correct the amount of the estimated liability owed to other state agency at June 30, 1997 to the actual amount paid.

(2) Prior Period Adjustments (Continued)

Fund equity as previously reported	$28,006
Prior period adjustment	(25,474)
Fund equity as restated	$ 2,532

The Authority adjusted beginning fund equity in the PPRF to adopt the provisions of GASB 31, which requires investment securities with maturities greater than one year when purchased, to be carried at their fair value. Fair value is determined by the market prices as of June 30, 1998 and June 30, 1997.

Fund equity as previously reported	$10,491,721
Prior period adjustment	98,000
Fund equity as restated	$10,589,721

(3) Cash and Cash Equivalents and Funds Held for Others by Trustee

The Authority uses the following State Treasurer cash accounts at June 30, 1998:

Account Name	Account Number	Amount
Primary Care Capital	879-385-04	$4,676,541

The Authority follows the practice of pooling cash from various funds and invests in the funds in the Local Government Investment Pool invested by the State Treasurer for the Authority. At June 30, 1998, the book value of their investment was $26,074,814, which approximates market value. Interest income is allocated to the various funds based on the average monthly balances.

The Authority also has the following bank accounts at First Security Bank at June 30, 1998:

Internal Service Fund	Account Number	Book Balance	Bank Balance
Operating account	631-10003-99	$ 43,122	$ 94,635
Wire transfers	631-10003-73	2,008,479	2,008,479
Cash balance		$2,051,601	$2,103,114

The Authority's deposits are classified in three categories of credit risk: (1) insured or collateralized with securities in the Authority's name and held by the Authority or by its agent; (2) collateralized with securities pledged in the Authority's name and held by the pledging financial institution or by its agent and (3) uncollateralized since state law required only 50% collateralization of the uninsured balance. In

(Continued)

(3) Cash and Cash Equivalents and Funds Held for Others by Trustee (Continued)

general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. The Authority also invests in repurchase agreements collateralized by U.S. Treasury obligations in the Authority's name held by an agent in accordance with state law and are in risk category 1. The fair market value of the repurchase agreements at June 30, 1998 approximates cost.

The Authority's deposits at First Security Bank at June 30, 1998 consist of the following:

	Book Balance	Bank Balance
Deposits in risk category 1:		
Cash insured under federal depository insurance	$ 100,000	$ 100,000
Deposits in risk category 2:	-	-
Deposits in risk category 3:	1,951,601	2,003,114
	$2,051,601	$2,103,114

Funds held for others by trustees represent funds held by financial institutions as trustees and paying agents for the Authority for its various bond issues. The source of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts which invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations. The Authority's investments are held by financial institutions in the Authority's name.

The Authority is trustee for the following bond issues: Court Automation Fee Revenue Bonds Series1996, Insurance Department Surcharge Revenue Bonds Series 1996, Special Cigarette Tax Revenue Bonds Series 1996, Workers Compensation Administration Building Revenue Bonds Series 1996 and Administrative Fee Revenue Bonds Series 1997A.

Trustee	Money Market Account	Book Value Which Approximates Market Value
First Security Bank	U.S. Treasury Cash Reserves	$18,730,472
First National Bank of Dona Ana County	U.S. Treasury Obligation Money Market Account	910,290
Bank of New York	U.S. Treasury Prime Cash	3,717,165
Total money market accounts		$23,357,927

Funds held for other and short-term investments are held at the trustees in the name of the applicable government entity and the Authority's. The following is a reconciliation of cash and cash equivalents and funds held for others to the financial statements.

(Continued)

(3) Cash and Cash Equivalents and Funds Held for Others by Trustee (Continued)

Cash and Cash Equivalents:	
State Treasurer cash account	$ 4,676,541
State Treasurer Local Government Investment Pool	26,074,814
Money Market accounts invested in short-term	
U.S. Treasury obligations	23,357,927
Repurchase Agreements	29,805,987
First Security Bank accounts	2,051,601
	$85,966,870
June 30, 1998 financial statements:	
Internal service funds:	
Cash and cash equivalents	$ 5,504,978
Restricted cash and cash equivalents	1,053,732
Expendable trust funds:	
Cash and cash equivalents	4,679,193
Restricted cash and cash equivalents	49,566,043
Non Expendable trust funds:	
Cash and cash equivalents	22,620,275
Restricted Cash	587,449
Agency funds - Cash and cash equivalents	1,955,200
	$85,966,870

(4) Loans Receivable

The Public Projects Revolving Fund detail of loans receivable at June 30, 1998 is as follows:

Entity	Loan Balance
City of Santa Fe (defeased by the City of Santa Fe)	$17,370,000
Northwest Solid Waste Authority	9,200,600
City of Las Vegas	5,065,246
Lee Acres / West Hammond Water Association	3,214,714
County of Dona Ana	2,215,217
Sierra County	2,035,913
City of Aztec	1,858,494
Central Waste Authority	1,754,233
Garfield Water Association	1,706,487
City of Española	1,628,970
Raton	947,243
Village of Fort Sumner	554,771
McKinley County	450,705

(Continued)

(4) Loans Receivable (Continued)

Entity	Loan Balance
Village of Chama	$ 295,213
Town of Red River	160,207
Chaves County	155,238
Cibola County	142,319
Hyde Park Water Association	115,306
Taos County	95,598
County of Socorro	92,697
Village of Tularosa	51,026
Village of Tatum	20,000
Hagerman	18,859
Village of Cimarron	18,070
Guadalupe County	14,000
Jemez Springs	14,000
Village of Columbus	13,907
Quay County	10,417
	$49,219,450

Terms for each loan vary with interest rates ranging from 3% to 6%. The following is a summary of future loan principal and interest to be collected based on the loan repayment schedules after year-end:

	Principal	Interest	Total
July 1, 1998 to June 30, 2003	$ 10,857,504	$11,952,207	$22,809,711
July 1, 2003 to June 30, 2008	10,564,050	9,393,843	19,957,893
July 1, 2008 to maturity in 2023	27,797,896	10,667,589	38,465,485
	$49,219,450	$32,013,639	$81,233,089

The Primary Care Capital Fund detail of loans receivable at June 30, 1998 is as follows:

Health Centers of Northern New Mexico	$ 498,500
La Clinica De La Familia	450,000
La Clinica Del Pueblo De Rio Arriba	237,316
Pecos Valley Medical Center	120,000
	$1,305,816

(4) Loans Receivable (Continued)

Terms for each loan vary with interest rates at 3%. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year-end:

	Principal	Interest	Total
July 1, 1998 to June 30, 2003	$ 307,607	$159,376	$ 466,983
July 1, 2003 to June 30, 2008	425,812	118,480	544,292
July 1, 2008 to maturity in 2012	572,397	51,386	623,783
	$1,305,816	$329,242	$1,635,058

No allowance for uncollectible loans has been established as all entities are current on their payments and loan repayments are secured by applicable sources of tax revenues, pledged revenues, or other collateral.

(5) Securities

At June 30, 1998 securities for the Public Projects Revolving Fund (PPRF) consisted of $11,523,581 Department of Energy, Minerals and Natural Resources Bonds (Series 1995A, 1995B, 1996A, 1996B and 1997A) with interest rates ranging from 3% to 5.95% with final maturity on June 1, 2017 and $57,290 of Jemez Springs Bonds. The Jemez Springs Bonds have interest rates ranging from 4.20% to 5.45% with a final maturity on May 1, 2012. Cost of all securities was $11,580,871 with a market value of $11,821,871 at June 30, 1998. The reporting of investments at market value resulted in a gain of $143,000 for the year ended June 30, 1998.

The following is a summary of future maturity and interest to be collected based on contractual maturity of the securities after year-end.

	Principal	Interest	Total
July 1, 1998 to June 30, 2003	$ 2,260,816	$2,786,589	$ 5,047,405
July 1, 2003 to June 30, 2008	2,869,701	2,189,966	5,059,667
July 1, 2007 to maturity in 2017	6,450,354	1,700,485	8,150,839
	$11,580,871	$6,677,040	$18,257,911

(6) Due From/To Other Funds and Transfers

Due from and due to other funds as reported in the combined balance sheet as of June 30, 1998 are as follows:

(6) Due From/To Other Funds and Transfers (Continued)

	Due From	Due To
Internal service fund	$ 169,142	$2,037,236
Expendable trust funds:		
Public Projects Revolving Fund	2,001,391	79,658
Insurance Department Financing Fund	5,138	-
Court Automation Fund	19,250	2,969
Administrative Fee Revenue Program Fund	-	36,333
Agency Funds:		
1994 Equipment Program	2,056	975
1995 Equipment Program	57,374	13,818
Non-expendable trust fund:		
DWRLF	24,681	108,043
	$2,279,032	$2,279,032

Transfers: The following are the transfers between funds for the year ended June 30, 1998.

The Administrative Fee Revenue Fund transferred $2,507,919, to reimburse the PPRF for their funds used to fund the Trims Project before the Administrative Fee Revenues Bonds were sold. The PPRF transferred $24,681 to the DWRLF for its 20% match for current year activity.

(7) Transfers, Grants and Due To Other State Agencies

The Authority's internal service fund transferred $58,679 to the University of New Mexico (UNM) for the construction of a cancer center from the proceeds of the $6,000,000 July, 1996 bond issue.

During the 1996 fiscal year, the Authority granted the State of New Mexico Environment Department (Environment) $9,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1995A and B bonds, and during the 1997 fiscal year, the Authority granted $16,000,000 from the bond proceeds of the Public Project Revolving Fund Series 1996A and B bonds issued under the Authority's legislation and joint powers agreement with Environment. The Environment grant bond proceeds and interest income earned totaling $13,294,889 are accounted for in the Public Project Revolving Fund balance sheet under restricted assets as cash and cash equivalents held for state agency and due to state agencies.

The following expendable trusts transferred these amounts from the applicable bond proceeds to these entities for the year ended June 30, 1998:

Court Automation Financing Fund transferred $1,230,025 to the Administrative Office of the Courts (agency code 216) for their purchase of computer hardware and software.

(7) Transfers, Grants and Due To Other State Agencies (Continued)

Workers' Compensation Financing Fund transferred $2,325,541 to the General Services Department (agency code 350) for the construction of an office building. At June 30, 1998, the Authority owed $1,697,088 to the General Service Department.

The Administrative Fee Revenue Program Fund transferred $10,508,719 to the Taxation and Revenue Department (agency code 333) for the Trims Project.

(8) Fixed Assets

Fixed assets are accounted for at cost in the internal service fund and the DWRLF at June 30, 1998 and consist of the following:

	Internal Service Fund	DWRLF
Furniture, fixtures and equipment	$75,091	$61,546
Less accumulated depreciation	(53,182)	(333)
Net fixed assets	$21,909	$61,213

Depreciation expense was $15,919 in the internal service fund and $333 in the DWRLF for the year ended June 30, 1998.

(9) Bonds Payable

Bonds outstanding as of June 30, 1998 for the Authority's internal service fund consisted of the $6,000,000 of Special Cigarette Tax Revenue Bonds issued on July 11, 1996 as part of the internal service fund cigarette tax program. The purpose of the bonds are for the designing, constructing, equipping and furnishing an addition to the University of New Mexico Cancer Center. The bonds are secured by the Authority's cigarette tax revenue.

The scheduled debt service requirements of the Special Cigarette Tax Revenue Bonds are as follows for the years subsequent to June 30, 1998. Interest rates range from 4.35% to 5.25%.

Year Ending June 30	Principal	Interest	Total
1999	$ 600,000	$ 239,100	$ 839,100
2000	600,000	211,500	811,500
2001	600,000	182,700	782,700
2002	600,000	153,300	753,300
2003	600,000	123,300	723,300
Thereafter to 2006	1,800,000	187,500	1,987,500
	$4,800,000	$1,097,400	$5,897,400

(Continued)

(9) Bonds Payable (Continued)

Bonds outstanding as of June 30, 1998 for the Authority's expendable trust funds consist of the following:

Workers' Compensation Program - In July 1996, the Authority sold $4,310,000 of New Mexico Finance Authority Workers' Compensation Administration Building Revenue Bonds, Series 1996. The proceeds are for the acquisition of land and construction of an office building for the Workers' Compensation Administration. The bonds are solely payable from the revenues derived from the first 40¢ of the quarterly workers' compensation assessment paid to the Authority.

The schedule debt service requirement of the Workers' Compensation Administration Building Revenue Bond Series 1996 are as follows for the years subsequent to June 30, 1998. Interest rates range from 5.0% to 5.6%.

Year Ending June 30	Principal	Interest	Total
1999	130,000	219,753	349,753
2000	135,000	213,128	348,128
2001	140,000	206,253	346,253
2002	150,000	199,003	349,003
2003	160,000	191,252	351,252
Thereafter to 2017	3,475,000	1,594,068	5,069,068
	$4,190,000	$2,623,457	$6,813,457

Public Projects Revolving Fund - In July 1995, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1995A and Taxable Series 1995B in the aggregate principal amounts of $41,230,000 and $4,000,000, respectively. In September 1996, the Authority issued its Public Project Revolving Fund, Series 1996A and 1996B in the aggregate principal amounts of $17,625,000 and $3,500,000 respectively. The proceeds of such bonds were used to make loans to numerous governmental entities and to purchase bonds from the Department of Energy, Minerals and Natural Resources. A portion of the proceeds of such bonds were used to make a $9,000,000 grant in 1996 and a $16,000,000 grant in 1997 to Environment in exchange for a pledge of Environment's share of certain moneys to the Authority to repay all outstanding public project revolving fund bonds. On December 1, 1997, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1997A in the aggregate principal amount of $8,585,000. The Series 1997 Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1997 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1997A Bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources as investment securities. All of the bonds are secured from the Authority's portion of governmental gross receipts tax and income and principal from the loans and investments financed by the proceeds of the issue.

(Continued)

(9) Bonds Payable (Continued)

The scheduled debt service requirements of the Public Project Revolving Fund Revenue Bonds are as follows for the years subsequent to June 30, 1998. Interest rates range from 4.2% to 6%.

Year Ending June 30	Principal	Interest	Total
1999	$ 3,350,000	$ 3,535,406	$ 6,885,406
2000	3,555,000	3,336,942	6,891,942
2001	3,150,000	3,129,133	6,279,133
2002	2,355,000	2,968,559	5,323,559
2003	2,485,000	2,859,076	5,344,076
Thereafter to 2023	48,665,000	24,472,972	73,137,972
	$63,560,000	$40,302,088	$103,862,088

Insurance Department Financing Fund - On May 23, 1996, the Authority issued $525,000 of New Mexico Finance Authority Insurance Department Surcharge Revenue Bonds to finance information and communication equipment for the New Mexico Department of Insurance. A $3 surcharge on insurance agents annual fee is the only pledged revenue source for the repayment of the bonds and is paid to the Authority.

The scheduled debt service requirements of the Insurance Department Surcharge Revenue Bonds are as follows for the years subsequent to June 30, 1998. Interest rates range from 5.15% to 5.30%.

Year Ending June 30	Principal	Interest	Total
1999	$100,000	$10,450	$110,450
2000	100,000	5,300	105,300
	$200,000	$15,750	$215,750

Court Automation Financing Fund – On June 25, 1996, the Authority issued $8,500,000 of New Mexico Finance Authority Court Automation Fee Revenue Bonds. The bonds were issued to finance the costs of acquiring court automation systems, including acquisition, development and installation of computer hardware and software, for the Administrative Office of the Courts of the State of New Mexico. The bonds are payable from and secured only by a pledge of a portion of certain docketing fees imposed and collected by the courts in the state and certain costs collected in connection with motor vehicle and other violations. These fees and costs are paid to the Authority.

The scheduled debt service requirements of the Court Automation Fee Revenue bonds are as follows for the years subsequent to June 30, 1998. Interest rates range from 4.15% to 4.90%.

(9) Bonds Payable (Continued)

Year Ending June 30	Principal	Interest	Total
1999	$1,195,000	$307,250	$1,502,250
2000	1,250,000	254,670	1,504,670
2001	1,305,000	197,170	1,502,170
2002	1,365,000	135,835	1,500,835
2003	1,435,000	70,315	1,505,315
	$6,550,000	$965,240	$7,515,240

New Mexico Finance Authority Administrative Fee Revenue Bonds (TRIMS Project) Series 1997A
On September 11, 1997 the Authority issued $17,440,600 of New Mexico Finance Authority (TRIMS Project) revenue bonds. The bonds were issued to finance an information management system to assist in tax collections to be used by the New Mexico Taxation and Revenue Department (NMTRD) The principal and interest on the Series 1997A Bonds are payable solely from and secured solely by the pledged revenues, which include revenues from administrative fees payable to and withheld by NMTRD from collections of municipal and county local option gross receipts taxes, and administrative fees from collections of solid waste assessment fees, boat excise tax and registration fees, tax intercept payments and water conservation fees, as well as proceeds of the series 1997A Bonds and investment earnings on the proceeds and the revenues. The Series 1997A Bonds bear interest at a weekly rate during which the interest rate on the Series 1997A Bonds was set for the period from the date of issuance of the Series 1997A Bonds and there after is adjusted Wednesday of each week by the re-marketing Agent. Interest is payable on the first Wednesday of each month. The Authority has purchased an interest rate cap to limit the maximum interest rate to 7% through July 1, 2003. The interest rate in effect at June 30, 1998 was 3.55%. These bonds will be paid off by January 1, 2007 and are subject to various mandatory redemption criteria based on available funds each July 1 $2,880,000 of principal was retired on July 1, 1998. Future years principal repayments will be based on available funds and can not be projected by specific years until the final maturity on January 1 2007.

(10) General Long-term Debt

The Authority has issued certificates of participation under the Equipment Loan Program. The proceeds are loaned to various governmental entities to purchase equipment. The loans have been assigned to trustees. The certificates are secured by various sources of local government revenues secured by intercept agreements which direct sources of revenues from the borrowers to the trustees The certificates are not an obligation of the State of New Mexico or the Authority. However, the Authority has decided to record the debt to the general long-term debt account group because of its oversight responsibilities.

(10) General Long-term Debt (Continued)

In October 1994, the Authority issued $646,000 aggregate principal amount of its Pooled Equipment Certificates of Participation, Series 1994A, the net proceeds of which were used to make loans to ten local governments in the State. On August 29, 1995, the Authority issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A. The proceeds were loaned to eighteen governmental entities in the state. On August 29, 1995, the Authority issued $2,904,000 aggregate principal amount of its Equipment Program Certificates of Participation, Series 1995B. The net proceeds were loaned to the City of Las Cruces. On March 19, 1996, the Authority issued $1,458,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1996A. The net proceeds were loaned to thirteen local governmental entities in the state. On December 3, 1996, the Authority issued $1,820,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation Series 1996B. The net proceeds were loaned to various governmental entities in the state.

The following changes occurred in the general long-term debt account group for the year ended June 30, 1998:

	June 30, 1997 Balance	Additions	Deletions	June 30, 1998 Balance
1994 Equipment Issue	$ 415,000	$ -	$ 87,000	$ 328,000
1995 Equipment Issue A	3,551,000	-	732,000	2,819,000
1995 Equipment Issue B	2,668,000	-	245,000	2,423,000
1996 Equipment Issue A	1,229,000	-	246,000	983,000
1996 Equipment Issue B	1,820,000	-	104,000	1,716,000
	$9,683,000	$ -	$1,414,000	$8,269,000

The annual principal requirement of the equipment issues as of June 30, 1998 is as follows:

1994 Equipment Issue

Maturity Date November 1	Principal	Interest Rate
1998	$ 85,000	5.15%
1999	96,000	5.40
2000	26,000	5.55
2001	28,000	5.70
2002	33,000	5.85
Thereafter to 2004	60,000	5.95 - 6.00
	$328,000	

(Continued)

(10) General Long-term Debt (Continued)

1995A Equipment Issue

Maturity Date October 1	Principal	Interest Rate
1998	$ 761,000	4.55%
1999	658,000	4.70
2000	689,000	4.85
2001	182,000	5.00
2002	177,000	5.12
Thereafter to 2015	352,000	5.20 - 6.30
	$2,819,000	

1995B Equipment Issue

Maturity Date October 1		
1998	$ 256,000	4.45%
1999	267,000	4.60
2000	279,000	4.85
2001	293,000	5.00
2002	307,000	5.10
Thereafter to 2005	1,021,000	5.20 - 5.40
	$2,423,000	

1996A Equipment Issue

Maturity Date April 1		
1999	$ 383,000	4.40%
2000	166,000	4.50
2001	88,000	4.80
2002	39,000	4.95
2003	41,000	5.00
Thereafter to 2016	266,000	5.00 - 5.80
	$983,000	

(10) General Long-term Debt (Continued)

1996B Equipment Issue

Maturity Date April 1	Principal	Interest Rate
1999	$ 146,000	4.75%
2000	157,000	4.90
2001	159,000	5.00
2002	160,000	5.10
2003	161,000	5.20
Thereafter to 2012	933,000	5.30 - 5.90
	$1,716,000	

(11) Contributed Capital and Retained Earnings

Changes in the internal service fund contributed capital and retained earnings for the year ended is as follows:

	Contributed Capital	Retained Earnings (Deficit)	Total
Balance at June 30, 1997	$1,700,850	$(2,498,408)	$ (797,558)
Net activity	407,904	605,004	1,012,908
Balance at June 30, 1998	$2,108,754	$(1,893,404)	$ 215,350

(12) Internal Service Fund Information

The following is applicable segment information for the internal service fund:

Administrative income	$ 236,465
Tax revenues - Non operating revenue	1,561,342
Operating income (loss)	(208,485)
Net property and equipment additions	10,327
Working capital	3,193,749
Restricted assets	1,053,732
Total assets	7,193,061
Bonds payable – non current liability	4,200,000

(13) Operating Leases

The Authority is committed under various lease agreements for office space, copying equipment and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 1998 amounted to approximately $58,000. Future minimum lease payments for these leases are as follows:

(13) Operating Leases (Continued)

Year Ending June 30	Amount
1999	$ 68,142
2000	60,642
2001	18,800
	$147,584

(14) Retirement Plan

The Authority had established its own retirement plan since it cannot participate through the Public Employees Retirement Act (PERA) multiple employer public retirement system. The Authority also does not participate in the Retiree Health Care Act. This retirement plan was organized under Section 408(k) of the Internal Service Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make a voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested and the Authority contributions will vest 100% to the employee after five years. The contributions are invested in various mutual funds. The Authority's contribution for this retirement plan was approximately $57,500 for the year ended June 30, 1998. Substantially all full time employees participate in this plan

(15) Budgetary Information

The Authority budgets the operations program component of the internal service fund and the DWRLF. The following budgetary information is for the period ended June 30, 1998 (Non GAAP Budgetary Basis):

Operations

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative fees	$264,818	$236,465	$(28,353)
Interest income	-	4,383	4,383
Total revenues	264,818	240,848	(23,970)
Operating transfer in	473,519	407,904	(65,615)
Total revenues and transfer in	$738,337	$648,752	$(89,585)
Cash balance carry forward	25,000		
	$763,337		

(Continued)

(15) Budgetary Information (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personal services	$374,330	$371,030	$ 3,300
Employee benefits	118,895	111,988	6,907
In-state travel	21,141	15,990	5,151
Maintenance and repairs	3,601	4,683	(1,082)
Office supplies	15,598	18,957	(3,359)
Contractual services	90,000	89,266	734
Operating costs	103,770	108,671	(4,901)
Out-of-state travel	14,002	3,993	10,009
Total current expenditures	741,337	724,578	16,759
Capital outlay	22,000	10,327	11,673
Total expenditures	$763,337	$734,905	$ 28,432
Reconciliation of budgetary basis to GAAP:			
Excess (deficiency) of revenues and other sources over expenditures		$(86,153)	
Less: Depreciation		(15,919)	
Plus: Capital outlay capitalized		10,327	
Net loss per schedule 2 (see page 48)		$(91,745)	

DWRLF

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Grant revenue	$215,820	$123,403	$(92,417)
Transfer in	-	24,681	24,681
Total revenues and transfer in	$215,820	$148,084	$(67,736)

(Continued)

(15) Budgetary Information (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Current:			
Personal services	$ 15,379	$ 21,686	$ (6,307)
Employee benefits	4,947	6,365	(1,418)
In-state travel	3,000	3,983	(983)
Maintenance and repairs	133	240	(107)
Office supplies	500	-	500
Contractual services	22,573	21,042	1,531
Operating costs	4,031	5,572	(1,541)
Out-of-state travel	3,000	2,969	31
Total current expenditures	53,563	61,857	(8,294)
Capital outlay	162,257	61,546	100,711
Total expenditures	$215,820	$123,403	$ 92,417
Reconciliation of budgetary basis to GAAP:			
Excess of revenues and other sources over expenditures		$24,681	
Less: Depreciation		(333)	
Plus: Capital outlay		61,546	
Net income per statement C-2 (see page 41)		$85,894	

(16) Fund Balance/Equity (Deficits)

The fund balance deficits in the Court Automation Fund, Workers' Compensation Fund and Administrative Fee Revenue Fund are caused by the transfer of bond proceeds to the respective other state agencies. The deficits will be eliminated as future pledged revenues are received by the Authority.

(17) Contingencies

The Authority is exposed to various risks of loss for which the Authority carries insurance (Auto; Employee Fidelity Bond; General Liability, Civil Rights; Property; and Worker's Compensation) with the State of New Mexico Risk Management Division and with private insurance companies.

The Authority is not subject to any legal proceedings, claims or liabilities at June 30, 1998.

(18) Year 2000 Status

The Authority has a year 2000 plan to insure that they will be year 2000 compliant in a timely manner However, there can be no assurance that the systems or products of other entities on which the Authority must rely will be timely converted or that any such failure to convert by a vendor, borrower or another entity would not have adverse effect on the Authority's systems or operations.

(19) Subsequent Events and Loan Commitments

After June 30, 1998, the Authority issued the following debt:

Federal Highway Grant Anticipation Revenue Bonds – On September 17, 1998 the Authority issued $100,230,000 of revenue bonds to finance the acquisition, construction, expansion, and improvement of approximately 123 miles of New Mexico Highway 44 from two lanes to four lanes by the New Mexico State Highway and Transportation Department (NMSHTD). These bonds are payable solely from the Authority's rights to payments under a loan agreement between the Authority and the NMSHTD. The obligations of the NMSHTD under the loan agreement are payable solely from and secured by a pledge of the "Pledged Revenues" which consist of certain revenues received by or on behalf of NMSHTD pursuant to chapter 1 of Title 23, United States Highway Code. Interest rates range from 3.950% to 5.250% with principle repayments due through September 2015.

Insurance Department Surcharge Revenue Bonds – On December 1, 1998 the Authority issued the second installment of revenue bonds in the amount of $400,000, to finance information and communication equipment and to refund $200,000 of first installment bonds for the New Mexico Department of Insurance. The Authority is authorized by the Insurance Code, Section 59A-6-1.1 NMSA 1978, to issue bonds in installments or at one time, in an amount not to exceed $1,000,000. This second installment brings the total amount of bonds issued to $925,000. Interest rates range from 3.5% to 4.0% with principle repayments due through June 2003.

After June 30, 1998, the Authority committed to the following PPRF Direct Loans:

Drinking Water State Revolving Loan Fund - The Authority had transferred approximately $2.6 million from the PPRF to the DWRLF after June 30, 1998. As of December 2, 1998, the Authority has committed to match Federal EPA funds in the amount of approximately $1,581,000. The match is for the purpose of funding the Drinking Water State Revolving Loan Fund, which will in turn be the source of loans for construction and improvements to community drinking water systems.

After June 30, 1998, the Authority purchased the following securities:

State of New Mexico Parks Division Revenue Bonds – On September 1, 1998, the Authority purchased with PPRF cash, State of New Mexico Energy, Minerals and Natural Resources Department State Parks Division Revenue Bonds in the amount of $5,033,334. The Division is authorized to issue the bonds for the purpose of providing funds for acquiring, developing, operating, and maintaining state parks or recreation areas. Interest rates range from 3.0% to 5.25% with principal payments due through May 2018.

(Continued)

(19) Subsequent Events and Loan Commitments (Continued)

State of New Mexico Interstate Stream Commission Revenue Bonds – During July, 1998, the Authority purchased with PPRF cash, State of New Mexico Interstate Stream Commission (NMISC) Revenue Bonds in the amount of $2,000,000. The NMISC is authorized to issue the bonds for the purpose of providing funds for the continuation of the Lower Rio Grande Hydrographic Survey. Interest rates range from 5.92% to 6.19% with principal payments due through May 2008.

After June 30,1998, the Authority issued the following PPRF Direct Loans:

Village of Roy – On July 13, 1998, the Authority lent the Village of Roy $81,843 from the Public Projects Revolving Fund. The loan was for the purpose of constructing a Fire Department Building. The term of the loan is four years. The interest rate is 4.224% with principal payments due through May 2002.

Lower Valley Water Users Cooperative Association – On September 1, 1998, the Authority lent the Association $1,412,377 from the Public Projects Revolving Fund. The loan was for the purpose of refinancing 100% of all outstanding debt connected with the Lower Valley Water System. The term of the loan is ten years. The interest rate is 4.76% with principal payments due through May 2008.

North Star Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc. – On September 1, 1998, the Authority lent the Cooperative $299,845 from the Public Projects Revolving Fund. The loan was for the purpose of refinancing 100% of all outstanding debt connected with the Water & Sewage System. The term of the loan is twenty years. The interest rate is 4.93% with principal payments due through May 2018.

Village of Logan Water & Sewer – On September 30, 1998, the Authority lent the Village $244,959 from the Public Projects Revolving Fund. The loan was for the purpose of refinancing 100% of all outstanding debt connected with the Water & Sewage System. The term of the loan is sixteen years. The interest rate is 6.582% with principal payments due through May 2014.

Cibola County – On October 27, 1998, the Authority lent the County $18,770 from the Public Projects Revolving Fund. The loan was for the purpose of purchasing fire equipment. The term of the loan is six years. The interest rate is 4.371% with principal payments due through May 2004.

City of Raton – On July 14, 1998, the Authority lent the City $1,122,152 from the Public Projects Revolving Fund. The loan was for the purpose of street improvements. The term of the loan is twenty years. The interest rate is 4.785% with principal payments due through May 2013.

Sierra County – On July 20, 1998, the Authority lent the County $71,613 from the Public Projects Revolving Fund. The loan was for the construction of a fire department building. The term of the loan is ten years. The interest rate is 4.501% with principal payments due through May 2008.

(19) Subsequent Events and Loan Commitments (Continued)

Village of Des Moines – On July 20, 1998, the Authority lent the Village $37,265 from the Public Projects Revolving Fund. The loan was for the purchase of ambulance equipment. The term of the loan is seven years. The interest rate is 4.384% with principal payments due through May 2005.

City of Clovis – On November 17, 1998, the Authority lent the City $5,426,707 from the Public Projects Revolving Fund. The loan was for the acquisition and construction of a new solid waste facility. The term of the loan is fifteen years. The interest rate is 4.388% with principal payments due through May 2013.

Insurance Department Interim Loan – On November 17, 1998, the Authority lent the Department $200,000 from the Public Projects Revolving Fund. The loan was to finance information and communication. The term of the loan is one month. The interest rate is 5.00% with the entire principal due upon issuance of the second bond installment.

After June 30, 1998, the Authority issued following Primary Care Capital Fund Loans:

Las Clinicas Del Norte – On August 27, 1998, the Authority lent the Clinic $265,000 from the Primary Care Capital Fund. The loan was for the purpose of constructing a new building and purchasing the related real estate. The term of the loan is sixteen years. The interest rate is 3% with principal payments due through August 2014.

NEW MEXICO FINANCE AUTHORITY

Trust and Agency Funds

Combining Balance Sheet

June 30, 1998

	Expendable Trusts	Non Expendable Trust Funds	Agency Funds	Totals
Assets				
Cash and cash equivalents (note 3)	$ 22,620,275	$ 4,679,193	$ -	$ 27,299,468
Tax revenue receivable	3,203,971	-	-	3,203,971
Interest receivable	467,980	22,347	-	490,327
Due from other funds	2,025,779	24,681	59,430	2,109,890
Grant and other receivables	6,330	123,403	-	129,733
Loans receivable (note 4)	49,219,450	1,305,816	-	50,525,266
Securities (note 5)	11,821,871	-	-	11,821,871
Fixed assets, net (note 8)	-	61,213	-	61,213
Restricted assets - Cash and cash equivalents (note 3)	49,566,043	587,449	1,955,200	52,108,692
Total assets	$ 138,931,699	$ 6,804,102	$ 2,014,630	$ 147,750,431
Liabilities and Fund Balance				
Accounts payable	$ 298,231	$ 15,360	$ 2,113	$ 315,704
Due to trustee	-	-	75,070	75,070
Funds held for others	19,304,582	587,449	1,922,654	21,814,685
Due to other state agencies (note 7)	14,991,977	-	-	14,991,977
Due to other funds (note 6)	118,960	108,043	14,793	241,796
Bonds payable (note 9)	91,940,600	-	-	91,940,600
Total liabilities	126,654,350	710,852	2,014,630	129,379,832
Fund balance - Reserved	12,277,349	6,093,250	-	18,370,599
Total liabilities and fund balance	$ 138,931,699	$ 6,804,102	$ 2,014,630	$ 147,750,431

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Expendable Trust Funds

Combining Balance Sheet

June 30, 1998

	Public Projects Revolving Fund	Insurance Department Financing Fund	Court Automation Financing Fund	Workers' Compensation Financing Fund	Administrative Fee Revenue Program (Trims Project)	Totals
ASSETS						
Cash and cash equivalents (note 3)	$ 21,724,549	$ 303,659	$ -	$ 592,067	$ -	$ 22,620,275
Tax revenue receivable	2,272,854	1,289	356,060	201,436	372,332	3,203,971
Interest receivable	467,980	-	-	-	-	467,980
Due from other funds (note 6)	2,001,391	5,138	19,250	-	-	2,025,779
Other receivables	6,330	-	-	-	-	6,330
Loans receivable (note 4)	49,219,450	-	-	-	-	49,219,450
Securities (note 5)	11,821,871	-	-	-	-	11,821,871
	87,514,425	310,086	375,310	793,503	372,332	89,365,656
Restricted assets (note 3):						
Cash and cash equivalents held for others by trustees:						
Debt service	590,875	-	-	-	3,523,221	4,114,096
Bond reserve	3,285,307	-	-	385,029	193,944	3,864,280
Program - Grant proceeds for other state agency	13,294,889	-	-	-	-	13,294,889
Program - Bond proceeds	15,428,400	-	721,252	2,493,627	6,964,364	25,607,643
Total cash and cash equivalents held for others	32,599,471	-	721,252	2,878,656	10,681,529	46,880,908
Cash and cash equivalents pledged for repayment of bonds and bond expenses held by trustee	2,685,135	-	-	-	-	2,685,135
Total restricted assets	35,284,606	-	721,252	2,878,656	10,681,529	49,566,043
Total assets	$ 122,799,031	$ 310,086	$ 1,096,562	$ 3,672,159	$ 11,053,861	$ 138,931,699
LIABILITIES AND FUND BALANCES						
Accounts payable	$ 264,240	$ -	$ 33,991	$ -	$ -	$ 298,231
Funds held for others	19,304,582	-	-	-	-	19,304,582
Due to other state agencies (note 7)	13,294,889	-	-	1,697,088	-	14,991,977
Due to other funds (note 6)	79,658	-	2,969	-	36,333	118,960
Bonds payable (note 9)	63,560,000	200,000	6,550,000	4,190,000	17,440,600	91,940,600
Total liabilities	96,503,369	200,000	6,586,960	5,887,088	17,476,933	126,654,350
Fund balance (deficit) - Reserved for program purposes (note 16)	26,295,662	110,086	(5,490,398)	(2,214,929)	(6,423,072)	12,277,349
Total liabilities and fund balance	$ 122,799,031	$ 310,086	$ 1,096,562	$ 3,672,159	$ 11,053,861	$ 138,931,699

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Expendable Trust Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 1998

	Public Projects Revolving Fund	Insurance Department Financing Fund	Court Automation Financing Fund	Workers Compensation Financing Fund	Administrative Fee Revenue Program (Trans Project)	Totals
Revenues:						
Tax revenue	$ 12,734,232	$ 103,451	$ 1,725,330	$ 905,751	$ 3,728,822	$ 19,197,586
Interest	4,165,782	20,293	35,886	205,237	613,397	5,040,595
Administrative	163,429	-	20,615	-	-	184,044
Total revenues	17,063,443	123,744	1,781,831	1,110,988	4,342,219	24,422,225
Current expenditures:						
Administrative fee	163,429	740	20,615	10,163	36,333	231,280
Professional services	96,084	-	4,718	-	11,147	111,949
Total current expenditures	259,513	740	25,333	10,163	47,480	343,229
Other expenditures:						
Debt service - interest expense	3,464,517	15,450	354,975	226,002	467,503	4,528,447
Bond issuance costs	116,710	-	-	-	340,996	457,706
Total other expenditures	3,581,227	15,450	354,975	226,002	808,499	4,986,153
Total expenditures	3,840,740	16,190	380,308	236,165	855,979	5,329,382
Excess of revenues over expenditures	13,222,703	107,554	1,401,523	874,823	3,486,240	19,092,843
Other financing sources (uses):						
Transfers (to) from other funds	2,483,238	-	-	-	(2,507,919)	(24,681)
Transfers to other state agencies	-	-	(1,230,025)	(2,325,541)	(10,508,719)	(14,064,285)
Total other financing sources (uses)	2,483,238	-	(1,230,025)	(2,325,541)	(13,016,638)	(14,088,966)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	15,705,941	107,554	171,498	(1,450,718)	(9,530,398)	5,003,877
Fund balance (deficit) - Beginning of year	10,491,721	28,006	(5,661,896)	(764,211)	3,107,326	7,200,946
Prior period adjustments	98,000	(25,474)	-	-	-	72,526
Fund balance as restated	10,589,721	2,532	(5,661,896)	(764,211)	3,107,326	7,273,472
Fund balance (deficit) - End of year	$ 26,295,662	$ 110,086	$ (5,490,398)	$ (2,214,929)	$ (6,423,072)	$ 12,277,349

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Non Expendable Trust Funds
Combining Balance Sheet

June 30, 1998

	Primary Care Capital Fund	Drinking Water State Revolving Loan Fund	Totals
Assets			
Cash and cash equivalents (note 3)	$ 4,679,193	$ -	$ 4,679,193
Interest receivable	22,347	-	22,347
Due from other funds	-	24,681	24,681
Grant receivable	-	123,403	123,403
Loans receivable (note 4)	1,305,816	-	1,305,816
Fixed assets, net (note 8)	-	61,213	61,213
Restricted assets - Cash and cash equivalents (note 3)	587,449	-	587,449
Total assets	$ 6,594,805	$ 209,297	$ 6,804,102
Liabilities and Fund Balance			
Accounts payable	$ -	$ 15,360	$ 15,360
Funds held for others	587,449	-	587,449
Due to other funds (note 6)	-	108,043	108,043
Total liabilities	587,449	123,403	710,852
Fund balance - Reserved	6,007,356	85,894	6,093,250
Total liabilities and fund balance	$ 6,594,805	$ 209,297	$ 6,804,102

The accompanying notes are an integral part of this financial statement.

Non Expendable Trust Funds
Combining Statement of Revenues, Expenses and Changes in Equity

Year Ended June 30, 1998

	Primary Care Capital Fund	Drinking Water State Revolving Loan Fund	Totals
Operating revenues:			
Interest income	$ 300,911	$ -	$ 300,911
Operating expenses:			
Salaries and fringe benefits	-	28,051	28,051
In-state travel	-	3,983	3,983
Maintenance and repairs	-	240	240
Contractual services	-	21,042	21,042
Operating costs	-	5,572	5,572
Out-of-state travel	-	2,969	2,969
Depreciation	-	333	333
Total operating expenses	-	62,190	62,190
Operating income (loss)	300,911	(62,190)	238,721
Non operating revenues (expenses):			
Federal grant revenue	-	123,403	123,403
Income before operating transfers	300,911	61,213	362,124
Transfers from other funds	-	24,681	24,681
Net income	300,911	85,894	386,805
Fund equity - Beginning of year	5,706,445	-	5,706,445
Fund equity - End of year	$ 6,007,356	$ 85,894	$ 6,093,250

The accompanying notes are an integral part of this financial statement.

Non Expendable Trust Funds
Combining Statement of Cash Flows

Year Ended June 30, 1998

	Primary Care Capital Fund	Drinking Water State Revolving Loan Fund	Totals
Cash flows provided (used) from operating activities:			
Cash paid for employee services	$ -	$ (28,051)	$ (28,051)
Cash paid to vendors for services	-	(33,806)	(33,806)
Interest income received	332,290	-	332,290
Net cash provided (used) for operating activities	332,290	(61,857)	270,433
Cash flows provided (used) for noncapital financing activities:			
Cash provided by other funds	-	123,403	123,403
Cash flows from capital and related financing activities:			
Loans funded	(1,305,816)	-	(1,305,816)
Fixed asset purchases	-	(61,546)	(61,546)
Net cash used for capital and related financing activities	(1,305,816)	(61,546)	(1,367,362)
Net (decrease) increase in cash and cash equivalents	(973,526)	-	(973,526)
Cash and cash equivalents - Beginning of year	5,652,719	-	5,652,719
Cash and cash equivalents - End of year	$ 4,679,193	$ -	$ 4,679,193
Reconciliation of operating loss to net cash used for operating activities - Operating income (loss)	$ 300,911	$ (62,190)	$ 238,721
Adjustments to operating income (loss):			
Depreciation	-	333	333
(Increase) decrease in accounts receivable and accrued interest	31,379	(123,403)	(92,024)
Increase in accounts payable	-	15,360	15,360
Increase in due to other funds	-	108,043	108,043
Net cash provided (used) for operating activities	$ 332,290	$ (61,857)	$ 270,433

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Agency Funds

Combining Balance Sheet

June 30, 1998

	1994 Equipment Program	1995 Equipment Program	1996 A Equipment Program	1996 B Equipment Program	Totals
ASSETS					
Cash and cash equivalents (note 3):					
Cash at State Treasurer	$ 4,573	$ 25,358	$ -	$ 502	$ 30,433
Trustee-program funds	18,837	1,062,213	302,546	112,710	1,496,306
Trustee-debt service	145,271	210,645	70,305	127	426,348
Trustee-expense fund	96	1,042	975	-	2,113
Due from other funds	2,056	57,374	-	-	59,430
Total assets	$ 170,833	$ 1,356,632	$ 373,826	$ 113,339	$ 2,014,630
LIABILITIES					
Due to trustee	$ 5,654	$ 68,914	$ -	$ 502	$ 75,070
Funds held for others	18,837	1,062,213	302,546	112,710	1,496,306
Funds held for debt service	145,271	210,645	70,305	127	426,348
Accounts payable	96	1,042	975	-	2,113
Due to other funds	975	13,818	-	-	14,793
Total liabilities	$ 170,833	$ 1,356,632	$ 373,826	$ 113,339	$ 2,014,630

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year Ended June 30, 1998

	June 30 1997	Additions	Deletions	June 30 1998
1994 Equipment Bonds				
Assets:				
Cash and cash equivalents:				
Cash at State Treasurer	$ 30,251	$ 123,344	$ 149,022	$ 4,573
Trustee-program funds	18,045	792	-	18,837
Trustee-debt service	2,830	249,684	107,243	145,271
Trustee-expense fund	91	5	-	96
Due from other funds	4,095	2,056	4,095	2,056
Total assets	$ 55,312	$ 375,881	$ 260,360	$ 170,833
Liabilities:				
Due to trustee	$ 34,346	$ 124,425	$ 153,117	$ 5,654
Funds held for others	18,045	792	-	18,837
Funds held for debt service	2,830	249,684	107,243	145,271
Accounts payable	91	5	-	96
Due to other funds	-	975	-	975
Total liabilities	$ 55,312	$ 375,881	$ 260,360	$ 170,833
1995 Equipment Bonds				
Assets:				
Cash and cash equivalents:				
Cash at State Treasurer	$ 505,855	$ 1,045,586	$ 1,526,083	$ 25,358
Trustee-program funds	1,396,094	-	333,881	1,062,213
Trustee-debt service	291	1,468,709	1,258,355	210,645
Trustee-expense fund	4,363	-	3,321	1,042
Due from other funds	25,026	57,374	25,026	57,374
Total assets	$ 1,931,629	$ 2,571,669	$ 3,146,666	$ 1,356,632
Liabilities:				
Due to trustee	$ 530,881	$ 1,089,142	$ 1,551,109	$ 68,914
Funds held for others	1,396,094	-	333,881	1,062,213
Funds held for debt service	291	1,468,709	1,258,355	210,645
Accounts payable	4,363	-	3,321	1,042
Due to other funds	-	13,818	-	13,818
Total liabilities	$ 1,931,629	$ 2,571,669	$ 3,146,666	$ 1,356,632

The accompanying notes are an integral part of this financial statement.

(Continued)

Agency Funds

Combining Statement of Changes in Assets and Liabilities (Continued)

Year Ended June 30, 1998

	June 30 1997	Additions	Deletions	June 30 1998
1996 A Equipment Bonds				
Assets:				
Cash and cash equivalents:				
Cash at State Treasurer	$ 90,991	$ 281,763	$ 372,754	$ -
Trustee-program funds	498,716	-	196,170	302,546
Trustee-debt service	891	372,754	303,340	70,305
Trustee-expense fund	931	44	-	975
Total assets	$ 591,529	$ 654,561	$ 872,264	$ 373,826
Liabilities:				
Due to trustee	$ 90,991	$ 281,763	$ 372,754	$ -
Funds held for others	498,716	-	196,170	302,546
Funds held for debt service	891	372,754	303,340	70,305
Accounts payable	931	44	-	975
Total liabilities	$ 591,529	$ 654,561	$ 872,264	$ 373,826
1996 B Equipment Bonds				
Assets:				
Cash and cash equivalents:				
Cash at State Treasurer	$ -	$ 228,977	$ 228,475	$ 502
Trustee-program funds	359,070	-	246,360	112,710
Trustee-debt service	11,112	228,475	239,460	127
Trustee-expense fund	3,898	-	3,898	-
Total assets	$ 374,080	$ 457,452	$ 718,193	$ 113,339
Liabilities:				
Due to trustee	$ -	$ 228,977	$ 228,475	$ 502
Funds held for others	359,070	-	246,360	112,710
Funds held for debt service	11,112	228,475	239,460	127
Accounts payable	3,898	-	3,898	-
Total liabilities	$ 374,080	$ 457,452	$ 718,193	$ 113,339

The accompanying notes are an integral part of this financial statement.

(Continued)

Agency Funds

Combining Statement of Changes in Assets and Liabilities (Continued)

Year Ended June 30, 1998

	June 30 1997	Additions	Deletions	June 30 1998
Totals (Memorandum Only)				
Assets:				
Cash and cash equivalents:				
Cash at State Treasurer	$ 627,097	$ 1,679,670	$ 2,276,334	$ 30,433
Trustee-program funds	2,271,925	792	776,411	1,496,306
Trustee-debt service	15,124	2,319,622	1,908,398	426,348
Trustee-expense fund	9,283	49	7,219	2,113
Due from other funds	29,121	59,430	29,121	59,430
Total assets	$ 2,952,550	$ 4,059,563	$ 4,997,483	$ 2,014,630
Liabilities:				
Due to trustee	$ 656,218	$ 1,724,307	$ 2,305,455	$ 75,070
Funds held for others	2,271,925	792	776,411	1,496,306
Funds held for debt service	15,124	2,319,622	1,908,398	426,348
Accounts payable	9,283	49	7,219	2,113
Due to other funds	-	14,793	-	14,793
Total liabilities	$ 2,952,550	$ 4,059,563	$ 4,997,483	$ 2,014,630

The accompanying notes are an integral part of this financial statement.

NEW MEXICO FINANCE AUTHORITY

Schedule 1

Internal Service Fund

Combining Balance Sheet by Program

June 30, 1998

	Cigarette Tax	Operations	Primary Care Appropriation	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,386,069	$ 2,051,601	$ 67,308	$ 5,504,978
Due from other funds	-	169,142	-	169,142
Accounts receivable - Tax revenue	294,934	-	-	294,934
Other assets	-	2,406	-	2,406
Total current assets	3,681,003	2,223,149	67,308	5,971,460
Restricted assets - cash and cash equivalents:				
Bond reserve funds	1,053,732	-	-	1,053,732
Total restricted assets	1,053,732	-	-	1,053,732
Fixed assets, net	-	21,909	-	21,909
Deferred issue costs, net	145,960	-	-	145,960
Total assets	$ 4,880,695	$ 2,245,058	$ 67,308	$ 7,193,061
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable	$ -	$ 41,895	$ 23,484	$ 65,379
Due to other funds	11,457	2,025,779	-	2,037,236
Accrued payroll, fringe benefits and compensated absences	-	49,378	-	49,378
Due to trustee	-	5,793	-	5,793
Accrued interest payable	19,925	-	-	19,925
Current portion of bonds payable	600,000	-	-	600,000
Total current liabilities	631,382	2,122,845	23,484	2,777,711
Noncurrent liabilities -				
Bonds payable	4,200,000	-	-	4,200,000
Total liabilities	4,831,382	2,122,845	23,484	6,977,711
Equity:				
Contributed capital - government	-	2,013,754	95,000	2,108,754
Unreserved retained earnings (deficit)	49,313	(1,891,541)	(51,176)	(1,893,404)
Total equity	49,313	122,213	43,824	215,350
Total liabilities and equity	$ 4,880,695	$ 2,245,058	$ 67,308	$ 7,193,061

NEW MEXICO FINANCE AUTHORITY

Schedule 2

Internal Service Fund

Combining Statement of Revenues, Expenses and Changes in Equity by Program

Year Ended June 30, 1998

	Cigarette Tax	Operations	Primary Care Appropriation	Totals
Operating revenues:				
Administrative fees	$ -	$ 236,465	$ -	$ 236,465
Interest income	322,218	4,383	4,367	330,968
Total operating revenues	322,218	240,848	4,367	567,433
Operating expenses:				
Salaries and fringe benefits	-	483,018	-	483,018
In-state travel	-	15,990	-	15,990
Maintenance and repairs	-	4,683	-	4,683
Supplies	-	18,957	-	18,957
Contractual services	13,375	89,266	22,046	124,687
Operating costs	-	108,671	-	108,671
Out-of-state travel	-	3,993	-	3,993
Depreciation	-	15,919	-	15,919
Total operating expenses	13,375	740,497	22,046	775,918
Operating income (loss)	308,843	(499,649)	(17,679)	(208,485)
Non operating revenues (expenses):				
Tax revenue	1,561,342	-	-	1,561,342
Interest expense	(263,025)	-	-	(263,025)
Bond issue costs and other	(18,245)	-	-	(18,245)
Net non operating revenue (expense)	1,280,072	-	-	1,280,072
Income (loss) before operating transfers	1,588,915	(499,649)	(17,679)	1,071,587
Transfers out/in to other programs	(407,904)	407,904	-	-
Transfers to other state agencies	(58,679)	-	-	(58,679)
Net transfers	(466,583)	407,904	-	(58,679)
Net income (loss)	1,122,332	(91,745)	(17,679)	1,012,908
Fund equity (deficit) - Beginning of year	(1,073,019)	213,958	61,503	(797,558)
Fund equity - End of year	$ 49,313	$ 122,213	$ 43,824	$ 215,350

NEW MEXICO FINANCE AUTHORITY

Schedule 3

Internal Service Fund

Combining Statement of Cash Flows by Program

Year Ended June 30, 1998

	Cigarette Tax	Operations	Primary Care Appropriation	Totals
Cash flows (used) from operating activities:				
Cash paid for employee services	$ -	$ (464,129)	$ -	$ (464,129)
Cash paid to vendors for services	(13,375)	(250,651)	(14,737)	(278,763)
Interest income received	322,218	4,383	4,367	330,968
Administrative fees received	-	152,858	-	152,858
Net cash provided (used) for operating activities	308,843	(557,539)	(10,370)	(259,066)
Cash flows provided (used) for noncapital financing activities:				
Operating transfers	(521,252)	407,904	-	(113,348)
(Payment) receipt of due to (due from)	119,212	1,801,778	-	1,920,990
Net cash (used) provided for noncapital financing activities	(402,040)	2,209,682	-	1,807,642
Cash flows from capital and related financing activities:				
Payment of bonds	(600,000)	-	-	(600,000)
Restricted assets - bond reserve funds	(29,271)	-	-	(29,271)
Interest expense	(265,200)	-	-	(265,200)
Tax revenue	1,541,622	-	-	1,541,622
Fixed asset purchases	-	(10,327)	-	(10,327)
Net cash (used) provided for capital and related financing activities	647,151	(10,327)	-	636,824
Net increase (decrease) in cash and cash equivalents	553,954	1,641,816	(10,370)	2,185,400
Cash and cash equivalents - Beginning of year	2,832,115	409,785	77,678	3,319,578
Cash and cash equivalents - End of year	$ 3,386,069	$2,051,601	$ 67,308	$5,504,978
Reconciliation of operating loss to net cash provided (used) by operating activities - Operating income (loss)	$ 308,843	$ (499,649)	$ (17,679)	$ (208,485)
Adjustments to operating income (loss)				
Depreciation	-	15,919	-	15,919
(Increase) decrease in accounts receivable and accrued interest	-	22,570	-	22,570
Increase in accrued payroll, fringe benefits and compensated absences	-	18,889	16,982	35,871
Increase (decrease) in accounts payable and other	-	(3,298)	-	(3,298)
Increase (decrease) in due to other funds	-	(211,081)	-	(211,081)
(Increase) decrease in due from other funds	-	99,111	(9,673)	89,438
Net cash provided (used) for operating activities	$ 308,843	$ (557,539)	$ (10,370)	$ (259,066)

APPENDIX B

EXTRACTS OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE

The following are certain definitions contained in the Indenture and extracts of certain provisions contained in the General Indenture and is not to be considered as a full statement thereof. Reference is hereby made to the Indenture for full details of all of the terms of the Bonds, the security provisions appertaining thereto and the other terms thereof. During the offering period of the Series 1999A-D Bonds, copies of the Indenture will be available at the principal office of the Underwriters. Subsequent to the offering of the Series 1999A-D Bonds, copies of the Indenture may be obtained from the Trustee.

CERTAIN DEFINITIONS

"Account" or "Accounts" means one or more of the special trust accounts created and established pursuant to the Indenture.

"Act" means the New Mexico Finance Authority Act, being Sections 6-21-1 through 6-21-31, inclusive, NMSA 1978, as amended and as the same may hereafter be amended and supplemented.

"Additional Bonds" means any Bonds of the NMFA, including the Series 1999A-D Bonds, Series 1997 Bonds and the Series 1996 Bonds, authorized and issued under the Indenture, except for the Series 1995 Bonds.

"Additional Pledged Loans" means any additional loans or securities which (i) were made or purchased by the NMFA from amounts on deposit in the Public Project Revolving Fund and (ii) the payments of principal and interest on which have been specifically pledged by the NMFA to the payment of the Bonds and other amounts due under the Indenture. No such loans or securities shall be deemed to be Additional Pledged Loans unless the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture.

"Aggregate Annual Debt Service" means, for any given Bond Fund Year, the sum of the principal and interest payable on all Bonds Outstanding or to be Outstanding or any portion thereof.

"Agreement" or "Agreements" means, as the case may be, one or more Loan Agreements, Grant Agreements or Securities executed and delivered by Governmental Units in consideration for the financing of all or a portion of a Project by the NMFA under the General Indenture.

"Agreement Pledged Revenues" means the pledged revenues designated by a Governmental Unit for payments to be made pursuant to the respective Loan Agreement, Security Documents or Securities.

"Agreement Reserve Fund" means the Agreement Reserve Fund established by the Indenture and each Agreement Reserve Account, if any, created by an Agreement therein.

"Agreement Reserve Requirement" for each Agreement establishing an Agreement Reserve Account, means the amount, if any, required by such Agreement to be allocated to an Agreement Reserve Account (relating to such Agreement) within the Agreement Reserve Fund.

"Approval of Bond Counsel" means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

"Assumed Repayments of Loans and Additional Pledged Loans" means, for any given Bond Fund Year, the sum (expressed as a dollar amount) of the principal and interest payments scheduled to be due and payable with respect to all Loans and Additional Pledged Loans during such Bond Fund Year multiplied by, in each case, the applicable percentage pertaining to each such Loan and Additional Pledged Loan:

CATEGORY OF LOANS AND ADDITIONAL PLEDGED LOANS	**APPLICABLE PERCENTAGE**
CATEGORY I LOANS AND ADDITIONAL PLEDGED LOANS	100%
CATEGORY II LOANS AND ADDITIONAL PLEDGED LOANS	80%
CATEGORY III LOANS AND ADDITIONAL PLEDGED LOANS	50%
CATEGORY IV LOANS AND ADDITIONAL PLEDGED LOANS	0%

"Authorized Denominations" with respect to the Series 1999A-D Bonds, $5,000 or any integral multiple thereof.

"Authorized Officer" means: (i) in the case of the NMFA, the Chair, any Vice Chair, Secretary, or Treasurer, and when used with reference to any act or document also means any other person authorized by resolution of the NMFA to perform such act or

execute such documents; (ii) in the case of a Governmental Unit, means the person or persons authorized by resolution or ordinance of the Governmental Unit to perform any act or execute any document; and (iii) in the case of the Trustee or the Paying Agent any person authorized to perform any act or sign any document by or pursuant to the bylaws or any resolution of the governing body of the Trustee or the Paying Agent, respectively.

"Bond Counsel" means nationally recognized bond counsel experienced in matters of municipal law, satisfactory to the Trustee and listed in the list of municipal bond attorneys, as published semiannually by The Bond Buyer, or any successor publication.

"Bond Fund" means the fund by that name established by the Indenture, to be held by the Trustee and used to pay amounts due on the Bonds.

"Bond Fund Year" means a twelve-month period ending on June 1 of each year.

"Bond Documents" means collectively, the Loan Agreements, the Grant Agreements, the Securities, the Security Documents, and the Indenture.

"Bond Registrar" or "Registrar" means the Trustee or any other registrar appointed under the Indenture.

"Bonds" means all Bonds issued under and secured by the Indenture.

"Business Day" shall mean any day, other than a day on which banks located in New York, New York or the cities in which the Principal Offices of the Trustee or the Paying Agent are located are required or authorized by law or executive order to close, or on which the New York Stock Exchange is closed.

"Cash Flow Statement" means an NMFA certificate (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year upon or in connection with the filing of such certificate, (ii) the terms of any Loans and Grants or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans released from the Trust Estate upon or in connection with the filing of such certificate, and (iii) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such certificate:

(1) the amount of NMFA Portion of the Governmental Gross Receipts Tax to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds;

(2) the Assumed Repayments of Loans and Additional Pledged Loans to be received in each such Bond Fund Year and to be available to make debt service payments on the Bonds; and

(3) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds reasonably expected to be Outstanding;

and (b) showing that in each such Bond Fund Year, the aggregate of the amount set forth in clause (A) of the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds 100% of the aggregate of the amounts set forth in clause (C) of the definition. For purposes of the foregoing definition the following assumptions shall apply:

(a) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year shall be assumed to be the greatest amount received by the NMFA in any consecutive 12 month period in the 24 months next preceding the delivery of the Cash Flow Statement;

(b) For any Bonds issued in the year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans associated with such Bonds will be included in calculating the ratio described above; and

(c) Loans and Additional Pledged Loans will be assumed to remain in their then current category designations throughout the period projected in the Cash Flow Statement.

"Category I Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in at least the third highest full rating category or higher by the Rating Agency.

"Category II Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans, the underlying obligations of which, at the time in question, are designated or rated in the fourth highest full rating category by the Rating Agency.

"Category III Loans and Additional Pledged Loans" means Loan Agreements, Securities and Additional Pledged Loans the underlying obligations of which, at the time in question, are not designated or rated or are designated or rated below the fourth highest full rating category by the Rating Agency, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Non-Performing Loans and Additional Pledged Loans and Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been fully replenished in accordance with the related Agreement.

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

"Covenant Default" has the meaning, if any, given in any Loan Agreement, Securities or Additional Pledged Loan.

"Debt Service Fund" means the fund by that name established by the Indenture to be held by the Trustee and each Account created therein.

"Funds and Accounts" means collectively, the Debt Service Fund and the Accounts created therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, and the Bond Fund.

"Governmental Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Governmental Units" means any "qualified entity" under the Act which has executed and delivered to the NMFA a Loan Agreement, Grant Agreement or Securities for the purpose of financing all or a portion of a Project.

"Grant Agreements" means a grant or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and does not require payments by the Governmental Unit to be made thereunder.

"Grants" means collectively, the Grants made pursuant to the Grant Agreements.

"Indenture" means the General Indenture of Trust and Pledge and all Supplemental Indentures thereto.

"Interest Component" means the portion of each Loan Payment representing interest on the related Loan.

"Interest Payment Date" shall, with respect to each Series 1999A-D Bonds, each June 1 and December 1, commencing June 1, 1999.

"Loan Agreement" means a loan or other similar financing agreement and any amendment thereto, which is entered into by and between the NMFA and a Governmental Unit and which provides for the financing of a Project with proceeds of Bonds and requires the Governmental Unit to repay the amounts advanced.

"Loan Payment" means the payments made by each Governmental Unit pursuant to the provisions of a Loan Agreement or Securities and which are to be used in accordance with the Indenture.

"Loan Payment Date" means the date specified in each Loan Agreement or Securities as the due date for Loan Payments.

"Loans" means collectively, the Loans made pursuant to the Loan Agreements and the Securities; excluding, however, all Additional Pledged Loans. Loans and Additional Pledged Loans may be evidenced by the same document containing two or more separate obligations.

"NMFA Portion of the Governmental Gross Receipts Tax" means an amount equal to 75% of the net receipts attributable to the governmental gross receipts tax levied pursuant to Section 7-9-4.3, NMSA 1978, as amended, and distributed to the NMFA pursuant to Section 7-1-6.38, NMSA 1978, as amended.

"Nonperforming Loans and Additional Pledged Loans" means Loan Agreements and Securities and Additional Pledged Loans under which there has occurred and is continuing an event of default (other than a Covenant Default) or under which a delinquency exists in payments of principal or interest thereunder.

"Original Issue Date" means, with respect to the Series 1999A-D Bonds, January 1, 1999.

The terms "Outstanding" or "Bonds outstanding" mean all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(1) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(2) any Bond (or any portion thereof) (i) for the payment or redemption of which there shall be held in trust under the Indenture and set aside for such payment or redemption, moneys and/or Governmental Obligations (not callable at the option of the issuer thereof) maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Governmental Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or redemption price thereof,

as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any such Bond (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

(3) Bonds deemed paid pursuant to the provisions of the Indenture; and

(4) Bonds in lieu of which others have been authenticated pursuant to the Indenture.

"Participants" means underwriters, securities brokers and dealers, banks and trust companies, clearing corporations and other persons from time to time for which DTC or any successor Securities Depository holds Series 1996 Bonds as Securities Depository.

"Paying Agent" means the Trustee or any successor or additional paying agent appointed pursuant to the Indenture.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund and the Rebate Fund or any other fund created under the Indenture, the following to the extent permitted by New Mexico law:

(a) Governmental Obligations;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Farmers Home Administration* (FmHA)
Certificates of Ownership;

ii) *Federal Housing Administration (FHA) Debentures;*

iii) *General Services Administration* Participation certificates;

iv) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds

GNMA-guaranteed pass-through obligations (participation certificates);

v) *U.S. Maritime Administration* Guaranteed Title XI financing;

vi) *U.S. Department of Housing and Urban Development* (HUD)
Project Notes
Local Authority Bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself);

i) *Federal Home Loan Bank System*
Senior debt obligations (Consolidated debt obligations);

ii) *Federal Home Loan Mortgage Corporation* (FHLMC or "Freddie Mac")
Participation Certificates (Mortgage-backed securities)
Senior debt obligations;

iii) *Federal National Mortgage Association* (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

iv) *Student Loan Market Association* (SLMA or "Sallie Mae")
Senior debt obligations;

v) *Resolution Funding Corp.* (REFCORP) Only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

vi) *Farm Credit System*
Consolidated systemwide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities

Act of 1933, and having a rating by Standard & Poor's Ratings Group ("S&P") of "AAAm-G," "AAAm" or "AAm" or by Moody's Investors Service, Inc. ("Moody's) of "Aaa";

(e) Certificates of deposit ("CD") secured at all times by collateral described in (a) and/or (b) above. CD's must have a one-year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+"or better by S&P, and "Prime-1" or better by Moody's. The collateral must be held by a third party and the third party must have a perfected first security interest in the collateral:

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BID and SAIF;

(g) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P);

(h) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P) in one of the two highest long-term rating categories assigned by such agencies;

(i) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1+" by S&P;

(j) Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; provided, however, that the repurchase agreement must satisfy certain criteria articulated in writing to the NMFA by the Rating Agency;

(k) Investment contracts with providers the long term, unsecured debt organization of which are rated at least "A" by the Rating Agency; and

(l) deposits with the Treasurer of the State for investment in obligations described above.

"Prepayment" means the amount paid by a Governmental Unit pursuant to the provisions of its Loan Agreement or Securities as a prepayment of all or a portion of the

principal balance due under its Loan Agreement or a prepayment of the principal amount of the Securities.

"Principal Component" means the portion of each Loan Payment representing principal on the related Loan.

"Program" means the NMFA's public project revolving fund program.

"Program Costs" means the fees and expenses payable to the Trustee, any Paying Agent and the NMFA.

"Program Fund" means the fund by that name which is created and established by the Indenture.

"Projects" means, collectively, the projects (i) authorized by the Legislature for financing by the NMFA from the Public Project Revolving Fund (to the extent required by law) and (ii) described in a Supplemental Indenture and a Loan Agreement, Grant Agreement or Securities.

"Public Project Revolving Fund" means the public project revolving fund established pursuant to the Act.

"Rating Agency" means Moody's Investor's Service, Inc. or its successor and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds.

"Rebate Calculation Date" means, with respect to each Series of Bonds, the interest payment date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the Initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last bond for such Series.

"Rebate Fund" means the Fund so designated, which is created and established by the Indenture.

"Rebate Requirement" means the amount of arbitrage profits earned from the investment of gross proceeds of the Bonds in nonpurpose investments described in Section 148(f)(2) of the Code and defined as "Rebate Amount" in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 1999A-D Bonds maintained by the Registrar.

"Regular Record Date" means the fifteenth (15th) day immediately preceding each Interest Payment Date (or the Business Day immediately preceding such fifteenth (15th) day, if such fifteenth (15th) day is not a Business Day).

"Registered Owner" or "Bondowner" or "Owner" or "Bondholder" or "holder" means the person or persons in whose name or names a Bond shall be registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture.

"Revenue Fund" means the Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund so designated, which is created and established by the Indenture to be held by the Trustee.

"Revenues" means (i) all revenues received or earned by the NMFA from or attributable to the Agreements (but excluding amounts paid as Program Costs), (ii) all revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, (iii) all revenues received or earned by the NMFA from or attributable to Additional Pledged Loans, if any, and (iv) all interest earned by and profits derived from the sale of investments in the Funds and Accounts created under the Indenture (except the Rebate Fund).

"Securities" means the securities purchased or acquired by the NMFA in consideration for a Loan made pursuant to the Indenture.

"Security Documents" means the intercept agreements or other security documents delivered by Governmental Units to provide additional security for a Loan Agreement or Securities.

"Series 1995 Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1995A, in an initial aggregate principal amount of $41,230,000 and the Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B, in an initial aggregate principal amount of $4,000,000.

"Series 1996 Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1996A, in an initial aggregate principal amount of $17,625,000 and the Public Project Revolving Fund Revenue Bonds Taxable Series 1996B, in an initial aggregate principal amount of $3,500,000.

"Series 1997 Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 1997, in an initial principal amount of $8,585,000.

"Series 1999A-D Bond Insurance Policy" means, with respect to the Series 1999A-D Bonds, the municipal bond insurance policy issued by the Series 1999A-D Bond

Insurer guaranteeing the scheduled payment of principal of and interest on the Series 1999A-D Bonds.

"Series 1999A-D Bond Insurer" means, with respect to the Series 1999A-D Bonds, MBIA Insurance Corporation, or any successor thereto.

"Series 1999A-D Bonds" means, collectively, the Public Project Revolving Fund Revenue Bonds, Series 1999A, in an initial aggregate principal amount of $13,135,000, the Public Project Revolving Fund Revenue Bonds, Series 1999B, in an initial aggregate principal amount of $3,025,000, the Public Project Revolving Fund Revenue Bonds, Taxable Series 1999C, in an initial aggregate principal amount of $2,265,000 and the Public Project Revolving Fund Revenue Bonds, Taxable Series 1999D in an initial aggregate principal amount of $4,875,000.

"Special Record Date" means a special record date established pursuant to the Indenture.

"State" means the State of New Mexico.

"Supplemental Indenture" means any supplemental indenture approved by the NMFA in accordance with the Indenture amending or supplementing the Indenture or any Supplemental Indenture.

"Trust Estate" means the property held in trust by the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means First Security Bank of New Mexico, N.A., Albuquerque, New Mexico and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee hereunder.

THE INDENTURE

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds shall be kept by the Trustee which is appointed the Bond Registrar with respect to the Bonds. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing and satisfactory to the Trustee, the NMFA shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new, fully registered Bond or Bonds for a like aggregate principal amount. Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series and the same maturity. The execution by the NMFA of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee shall not be required to transfer or exchange any Bond of a particular Series (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds of a particular Series for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The NMFA, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the NMFA, nor the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In each case the Trustee shall require the payment by the Registered Owner requesting exchange or transfer, only of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Nonpresentment of Bonds

In the event that any Bond shall not be presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the NMFA to the holder thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability to the holders of such Bonds for interest thereon, for the benefit of the holder of such Bond who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond. Moneys so deposited with the Trustee which remain unclaimed four (4) years after the date payment thereof becomes due shall, to the extent authorized by applicable law, at the request of the NMFA and if the NMFA is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture and if to the knowledge of the Trustee there has been no Event of Default, be repaid to the NMFA and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the NMFA; provided that the Trustee, before making payment to the NMFA, may cause a notice to be given to the Owners of the Bonds at their registered addresses, stating that the moneys remaining unclaimed will be returned to the NMFA after a specified date. Upon payment of such amounts to the NMFA by the Trustee, the NMFA shall deal with such money as required by applicable law.

Covenants of the NMFA

The NMFA will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or Supplemental Indenture or in any Bond, including the following covenants and agreements:

Covenant Against Creating or Permitting Liens. Except for the pledge of the Trust Estate to secure payment of the Bonds, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that (i) nothing contained in the Indenture shall prevent the NMFA from issuing, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinated to that of the Bonds and (ii) Revenues constituting NMFA Portion of the Governmental Gross Receipts Tax and payments of Additional Pledged Loans not needed for payments hereunder in any Bond Year may be released to the NMFA free and clear of the lien as provided in the Indenture.

Existence; Compliance with Laws. The NMFA shall take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and shall comply will all valid and applicable laws, acts, rules, regulations, permits, orders, requirements, and directions of any legislative, executive, administrative, or judicial body which may relate to the execution and delivery of the Bonds and the performance of the NMFA's obligations hereunder.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions; Further Assurance. The NMFA and the Trustee shall not transfer any of the Loan Agreements, Grant Agreements, Security Documents and Securities except as specifically authorized in the Indenture in furtherance of the security for the Bonds; provided that, (i) once the Governmental Unit has repaid all amounts, if any, owing under its Loan Agreement, Grant Agreement, Securities, or Additional Pledge Loan and complied with the other provisions thereof, the NMFA and the Trustee may release such Agreement or Additional Pledge Loan and any Security Documents from the pledge created under the Indenture; and (ii) the NMFA may direct the release of any Agreement or Additional Pledged Loan from the lien and pledge of the Trust Estate under the Indenture upon the delivery to the Trustee of a Cash Flow Statement reflecting such release. Except to the extent otherwise provided in the Indenture, the NMFA shall not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and shall, from time to time, execute and deliver such further instruments and shall take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee shall cause the Indenture to be filed as a financing statement with the Secretary of State of the State, in such manner and at such places as may be required by law fully to protect the security interest of the Owners of the Bonds and the right, title, and interest of the Trustee in and to the Trust Estate. From time to time, the Trustee may, but shall not be required to, obtain an opinion of counsel setting forth what, if any, actions by the NMFA or Trustee should be taken to preserve such security. The NMFA shall execute or cause to be executed any and all further instruments as shall reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and shall furnish satisfactory evidence to the Trustee that such actions have been taken and shall take such other action as is necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds executed and delivered under the Indenture shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds shall have been paid.

Rights Under Loan Agreements, Grant Agreements, Security Documents and Securities. The Loan Agreements, Grant Agreements, Security Documents and Securities set forth the covenants and obligations of the Governmental Units, including provisions that, subsequent to the issuance of a Series of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions of the Indenture, the Loan Agreements, Grant Agreements, Security Documents and Securities may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Trustee in accordance with the Indenture, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Governmental Units thereunder.

Bonds to be Tax-Exempt Obligations. The NMFA covenants and agrees to and for the benefit of the Owners that the NMFA (i) will not take any action that would cause interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the exemption from federal income taxation of interest on the Bonds. The provisions of this paragraph shall not apply to Bonds designated in the related Supplemental Indenture as bearing or accruing interest intended to be subject to Federal income taxation.

State Pledge of Non-Impairment. The State has pledged to and agreed with the Bondholders (as an obligation issued under the Act) that the State will not limit or alter the rights vested in the NMFA under the Act to fulfill the terms of the Indenture with the Bondholders or in any way impair the rights and remedies of those holders until the Bonds together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of those holders, are fully met and discharged.

Deposit and Advance of Funds.

The NMFA and the Trustee shall deposit the proceeds of the Bonds to the Accounts created under the Indenture and shall make the advances of funds thereunder to fund the Program and the NMFA shall enter into the Loan Agreements and Grant Agreements with the Governmental Units and purchase and receive the Securities and Security Documents from the Governmental Units on the terms and conditions and upon submission of the documents as provided in the Indenture.

The following restrictions shall apply to financings made by the NMFA under the Indenture --

(a) The aggregate principal amount of each Loan Agreement, Grant Agreement and Security shall be in whole multiples of Authorized Denomination.

(b) Without the Approval of Bond Counsel, (i) no advance from the Program Fund shall be made or used to reimburse a Governmental Unit for amounts spent from such Governmental Unit's own funds prior to the date the Governmental Unit executed and delivered the Loan Agreement, Grant Agreement or Securities under the Program, and (ii) no Program Fund moneys shall be disbursed to refund or advance refund any obligations issued on behalf of a Governmental Unit.

(c) Each Agreement shall require that the final disbursement of moneys from the Governmental Unit's Account within the Program Fund to a Governmental Unit shall be made no later than the date which is three years after the execution and delivery of the Agreement, unless the NMFA and the Trustee have received the Approval of Bond Counsel for a later date.

(d) Each Governmental Unit shall agree not to take or permit any action which would cause the respective Agreement or the related Series of Bonds to be "arbitrage bonds" under Sections 103 and 148 of the Code.

(e) Without an Approval of Bond Counsel, no amounts disbursed from the Program Fund may be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit" within the meaning of Section 141(b)(6) of the Code.

(f) Amounts disbursed from each Governmental Units' Account within the Program Fund shall be used to finance the costs of the related Project and related expenditures on behalf of the Governmental Unit.

(g) Each Governmental Unit shall agree to pay the Rebatable Arbitrage relating to its Accounts in the Program Fund, the Agreement Reserve Fund and the Debt Service Fund.

(h) At the time of execution and delivery of each Agreement the related Governmental Unit shall execute and deliver a certificate to the effect that the Governmental Unit (i) will not take any action that would cause the interest on the Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Agreement in order to preserve the exemption from federal income taxation of the interest on the Bonds.

The provisions of Subsections (b), (c), (d), (e), (g) and (h) shall not apply to Agreements financed with proceeds of Bonds designated as intended to bear interest subject to Federal income taxes.

Loan Agreement and Securities - Loan Payments.

The Loan Payments shall be governed by the following provisions:

(a) Principal, Program Costs and Interest Components. A portion of each Loan Payment is paid as, and represents payment of, interest (the "Interest Component") on the related Loan and payment of a Program Cost component relating to each loan (the "Program Cost Component") and the balance of each Loan Payment is paid as, and represents payment of, principal (the "Principal Component") on the related Loan, all as set forth in the related Loan Agreement or Securities. Amounts due as the Principal, Program Costs, and Interest Components of Loan Payments due under each Loan Agreement or Securities shall be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement shall be the amount of interest based on a 360 day year comprised of twelve 30-day months, unless otherwise specified in the related Supplemental Indenture. The Program Cost Component may be included in the interest rate borne by a Loan.

(b) Loan Agreement and Securities Term. The "Term" of a Loan Agreement or Securities shall be defined in the Loan Agreement or Securities. The Term shall not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Securities shall provide that the related Governmental Unit shall pay Loan Payments directly to the Trustee. In the case of Securities, the Securities shall be registered in the name of the Trustee or properly assigned to the Trustee on the books of any registrar for such Securities or if in bearer form delivered to and held by the Trustee.

(d) Prepayments. The Loan Agreements and Securities may contain a provision permitting the Governmental Unit to prepay the Principal Component of Loan Payments, in accordance with the provisions of the Loan Agreement and Securities by payment of Prepayments in whole on any date or in part on any Interest Payment Date, at any time when the related Series of Bonds are or are about to become subject to optional redemption upon not less than forty-five (45) days' prior written notice to the Trustee and subject to any other conditions set forth in the related Supplemental Indenture, Loan Agreement or Securities. Partial prepayments of the Principal Component of Loan Payments shall be made in multiples of the minimum Authorized Denomination. Each Prepayment shall

include interest to the date upon which the Trustee has scheduled a related redemption of Bonds as provided in the related Supplemental Indenture.

(e) Use of Reserve at Final Payment. At the time of payment in full of each Loan Agreement or Securities, the applicable Agreement Reserve Account in the Agreement Reserve Fund shall be applied toward the final payment of amounts due under the related Loan Agreement or Securities.

Establishment of Funds and Accounts

There is established in the Indenture with the Trustee the following funds and accounts within funds, each of which shall be held, for the term of the Indenture, in Accounts segregated from all other moneys of the Trustee or the NMFA.

(a) a Program Fund and within such fund a separate Account for each Agreement;

(b) a Debt Service Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

(d) an Agreement Reserve Fund and within such fund, a separate Account for each Agreement which contemplates the establishment of an Agreement Reserve Account;

(e) an Expense Fund;

(f) a Rebate Fund and within such fund a separate Account for each Agreement; and

(g) a Governmental Gross Receipts Tax and Additional Pledged Loan Revenue Fund (herein the "Revenue Fund") established as an account of the Public Project Revolving Fund.

In addition to the foregoing, with respect to Additional Pledged Loans the Trustee may, as directed in a Supplemental Indenture, establish subaccounts within the Program Fund, the Agreement Reserve Fund or the Debt Service Fund for such Additional Pledged Loans.

Flow of Funds

All Funds shall be accounted for and maintained by the NMFA in the Funds and Accounts established in the Indenture. Each Fund and Account shall be kept separate and apart from all other Funds and Accounts of the NMFA. The Funds shall be expended and used by the NMFA only in the manner of order and priority specified below:

Program Fund.

(a) Upon the issuance of a Series of Bonds the Trustee shall deposit the amount specified in the related Supplemental Indenture in the Program Fund and shall allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement. Disbursements from each Account within the Program Fund shall be made as provided below and may be made in stages.

(b) Disbursements from each Account within the Program Fund with respect to an Agreement with a Governmental Unit shall (except for amounts to be used for capitalized interest on the Loan and as may be directed in a Supplemental Indenture with respect to Grants) only be made upon the delivery to the Trustee of a requisition substantially in the form attached to each Agreement signed by an Authorized Officer of the Governmental Unit, as applicable: (1) stating the name and address of the payee, the amount to be paid and the purpose of the payment; (2) certifying that the amount to be paid is for costs of the Project and is due and payable, has not been the subject of any previous requisition and is a proper charge against the Account within the Program Fund pursuant to this Paragraph (b); (3) certifying that all representations contained in the Agreement and the related documents remain true and correct and that the Governmental Unit is not in breach of any of the covenants contained therein; and (4) in the case of the final requisition, certifying that payment of costs of the Project is complete or that the Governmental Unit shall, and understands its obligation to, complete the acquisition or construction of the Project from other legally available funds.

(c) Without an Approval of Bond Counsel and except with respect to Agreements relating to Bonds designated in the related Supplemental Indenture as bearing or accruing interest subject to federal income taxation, no disbursement shall be made from the Governmental Unit's Account in the Program Fund:

(i) to reimburse the Governmental Unit's own funds for expenditures made prior to the date on which the governing body of the Governmental Unit executed and delivered the Agreement,

(ii) to refund or advance refund any obligations issued by or on behalf of the Governmental Unit, or

(iii) to be used, directly or indirectly, to finance a Project used or to be used in the trade or business of a person who is not a "governmental unit," within the meaning of Section 141(b)(6) of the Code.

(d) Moneys in the Governmental Unit's Account in the Program Fund following the payment of amounts due for the costs of the Project may be transferred to such Governmental Unit's Account in the Debt Service Fund for application to the payment of the principal of and interest on the Loan or the Prepayment of the Principal Component of the Loan Agreement or Securities and a related redemption of Bonds, as provided in the related Supplemental Indenture.

(e) The Trustee shall keep the Program Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

(f) Investment earnings on amounts held in each Account of the Program Fund shall be retained in such Account of the Program Fund and used as provided herein as other amounts on deposit therein or to be deposited to the Rebate Account.

(g) Moneys deposited in the Program Fund for the payment of capitalized interest on the Loan may be disbursed by the Trustee to the appropriate account in the Debt Service Fund to pay interest on the related Loan during construction of the related Project.

(h) If directed in the related Supplemental Indenture, amounts to be used to fund Grants may, in lieu of deposit to the Program Fund, be disbursed to the Governmental Unit upon the issuance of the related Series of Bonds.

(i) Proceeds of Additional Pledged Loans deposited to a separate subaccount of the Governmental Units Account within the Program Fund shall be accounted for and used as described above with respect to proceeds of Bonds; provided that the provisions of paragraph (c) above shall not apply to such amounts.

Application of Loan Payments.

The flow of funds is discussed in the forepart of this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS -- Flow of Funds".

All income earned from the investment of moneys in the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the

amount on deposit therein exceeds the related Agreement Reserve Requirement), shall be deposited at least once each year in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement provided, however, that all earnings received on the Governmental Unit's Accounts shall be allocated solely to the benefit of such Governmental Unit. The Trustee shall notify the Governmental Unit at least fifteen (15) days prior to the due date of its next payment of Loan Payments of the amount of earnings so allocated.

In the event that the Trustee receives Prepayments under a Loan Agreement or Securities, the Trustee shall apply such Prepayments to the optional redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture.

At least once each year the Trustee shall determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account on Interest Payment Dates for the Bonds from payments relating to a Governmental Unit's Agreement, (ii) to replenish the Governmental Unit's Account in the Agreement Reserve Fund, and (iii) to pay the Governmental Unit's share of Program Costs for the year, and shall return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to Loans relating to the Series 1999A-D Bonds, any such excess shall be disbursed as follows:

(a) Any excess attributable to earnings on funds and accounts for the Governmental Unit shall be returned to the Governmental Unit or shall credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; and

(b) Any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the Series 1999A-D Bonds shall be deposited into the Revenue Fund.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement shall be transferred at least annually to the related Account of the Debt Service Fund and credited against payments next coming due under such Loan Agreement or Securities.

Amounts on deposit in the respective Account of the Agreement Reserve Fund shall be applied toward the final payment of amounts falling due under the related Loan Agreement or Securities.

As provided in an Agreement, a Governmental Unit may (i) fund an Account in the Agreement Reserve Fund over time from deposits made by or on behalf of the Governmental Unit or (ii) may use any reserve fund surety or similar investments in lieu of a cash deposit to the Agreement Reserve Fund.

Amounts on deposit in each Agreement Reserve Account, if any, secure only the payments to be made under the related Agreement and may not be applied toward payments under any other Agreement or toward payment of the Bonds, except to the extent that amounts are due and owing under the related Agreement and amounts are not otherwise available for such payments in the related Account of the Debt Service Fund.

All moneys held by the Trustee in the Bond Fund shall be applied in accordance with the Indenture to pay the principal or redemption price of Bonds as they mature or become due, upon surrender thereof, and the interest on Bonds as it becomes payable. There shall be deposited into the Bond Fund all accrued interest received, if any, at the time of the execution, sale and delivery of the Bonds. Amounts remaining on deposit in the Bond Fund at the end of each Bond Fund Year and after payment of all amounts due on the Bonds for such Bond Fund Year shall be transferred to the Revenue Fund.

Investment of Moneys

Any moneys held as part of a Governmental Unit's Account in any of the Funds established under the Indenture shall be invested and reinvested by the Trustee at the direction of the related Governmental Unit in Permitted Investments in accordance with the following provisions.

Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the related Debt Service Account is insufficient to pay the principal of and premium, if any, and interest on the related Loan Agreement or Securities when due. In the absence of an appropriate direction from a Governmental Unit as to investment of funds, the Trustee shall invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund shall be invested and reinvested by the Trustee at the direction of the NMFA only in Permitted Investments in accordance with the Indenture. Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of the investments on deposit in the Bond Fund whenever the cash balance in the Bond Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due.

All such investments shall at all times be a part of the account or fund from where the money used to acquire such investments was deposited and all gains thereon shall be credited to, and losses thereon shall be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments shall mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the owner on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes hereof.

The principal of the investments and the interest, income, and profits received in respect thereof shall be applied as follows:

(i) all interest, income, and profits received in respect of the investment of the amounts on deposit in a Governmental Unit's Account in any of the Funds established under the Indenture shall (after deduction of any losses) be retained in the applicable Governmental Unit's Account from which the investment was derived (except as otherwise required with respect to the Agreement Reserve Fund and deposits to be made to the Rebate Fund); and

(ii) all interest, income, and profits received in respect of the investment of the amounts on deposit in the Revenue Fund, the Rebate Fund or the Bond Fund shall (after deduction of any losses) be retained in such Fund; and

(iii) whenever any other transfer or payment is required to be made from any particular Fund or Account, such transfer or payment shall be made from such combination of maturing principal, redemption, or repurchase prices, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any permitted investments to be redeemed, withdrawn, or sold, and any penalties, gains, or losses to be realized upon any such redemption, withdrawal, or sale.

The Trustee shall not be accountable for any depreciation in the value of the Permitted Investments or any losses incurred upon any authorized disposition thereof.

Method and Frequency of Valuation. In computing the amount in any fund or account, Permitted Investments shall be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there shall have been paid, or there shall be provisions for payment made to or for the holders and Owners of the Bonds, the principal of and premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein, and if there shall have been paid to the Trustee and any paying agents all sums of money due or to become due according to the provisions of the Indenture, then the presents and the estate and rights granted by the Indenture shall cease, determine and be

void, whereupon the Trustee shall cancel and discharge the lien of the Indenture and on demand of the NMFA shall execute such documents to evidence such release as shall be reasonably required by the NMFA and shall turn over to the NMFA all balances held by the Trustee under the Indenture (other than amounts required for return to the Governmental Units as provided in the Indenture).

Any Bond shall be deemed to be paid within the meaning of and for all purposes of the Indenture when (a) payment of the principal of and the applicable premium, if any, on such Bond, whether at maturity or prior redemption plus interest thereon to the due date thereof, either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent shall have irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) noncallable Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or noncallable Governmental Obligations.

All moneys so deposited with the Trustee (or other escrow agent) as provided in the defeasance provisions of the Indenture may at the direction of the NMFA also be invested and reinvested in noncallable Governmental Obligations, maturing in the amounts and at times as hereinbefore set forth, and all income from all noncallable Governmental Obligations in the hands of the Trustee which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Revenue Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

All moneys or noncallable Governmental Obligations set aside and held in trust pursuant to the defeasance provisions of the Indenture for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and noncallable Governmental Obligations have been so set aside in trust.

Neither the obligations nor the moneys deposited with the Trustee (or other escrow agent) pursuant to the defeasance provisions of the Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or redemption price of, and interest on, the Bonds or portions thereof.

Whenever moneys or obligations shall be deposited with the Trustee (or other escrow agent) for the payment or redemption of any Bonds more than sixty (60) days prior to the date that such Bonds are to mature or be redeemed, the Trustee shall mail a notice stating that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held, to all Owners of Bonds for the payment of which such moneys or obligations are being held.

No such deposit under the defeasance provisions of the Indenture shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an Approval of Bond Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Sections 148 of the Code.

If moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to the defeasance provisions of the Indenture for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture shall be made without the consent of the Registered Owner of each Bond affected thereby.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on any Series of Bonds shall be paid by a bond insurer with respect to such Series of Bonds pursuant to a municipal bond insurance policy, the Bonds of such Series shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the NMFA, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the NMFA to the Registered Owners of such Series of Bonds shall continue to exist and shall run to the benefit of such bond insurer, and such bond insurer shall be subrogated to the rights of such Registered Owners of such Series of Bonds.

Default Provisions and Remedies of the Trustee and Owners

Events of Default Defined. Each of the following events is an "Event of Default" under the Indenture:

(a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the NMFA when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund hereunder or otherwise; or

(c) if the NMFA shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the NMFA, appointing a receiver or custodian for any of the Revenues of the NMFA, or approving a petition filed against the NMFA seeking reorganization of the NMFA under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the NMFA shall not be vacated or discharged or stayed on appeal within 30 days after the entry thereof; or

(e) if any proceeding shall be instituted, with the consent or acquiescence of the NMFA, for the purpose of effecting a composition between the NMFA and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(f) if (i) the NMFA is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the NMFA, a receiver, trustee or custodian of the NMFA or of the whole or any part of their property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the NMFA or of the whole or any substantial part of the property of the NMFA, and such custody or control shall not be terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or the Indenture or any Supplemental Indenture on the part of the NMFA to be performed, other than as set forth above in this section and such Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the NMFA by the Trustee, which may give such notice in its discretion and shall give such notice at

the written request of the Registered Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Remedies of the Trustee. If an Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name:

(a) by mandamus or other action or proceeding or suit at law or in equity enforce the rights of the Owners of the Bonds under the Indenture, including enforcing any rights under the Agreements and Security Documents and the provisions of the Indenture for the benefit of the Owners of the Bonds against the NMFA and any related Governmental Unit, and compel the NMFA and any related Governmental Unit, to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained in the Indenture or in any Agreement (including the appointment of a receiver); or

(b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) intervene in judicial proceedings that affect the Bonds, the Agreements or the security therefor; or

(d) exercise any or all remedies permitted under the Agreements or Security Documents; or

(e) cause the NMFA or any related Governmental Unit to account as if it were the trustee of an express trust for all of the Revenues or Agreement Pledged Revenues, pledged under the Indenture or pursuant to the Agreements and any Security Documents.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Owners, the Trustee, the Owners,

the NMFA, and the Governmental Units shall be restored to the former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be extended without exhausting and without regard to any other remedy conferred by any law.

No Liability by the Governmental Units to the Owners. Except for the payment when due of the Loan Payments and the performance of the other agreements and covenants required to be performed by it contained in the Agreements and Security Documents, the Governmental Units will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Loan Payments, by the Trustee, or with respect to the performance by the NMFA of any right or obligation required to be performed by it contained in the Indenture or for the performance by any other Governmental Unit of such other Governmental Unit's obligations under an Agreement or Security Documents.

Limitation of Owners' Right to Bring Suit. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, for the appointment of a receiver or trustee or for any other remedy, at law or in equity, unless;

(a) such Owner has previously given written notice to the Trustee of a continuing Event of Default;

(b) the Owners of not less than a majority of the aggregate principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee;

(c) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce

any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of interest on such Bond when due in accordance with the terms of the Bonds and the Indenture and the principal of such Bond at the stated maturity of the Bonds and to institute suit for the enforcement of any such payment in accordance with the provisions of the Indenture and such rights shall not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding hereunder shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee, provided that such direction shall not be in conflict with any rule of law or with the Indenture or unduly prejudice the rights of minority Owners of Bonds.

Application of Funds Upon Default. All moneys received by the Trustee or by any receiver pursuant to any right given or action taken under the default provisions of the Indenture or under the provisions of the related Agreements, shall, after payment of the reasonable costs and fees of, and the reasonable expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys deposited to the Bond Fund for the payment of Bonds which have previously matured or otherwise become payable prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee under the Indenture, shall be applied as follows;

Unless the principal of all Bonds shall have become due and payable, all such moneys shall be applied, as follows:

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

Second: To the payment to the persons or entity entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for prepayment for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on such Bonds at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the

payment ratably, according to the amount of principal and interest due on such date, to the persons or entities entitled thereto without any discrimination or privilege;

Third: To be held for the payment to the persons entitled thereto as the same shall become due of the principal of, the premium, if any, and interest on the Bonds which may thereafter become due at maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

If the principal of all the Bonds shall have become due all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with the interest on overdue principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bonds over any other certificates, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such moneys it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such date and of the Special Record Date in accordance with the Indenture. The Trustee shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate principal amount of all the Bonds then outstanding in respect of which Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any Event of Default in the payment of the principal of any Bonds at the date of maturity specified therein, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to

such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Owners. The NMFA and the Trustee may, without consent of, or notice to, any of the Owners enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;

(b) To cure any ambiguity or formal defect or omission in the Indenture;

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee;

(d) To subject to the Indenture additional revenues, properties or collateral;

(e) To evidence the appointment of a separate Trustee or paying agent or the succession of a new Trustee or paying agent under the Indenture;

(f) To make any other change which in the judgement of the Trustee is not materially adverse to the interests of the Trustee or any of the Owners;

(g) To make any amendments with the prior written confirmation from the Rating Agency that such amendments will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment; and

(h) To add additional covenants of the NMFA or any Governmental Unit or to surrender any right or power conferred upon the NMFA in the Indenture or any Governmental Unit or to grant additional powers or rights to the Trustee.

Supplemental Indentures Requiring Consent of Owners. Exclusive of supplemental indentures covered by the foregoing section and subject to the following terms and provisions and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the NMFA and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the NMFA for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in this section or in the foregoing section shall permit, or be construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond, or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures, or (v) permit the creation of any lien ranking prior to the lien of the Indenture on the Trust Estate or any part thereof, or (vi) deprive the Owner of any Bond then outstanding of the lien created by the Indenture on the Trust Estate without the prior consent of 100% of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which adversely affects the Trustee's rights, duties or immunities under the Indenture or the Agreements.

If at any time the NMFA shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given by registered or certified mail to the owner of each Bond shown by the list of Owners kept at the office of the Trustee. Such notices shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Owners. If, within one hundred twenty (120) days or such longer period as the holders of not less than a majority in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Governmental Units from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA shall have the right to amend an Agreement and any existing Security Documents with the Consent of the Trustee and the related Governmental Unit without Bond Owners' consent, for one or more of the following purposes:

(i) to add additional covenants of the NMFA or the related Governmental Unit, as applicable, or to surrender any right or power conferred upon the NMFA or the related Governmental Unit;

(ii) to make any amendments with the prior written confirmation from the Rating Agency that such amendment will not result in the rating on the Bonds following such amendment being lower than the rating on the Bonds immediately prior to such amendment;

(iii) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in the Indenture or in any amendment thereto or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under any Agreement, or Security Documents which in the judgement of the Trustee shall not adversely affect the interests of the Owners of Bonds; or

(iv) to make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

(b) If the NMFA or a Governmental Unit propose to amend an Agreement or related Security Documents in a manner not contemplated by (a) above the Trustee shall notify the Owners of the Bonds of the proposed amendment and may consent thereto with the consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding.

Fees, Charges and Expenses of the Trustee

Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the Trustee's advances, fees, costs and expenses incurred.

Provisions With Respect to Series 1999A-D Bond Insurance Policy

Amendments. The NMFA will provide to the Series 1999A-D Bond Insurer notice of any supplemental indentures entered into as described under the caption "Supplemental Indentures Not Requiring Consent of Owners" herein. The NMFA must obtain the Series 1999A-D Bond Insurer's consent prior to the execution of any supplemental indentures entered into as described under the caption "Supplemental Indentures Requiring Consent of Owners" herein.

Defaults. The Series 1999A-D Bond Insurer, acting alone, shall have the right to direct all remedies with respect to the Series 1999A-D Bonds upon an Event of Default. The Series 1999A-D Bond Insurer shall be recognized as the registered owner of each Series 1999A-D Bond which it insures for the purposes of exercising all rights and privileges available to bondholders of Series 1999A-D Bonds. For Series 1999A-D Bonds which it insures, the Series 1999A-D Bond Insurer shall have the right to institute any suit, action, or proceeding at law or in equity under the same terms as a bondholder of a Series 1999A-D Bond in accordance with applicable provisions of the governing documents. Other than the usual redemption provisions, any acceleration of principal payments must be subject to the Series 1999A-D Bond Insurer's prior written consent.

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APPENDIX C

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE

The following economic and demographic information is furnished for information only. The Bonds do not constitute a general obligation of the State and are special obligations of NMFA payable solely from the Trust Estate. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Generally

The State of New Mexico (the "State") was admitted as the forty-seventh state on January 6, 1912. It is the fifth largest state, containing approximately 121,593 square miles. The State's terrain varies widely and incorporates six of the seven life zones between its northern mountains and its arid southern plains.

The State's climate is characterized by sunshine and warm bright skies in both winter and summer. Every part of the State receives no less than 70% sunshine year-round. Humidity ranges from 60% (mornings) to 30% (afternoons). Evenings are crisp and cool in all seasons because of the low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of its moisture. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains).

Governmental Organization

The State's government consists of the three branches characteristic of the American political system: executive, legislative and judicial. The executive branch is headed by the Governor, who is elected for a four-year term. A governor may succeed himself in office only once. Following a reorganization plan implemented in 1978 to reduce and consolidate some 390 agencies, boards and commissions, the primary functions of the executive branch are now carried out by sixteen cabinet departments, each headed by a cabinet secretary appointed by the Governor.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected to four-year terms, members of the House to two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to sixty calendar days in odd-numbered years and thirty calendar days in even-numbered years. In addition, special sessions of the Legislature may be convened by the Governor under certain limited circumstances. Legislators receive no salary, but do receive per diem and mileage allowances while in session or on official State business.

The judicial branch is composed of a statewide system of Magistrate and District Courts, the Court of Appeals and the Supreme Court. The district court is the trial court of record with general jurisdiction.

Principal Economic Activities

In general, economic growth in the New Mexico economy appears to have stabilized and moderate growth is expected in the near term. Nonagricultural employment growth has remained very close to 2.0 percent in each of the five quarters ending with the second quarter of 1997, including 2.2 percent in the second quarter of 1997. Strong sectors in the second quarter were manufacturing (3.9%) and services (3.1%). It is anticipated that nonagricultural employment growth will remain very close to 2.0 percent each year through 1999 with services and manufacturing being the major sources of strength.

Major industries in the State include energy resources, tourism, services, arts and crafts, agriculture-agribusiness, government, manufacturing, and mining. In 1994, the value of energy resources production (crude petroleum, natural gas, uranium, and coal) was approximately $4.13 billion. The mining industry employed about 15,700 New Mexicans in 1995. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy.

The State has a thriving tourist industry. In 1995 there were approximately 2.25 million visits to national parks and about 4.9 million visits to various parts of the State. According to a 1995 estimate by the New Mexico Economic Development Department, the State's tourist industry generated about $2.75 billion in revenue and the New Mexico Department of Labor reported more than 66,800 in tourist-related jobs.

Agriculture is a major part of the State's economy, with 1996 crop and livestock sales in excess of $1.7 billion. As a high, relatively dry region with extensive grasslands, the State is ideal for raising cattle, sheep and other livestock. Because of irrigation and a variety of climatic conditions, the State's farmers are able to produce a diverse assortment of quality products. The State's farmers are major producers of alfalfa hay, wheat, chile peppers, cotton, fruits and pecans. Agricultural businesses include chile canneries, wineries, alfalfa pellets, chemical and fertilizer plants, farm machinery, feed lots, and commercial slaughter plants.

Economic and Demographic Information

The State's population at the time of the official 1990 United States Census was 1,515,069. Set out below is certain historical population information and certain additional historical economic information concerning the State.

State of New Mexico
Population Trends

	New Mexico (000)		United States (000)		% Urban	
Year	Population	% Change	Population	% Change	New Mexico	U.S.
1970	1,017.1	6.9%	203,302	13.4%	69.8%	73.6%
1980	1,302.3	28.0	226,546	11.4	72.2	73.7
1990 (unadjusted)	1,515.1	16.3	248,710	9.8	73.0	75.2
1991	1,547.3	2.1	252,138	1.4	N/A	N/A
1992	1,581.5	2.2	255,093	1.2	N/A	N/A
1993	1,616.4	2.2	257,800	1.1	N/A	N/A
1994	1,655.2	2.4	260,350	1.0	N/A	N/A
1995	1,685.4	1.8	262,755	1.0	N/A	N/A
1996	1,713.4	1.7	265,283	1.0	N/A	N/A
1997	1,729.8	1.0	267,636	0.9	N/A	N/A

Source: U.S. Department of Commerce, Bureau of the Census

State of New Mexico
Wages and Salaries by Industry Sector, 1986 and 1996
($ in millions)

	New Mexico		% Change		Distribution of 1996 Wages and Salaries	
	1986	1996	N.M.	U.S.	N.M.	U.S.
Totals	9,947.9	17,718.2	78.1	72.2	100.0%	100.0%
Farm	71.7	136.7	90.6	70.0	.77	.10
Agriculture	47.1	107.1	127.4	111.9	.60	.58
Mining	468.8	604.9	29.0	8.6	3.41	.76
Construction	619.5	1,063.4	71.7	52.7	6.00	4.75
Manufacturing	761.3	1,367.7	79.7	40.3	7.72	18.61
Durable*	544.1	1,015.0	86.5	36.4	5.73	11.47
Non-Durable*	217.2	352.7	62.4	47.1	1.99	7.14
Transportation	767.8	1,022.5	33.2	58.8	5.77	6.37
Wholesale	456.1	773.5	69.6	69.7	4.36	6.80
Retail	1,094.8	2,009.1	83.5	63.9	11.34	9.54
Finance, Insurance and Real Estate	493.6	831.4	68.4	87.1	4.69	4.36
Services	2,113.8	4,703.3	122.5	128.0	26.50	26.60
Government	3,052.8	5,071.1	66.1	64.3	28.60	17.45
Federal*	716.3	1,187.5	65.8	48.0	6.70	3.27
Military*	399.8	547.6	37.0	21.2	3.09	1.34
State and Local*	1,936.6	3,335.9	72.3	75.8	18.83	12.80

* The indented sectors are components of the encompassing sector immediately above.
Source: U.S. department of Commerce, Bureau of Economic Analysis

State of New Mexico
Civilian Labor Force, Employment and Unemployment
in New Mexico and the United States, 1982 through 1997

Year	Civilian Labor Force (000)		Number Employed (000)		Unemployment Rate		NM as % of U.S. Rate
	N.M.	U.S.	N.M.	U.S.	N.M.	U.S.	
1982	596	110,204	541	99,526	9.2%	9.7%	95%
1983	609	115,530	547	100,834	10.2	12.7	80
1984	628	113,544	581	105,005	7.5	7.5	100
1985	644	115,461	587	107,150	8.8	7.2	122
1986	678	117,834	616	109,597	9.2	7.0	131
1987	682	119,865	622	112,440	8.9	6.2	144
1988	688	121,669	635	114,968	7.8	5.5	142
1989	698	123,869	651	117,342	6.7	5.3	126
1990	708	125,840	662	116,793	6.5	5.6	116
1991	726	126,346	674	117,718	7.1	6.8	104
1992	741	128,105	689	118,462	7.0	7.5	93
1993	756	129,200	698	120,259	7.7	6.9	112
1994	775	131,065	729	123,060	6.3	6.1	103
1995	791	132,304	741	124,900	6.3	5.6	113
1996	800	133,944	735	126,708	8.1	5.4	150
1997	824	136,285	772	129,557	6.3	4.9	129

Source: New Mexico Department of Labor, Economic Research and Analysis

State of New Mexico
Per Capita Personal Income in New Mexico
And the U.S., 1980-1997

Year	Per Capita Income New Mexico	Per Capita Income U.S.	New Mexico as a % of U.S.	Annual % Change New Mexico	Annual % Change U.S.
1980	$ 8,253	$ 10,062	82%	10.2%	10.4%
1981	9,171	11,114	82	11.1	10.8
1982	9,704	11,729	83	5.8	5.2
1983	10,088	12,384	81	4.0	5.6
1984	10,865	13,588	80	7.7	9.7
1985	11,617	14,448	80	6.9	6.3
1986	11,874	15,185	78	2.2	5.1
1987	12,286	15,990	71	3.5	5.3
1988	12,898	17,062	75	4.8	6.1
1989	13,628	18,172	75	5.8	6.5
1990	14,497	19,191	76	6.4	5.6
1991	15,096	19,689	77	4.1	2.6
1992	15,791	20,631	77	4.6	4.8
1993	16,627	21,365	78	5.3	3.6
1994	17,187	22,180	77	3.4	3.8
1995	18,215	23,348	78	6.0	5.3
1996	18,803	24,426	77	3.2	4.6
1997	19,582	25,298	77	4.2	4.8

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

State of New Mexico
Earnings Growth by Standard Industrial Classification
% Change, 1993-1996

	New Mexico	Southwest Region (1)	U.S.
Farm Earnings	(34.5)%	(46.1)%	8.9%
Nonfarm earnings	17.7	20.5	10.9
Private	19.2	22.0	11.7
Ag. Serv, Forestry & Fisheries	23.7	20.3	11.7
Mining	8.2	7.5	7.3
Construction	30.5	34.1	12.9
Manufacturing	22.8	21.8	7.1
Non-durable Goods*	20.5	18.7	5.4
Durable Goods*	23.8	24.1	8.2
Transportation & Public Utilities	8.1	17.8	9.5
Wholesale Trade	14.8	22.5	11.8
Retail Trade	18.9	20.6	9.1
Finance, Insurance, Real Estate	23.0	20.5	17.0
Services	19.6	24.1	14.7
Government	13.7	13.2	6.1
Federal, Civilian*	8.1	6.7	1.7
Military*	9.5	9.5	3.2
State & Local*	16.6	15.5	7.9
Total Earnings:	19.7	20.6	12.2

(1) Southwest Region: Defined by the U.S. Department of Commerce as Arizona, New Mexico, Oklahoma and Texas.

* The indented sectors are components of the encompassing sectors immediately above.

Source: Regional Economic Information System, Bureau of Economic Analysis

APPENDIX D

CERTAIN INFORMATION CONCERNING THE 1999 GOVERNMENTAL UNITS

This Appendix sets forth certain information concerning the 1999 Governmental Units. The information concerning each 1999 Governmental Unit was provided by the respective 1999 Governmental Unit and other sources believed to be reliable. While NMFA believes such information is a fair summary of the matters presented, NMFA cannot guarantee its accuracy or completeness. In addition, such information is current only as of the date of this Official Statement and is subject to change at any time.

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APPENDIX D-1

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OF THE STATE OF NEW MEXICO

Generally

The Energy, Minerals and Natural Resources Department ("EMNRD") is a cabinet-level department within the executive branch of government of the State of New Mexico (the "State") established by the State Legislature in 1987. It is administered by a cabinet Secretary who is appointed by the Governor with the consent of the State Senate. EMNRD consists of six divisions, including the State Parks Division (the "Division") which is responsible for developing, maintaining, managing and supervising all state parks and state-owned or state-leased recreation areas.

The 1999 Project

Pursuant to the Indenture, a portion of the proceeds of the Series 1999 Bonds are to be used to reimburse NMFA for the purchase by NMFA of the Division's $4,535,000 State Parks Division Revenue Bonds, Series 1998A (the "1998A Securities") and the Division's $503,334 State Parks Division Revenue Bonds, Series 1998B (the "1998B Securities"), which securities constitute an Additional Pledged Loan under the Indenture. The 1998A Securities and the 1998B Securities collectively are referred to in this Appendix D-1 as the "1998 Securities." The Division is to use the proceeds of the 1998 Securities to make various capital improvements within park and recreational facilities throughout the State. These improvements are expected to be the third in a series of four such capital improvement funding allocations to be supported through the issuance of securities (including Additional Pledged Loans) to the NMFA under the Public Project Revolving Fund Program. The improvements expected to be funded from the proceeds of the 1998 Securities include the following:

Park Name or Project Location	**Project Scope**
Morphy State Park	Road improvements
Sugarite State Park	Road improvements
Storrie State Park	Road improvements
Elephant Butte State Park	Restroom renovation, road improvements and campground development
Oliver Lee State Park	Trail improvements and road improvements
Caballo State Park	Restroom replacement
Navajo State Park	Restroom construction and office renovation

Park Name or Project Location	**Project Scope**
Bluewater State Park	Restroom construction, pay-station improvements and road improvements
Hyde Memorial State Park	Erosion control and campground renovation
Bottomless Lakes State Park	Building restoration
Santa Fe	Building renovation and landscaping
El Vado State Park	Office renovation
Clayton State Park	Office renovation
Villanueva State Park	Office renovation
Manzano State Park	Restroom renovation
Leasburg State Park	Restroom renovation
Statewide	Water and wastewater facility improvements, staff modular residences, campsite development and furnishings, playground improvements, access gates and vehicular controls, equipment and facilities and restroom construction

Security for Payments on 1998 Securities

Generally

Twenty-five percent (25%) of the net governmental gross receipts tax which is imposed pursuant to Section 7-1-6.38 NMSA 1978, is allocated to EMNRD. Of this 25% portion, 60% (the "EMNRD Portion of the Governmental Gross Receipts Tax") is distributed to the EMNRD for State park and recreational area capital improvements. The 1998 Securities are secured by a first, but not necessarily an exclusively first, pledge of the EMNRD Portion of the Governmental Gross Receipts Tax collections. For certain information concerning the governmental gross receipts tax, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1999 BONDS - Revenues -The Governmental Gross Receipts Tax." NMFA believes that the EMNRD Portion of the Governmental Gross Receipts Tax will provide sufficient funds for the payment of the debt service on the 1998 Securities and all outstanding parity obligations, as due.

Set forth below is information concerning the EMNRD Portion of the Governmental Gross Receipts Tax for the fiscal years 1994-1995 through 1997-1998 and coverage of the State Parks Division's parity obligations to NMFA.

EMNRD Portions of the Governmental Gross Receipts Tax
Fiscal Years 1994-1995 through 1997-1998

	Fiscal Year 1994-1995	Fiscal Year 1995-1996	Fiscal Year 1996-1997	Fiscal Year 1997-1998
EMNRD Portion of the Government Gross Receipts Tax	$2,029,502	$2,408,918	$2,456,767	$2,528,981
Debt Service on Parity EMNRD Obligations to NMFA		314,753	585,550	965,456
Debt Service Coverage		7.65	4.20	2.62

Parity Obligations

As of the date of issuance of the Series 1999 Bonds the only other obligations payable from the EMNRD Portion of the Governmental Gross Receipts Tax on a parity with the 1998 Securities will be the 1998 Securities and the Division's State Parks Division Revenue Bonds, Series 1995A, Series 1995B, Series 1996A, Series 1996B, Series 1997A and Series 1997B currently outstanding in the aggregate principal amount of $11,523,581.

Pursuant to the proceedings authorizing the issuance of the 1998 Securities, additional parity objections may be issued if (i) all payments required to be made by the EMNRD into its accounts of the Debt Service Fund and the Agreement Reserve Fund have been made; (ii) no default exists in connection with any of the covenants or requirements set forth in such proceedings; (iii) the EMNRD Portion of the Governmental Gross Receipts Tax received or credited to the Division for the fiscal year, or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such parity obligations, shall have been sufficient to pay an amount representing 135% of the combined maximum aggregate annual debt service requirement coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor); and (iv) an appropriately pledged reserve fund for such parity obligations has been provided for and funded. The Division may not issue bonds or other obligations payable from the EMNRD Portion of the Governmental Gross Receipts Tax having a lien thereon prior and superior to the 1998 Securities.

Economic and Demographic Information

For certain economic and demographic information concerning the State, see Appendix C, "CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE STATE."

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APPENDIX D-2
NORTHWEST NEW MEXICO SOLID WASTE DISPOSAL AUTHORITY

Generally

Northwest New Mexico Solid Waste Disposal Authority ("Northwest") was formed in 1993 pursuant to a joint powers agreement between the County of McKinley, the County of Cibola, the City of Grants, the City of Gallup, and the Village of Milan (collectively, the "Participants"). Northwest was formed by the Participants to provide for disposition of solid waste through the establishment of modern facilities for recycling and disposal of solid waste. Northwest is governed by a seven-member board of directors with two representatives each from Gallup and McKinley County and one representative each from Cibola County, Grants and Milan. Northwest has established the Red Rocks Regional Landfill for solid waste disposal and recycling.

The 1999 Project

Northwest entered into a $1,615,353 loan agreement dated April 1, 1998 with the NMFA to construct an access entry to the Red Rocks Regional Landfill, to construct and line a cell at the landfill, and to prepay in full four outstanding lease-purchase agreements for equipment acquired by Northwest.

Security for Loan Payments

Generally

The Participants and Northwest jointly pledged the net revenues derived from the operation of Northwest after deduction of operation and maintenance expenses for Northwest (the "Net Revenues") to the payment of principal and interest on the Loan Agreement.

The Participants and Northwest intend to establish rates for the use of the Red Rocks Regional Landfill sufficient to meet its principal and interest requirements under the Loan Agreement. In addition to the pledge of Northwest's Net Revenues, pursuant to the Loan Agreement, each Participant pledged its respective revenues from environmental services gross receipts tax (herein "Environmental Services Gross Receipts Tax"). Gallup, Grants and Milan each pledged the revenues attributable to its municipal environmental services gross receipts tax imposed pursuant to Section 7-19D-10, NMSA 1978 and Ordinance No. S90-4, Ordinance No. 392, and Ordinance No. 149, respectively. The municipalities impose the municipal environmental services gross receipts tax at the rate of one-sixteenth of one percent of the gross receipts of persons engaging in business in the respective municipalities. Municipalities are required to dedicate the revenue from its municipal environmental services gross receipts tax for acquisition, construction, operation and

maintenance of solid waste facilities, water facilities, wastewater facilities, sewer systems and related facilities.

McKinley County and Cibola County pledged the revenues each county derives from its imposition of county environmental services gross receipts tax imposed pursuant to Section 7-20E-17 and Ordinance No. 05-90-039 and 91-1, respectively. The county environmental services gross receipts tax is imposed on any person engaging in business in the unincorporated areas of the county at a rate of one-eighth of one percent of the gross receipts of the person. Like the municipalities, counties must dedicate the entire revenue produced by the tax for the acquisition, construction, operation and maintenance of solid waste facilities, water facilities, wastewater facilities, sewer systems and related facilities.

The lien of Northwest's Loan Agreement on the Net Revenues and the Environmental Services Gross Receipts Taxes are on a parity with the lien thereon of Northwest's outstanding Bond-Funded Loan Agreement dated June 1, 1995 (the "Bond-Funded Loan") and Northwest's outstanding Cash-Funded Loan Agreement dated June 1, 1995, (the "Cash-Funded Loan") both with the New Mexico Finance Authority. On the date of the Loan Agreement, the Bond-Funded Loan was outstanding in the aggregate principal amount of $7,145,000, and the Cash-Funded Loan was outstanding in the aggregate principal amount of $715,819.

Additional Parity Obligations

Pursuant to the Loan Agreement, no additional superior, parity or subordinate obligations payable from the Environmental Services Gross Receipts Tax Revenues of any Participant may be issued by Northwest or any Participants. Northwest and its Participants may enter into or issue obligations payable from the Net Revenues on a parity with its obligations under the Loan Agreement upon the satisfaction of the following requirements:

> (i) The Participants and Northwest are current in all of the accumulations required to be made into the Debt Service and the Loan Agreement Reserve Account as provided in the Loan Agreement;
>
> (ii) No default exists in connection with any of the covenants or requirements of the Loan Agreement or Ordinances of the Participants and Northwest approving the execution of the Loan Agreement;
>
> (iii) The Net Revenues received by or credited to the Participants and Northwest for the fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing one hundred and thirty percent (130%) of the combined maximum annual principal and interest requirements coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity

obligations proposed to be issued (excluding accumulation of any reserves therefor); and

(iv) The proceedings authorizing the additional parity obligations must provide for an appropriately pledged reserve fund in an amount no less than an amount equivalent to the loan agreement reserve requirement for the additional parity obligations proposed to be issued and must require the reserve fund to be fully funded at the time of issuance of the additional parity obligations.

The Loan Agreement does not prevent Northwest and the Participants from issuing bonds or other obligations payable from the Net Revenues which are subordinate or junior to the lien thereon of the Loan Agreement.

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APPENDIX D-3
CITY OF CLOVIS

Generally

The City of Clovis is located in eastern New Mexico about 9 miles west of the Texas border and 60 miles south of Interstate 40. The City encompasses about 19 square miles.

Clovis is a home-rule municipality which operates under a charter commission-manager form of government with a mayor and eight-member commission serving four-year terms.

The 1999 Project

The City of Clovis entered into the $5,426,707 Loan Agreement dated November 17, 1998 for the purpose of acquiring and constructing solid waste disposal facilities, including, but not limited to closing the City's existing landfill and designing and constructing a new landfill.

Security for Loan Payments

Generally

Clovis has pledged three sources of revenues to the repayment of the principal and interest due under the Loan Agreement: the net revenues of Clovis' solid waste disposal system (the "Net System Revenues"), the City's municipal environmental services gross receipts tax (the "EGRT Revenues"), and the revenues derived from the City's municipal infrastructure gross receipts tax (the "IGRT Revenues").

The Net System Revenues consist of the revenues of the City's solid waste disposal system after deducting operation and maintenance expenses. Operation and maintenance expenses means all reasonable and necessary current expenses of the City of Clovis, paid or accrued, of operating, maintaining, and repairing the solid waste disposal system.

The EGRT Revenues are the revenues derived from the one-sixteenth of one percent increment of municipal environmental services gross receipts tax imposed by the City of Clovis pursuant to Section 7-19D-10, NMSA 1978 and City Ordinance No. 1397-91, as amended by City Ordinance No. 1521-97.

Clovis derives its IGRT Revenues from the imposition of the one-sixteenth of one percent increment of municipal infrastructure gross receipts tax imposed by the City of Clovis pursuant to Section 7-19D-11, NMSA 1978 and City Ordinance No. 1519-96.

As of the date of its Loan Agreement, Clovis had no outstanding parity obligations payable from its Net System Revenues, EGRT Revenues or IGRT Revenues.

Additional Parity Obligations

Pursuant to the Clovis Loan Agreement, the City may enter into or issue obligations payable from its Net System Revenues, EGRT Revenues and IGRT Revenues on a parity with the lien thereon of its obligations under the Loan Agreement upon satisfaction of the following requirements:

> (i) Clovis is current in all of the accumulations required to be made into the Debt Service Account and the Loan Agreement Reserve Account as provided in the Loan Agreement.
>
> (ii) No default exists in connection with any of the covenants or requirements of the Loan Agreement or the ordinance approving the Loan Agreement.
>
> (iii) The Net System Revenues, EGRT Revenues, and IGRT Revenues received by or credited to the City of Clovis for the immediately preceding fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing one hundred thirty percent (130%) of the combined maximum annual principal and interest requirements coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

Clovis' Loan Agreement does not prevent the City from issuing bonds or other obligations payable from the Net System Revenues, EGRT Revenues and IGRT Revenues which are subordinate or junior to the lien thereon of the Loan Agreement.

APPENDIX D-4
CITY OF RATON

Generally

The City of Raton ("Raton") is located in the northern-most point of Colfax County in the northwest section of the State of New Mexico. The City encompasses approximately 6 square miles. Raton has a Mayor/Commission form of government comprised of a six-member Commission. A City Manager is appointed by the City Commission.

The 1999 Projects

Raton entered into three separate loan agreements with the New Mexico Finance Authority which will be reimbursed with the proceeds of the Series 1999 Bonds.

Raton Welcome Center. The first loan, in the original principal amount of $663,909 and dated March 17, 1998 was entered into for the purpose of acquiring, constructing, expanding and improving a Welcome Center in the City (the "Welcome Center Loan"). The new Welcome Center is intended to accommodate both the Raton Chamber and Economic Development Council and the State of New Mexico Tourism Satellite Office.

Fire Department Equipment. Raton entered into the second loan on June 16, 1998 in the original aggregate principal amount of $283,334. With the proceeds of this second loan, the City acquired two class A pumper units for the Raton Fire Department (the "Fire Department Loan").

Street Improvements. The City also entered into a loan in the aggregate principal amount of $1,122,152 on July 14, 1998 for the purpose of laying off, opening, constructing, reconstructing, resurfacing, maintaining, acquiring rights of way, repairing and otherwise improving municipal buildings, alleys, streets, public roads and bridges (the "Street Improvement Loan"). Numerous streets in Raton were in need of overlay to correct utility cuts and sunken areas. The project included the construction costs associated with the overlay or chip seal of approximately fifteen miles of the City's streets.

Security for Loan Payments

Raton pledged a different source of revenues to each of its three New Mexico Finance Authority Loans.

Welcome Center Loan.

Generally

Under the Welcome Center Loan, Raton pledged an amount equal to 40% (2/5) of the revenues generated by the occupancy tax imposed on lodging in the City of Raton pursuant to the

Lodgers' Tax Act, Sections 3-38-13 to 3-38-24, NMSA 1978 and City Ordinance No. 597 adopted on March 9, 1971, as amended by City Ordinance No. 780 adopted on September 27, 1988 (the "Lodgers' Tax").

As of the date of its Welcome Center Loan, the City of Raton had no other outstanding obligations payable from its Lodgers' Tax revenues.

Additional Parity Obligations

Pursuant to the Welcome Center Loan Agreement, Raton may enter into or issue obligations payable from its Lodgers' Tax on a parity with the lien thereon of its obligations under the Welcome Center Loan Agreement upon satisfaction of the following requirements:

> (i) Raton is current in all of the accumulations required to be made into the Debt Service Account and the Loan Agreement Reserve Account as provided in the Welcome Center Loan Agreement.
>
> (ii) No default exists in connection with any of the covenants or requirements of the Welcome Center Loan Agreement or the resolution approving the Welcome Center Loan Agreement.
>
> (iii) The Lodgers' Tax revenues received by or credited to the City of Raton for the immediately preceding fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing one hundred twenty-five percent (125%) of the combined maximum annual principal and interest requirements coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

Raton's Welcome Center Loan Agreement does not prevent the City from issuing bonds or other obligations payable from the Lodgers' Tax revenues which are subordinate or junior to the lien thereon of the Welcome Center Loan Agreement.

Fire Department Loan.

Generally

Raton pledged to the repayment of its Fire Department Loan its distribution of fire protection fund revenues made annually by the State Treasurer pursuant to Section 59A-53-7, NMSA 1978, in the amount certified by the State Fire Marshal or the State Fire Board (the "Fire Protection Fund Revenues").

As of the date of the Fire Department Loan, Raton had outstanding a Lease Purchase Agreement dated October 1, 1993 which is payable from the Fire Protection Fund Revenues with a lien thereon on a parity with the lien of the Fire Department Loan. As of June 16, 1998, the outstanding aggregate principal amount of the Lease Purchase Agreement was $14,980.07.

Additional Parity Obligations

The Fire Department Loan Agreement provides that Raton may enter into or issue obligations payable from its Fire Protection Fund Revenues on a parity with the lien thereon of its obligations under the Fire Department Loan Agreement upon satisfaction of the following requirements:

> (i) Raton is current in all of the accumulations required to be made into the Debt Service Account and the Loan Agreement Reserve Account as provided in the Fire Department Loan Agreement
>
> (ii) No default shall exist in connection with any of the covenants or requirements of the Fire Department Loan Agreement or the Resolution authorizing the execution of the Fire Department Loan Agreement.
>
> (iii) The Fire Protection Fund Revenues received by or credited to the City of Raton for the immediately preceding fiscal year or for any 12 consecutive months out of the 24 months preceding the date of issuance of such additional parity obligations shall have been sufficient to pay an amount representing one hundred twenty-five percent (125%) of the combined maximum aggregate principal and interest requirements coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

Raton's Fire Department Loan Agreement does not prevent the City from issuing bonds or other obligations payable from the Fire Protection Fund Revenues which are subordinate or junior to the lien thereon of the Fire Department Loan Agreement.

Street Improvement Loan.

Generally

Under the Street Improvement Loan Agreement, Raton has pledged the revenues derived from (i) the one-eighth of one percent increment of municipal infrastructure gross receipts tax imposed by the City of Raton pursuant to Section 7-19D-11, NMSA 1978 and City Ordinance No. 830 (the "IGRT Revenues") and (ii) the municipal road gasoline tax revenues received by the City of Raton from the State pursuant to Section 7-1-6.27, NMSA 1978 (the "Gas Tax Revenues").

As of the date of its Street Improvement Loan, the City of Raton had no other outstanding parity obligations payable from either its IGRT Revenues or Gas Tax Revenues.

Additional Parity Obligations

Pursuant to its Street Improvement Loan Agreement, Raton may enter into or issue obligations payable from its IGRT and Gas Tax Revenues on a parity with the lien thereon of the Street Improvement Loan Agreement upon satisfaction of the following requirements.

> (i) Raton is current in all of the accumulations required to be made into the Debt Service Account and the Loan Agreement Reserve Account as provided in the Street Improvement Loan Agreement
>
> (ii) No default shall exist in connection with any of the covenants or requirements of the Street Improvement Loan Agreement or the Ordinance authorizing the execution of the Street Improvement Loan Agreement.
>
> (iii) The IGRT Revenues and Gas Tax Revenues received by or credited to the City of Raton for the immediately preceding fiscal year or for any 12 consecutive months out of the 24 months preceding the date of issuance of such additional parity obligations shall have been sufficient to pay an amount representing one hundred twenty-five percent (125%) of the combined maximum aggregate principal and interest requirements coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

Raton's Street Improvement Loan Agreement does not prevent the City from issuing bonds or other obligations payable from the IGRT and Gas Tax Revenues which are subordinate or junior to the lien thereon of the Street Improvement Loan Agreement.

APPENDIX D-5
DOÑA ANA COUNTY FLOOD CONTROL COMMISSION

Generally

Doña Ana County is located in the southern-most section of the State of New Mexico, bordering Texas and Mexico. The general jurisdiction of the Flood Control Commission includes all of the taxable land in the county, outside the city limits of Las Cruces, and within five miles of both sides of any river or stream which contributes to or is subject to flood conditions destructive to property or dangerous to human life.

The 1999 Project

Doña Ana County entered into the $2,215,217.00 loan agreement dated April 2, 1998 for the purpose of acquiring and constructing the Brahman Road Channel flood control and drainage improvements within the County to control flooding from the western side of the Organ Mountains. The Brahman Road Channel was one of the improvements recommended as phase one of a four-phase drainage improvements project. It consists of an unlined earth channel. Improvements to the Brahman Road Channel as a part of the project include: construction of trapezoidal earthlined channel; construction of entrance structures for the confluence of the channel and three major arroyos; erosion protection of the channel and structures; construction of local drainage improvements upstream of the channel; and, construction of a channel maintenance road with points of access for silt and trash removal.

Security for Loan Payments

Generally

Doña Ana County has pledged the revenues generated by the County Flood Fund ad valorem (property) tax on the Lower Rio Grande Flood District imposed on certain residents of the County pursuant to Section 4-50-2, NMSA 1978 and County Resolution No. 88-46 adopted on June 14, 1988 (the "County Flood Fund Tax").

The lien of Doña Ana County's Loan Agreement on its County Flood Fund Tax is on a parity with the lien thereon of its outstanding loan agreement dated as of January 26, 1996 among Doña Ana County, the Flood Commissioner, and the New Mexico Interstate Stream Commission. Doña Ana County's ISC Loan is currently outstanding in the aggregate principal amount of $901,176.10.

Additional Parity Obligations

Pursuant to its Loan Agreement Doña Ana County may enter into or issue obligations payable from the County Flood Fund Tax on a parity with the lien thereon of its obligations under the Loan Agreement upon satisfaction of the following requirements:

(i) Doña Ana County is current in all of the accumulations required to be made into the Debt Service Account and the Loan Agreement Reserve Account as provided in the Loan Agreement

(ii) No default shall exist in connection with any of the covenants or requirements of the Loan Agreement or the Ordinance authorizing the execution of the Loan Agreement.

(iii) The County Flood Fund Tax revenues received by or credited to Doña Ana County for the immediately preceding fiscal year or for any 12 consecutive months out of the 24 months preceding the date of issuance of such additional parity obligations shall have been sufficient to pay an amount representing one hundred twenty-five percent (125%) of the combined maximum annual principal and interest requirements coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

Doña Ana County's Loan Agreement does not prevent the county from issuing bonds or other obligations payable from the County Flood Fund Tax revenues which are subordinate and junior to the lien of the Loan Agreement.

APPENDIX D-6
CITY OF ESPAÑOLA

Generally

The City of Española ("Española") was founded in 1880 and incorporated in 1925. It is located on the Rio Grande, between the Sangre de Cristo and Jemez Mountain ranges approximately 25 miles north of Santa Fe, and is in both Rio Arriba and Santa Fe Counties. Española is the principal trading center for the surrounding area and is the center of the Indian Pueblo country. The City is located at the junction of U.S. Highways 84 and 285 which are principal transportation routes in northern New Mexico.

Española has a Mayor/Council form of government with a Mayor and an eight-member City Council elected at large for four-year terms which are staggered. Nonpartisan elections are held biannually. A City Manager is appointed by the City Council to act as chief administrative officer of the City.

The 1999 Project

With the proceeds of its Taxable Loan Agreement dated February 20, 1998 Española financed the construction of a facility in the Johnny Roybal Industrial Park to be utilized for lease of office space. The building project was approved as a local economic development project under the City's Local Economic Development Plan Ordinance and the Local Economic Development Act, §§ 5-10-1 et seq., NMSA 1978. As a part of the project, Fluor Daniel, Inc. was to occupy the building pursuant to a lease agreement.

Security for Loan Payments

Generally

Under the Taxable Loan Agreement, Española has pledged the amounts of money derived from the gross receipts tax imposed by (1) the State of New Mexico on all persons engaging in business in New Mexico levied pursuant to Section 7-9-4, NMSA 1978, which (a) are distributed monthly by the Taxation and Revenue Department of the State of New Mexico to the City as authorized by Sections 7-1-6.1 and 7-1-6.4, NMSA 1978, and (b) which distributions are equal to the product of (i) the quotient of 1.225% divided by the New Mexico gross receipts tax rate imposed by Section 7-9-4, NMSA 1978, and (ii) such taxes paid by taxpayers to the Taxation and Revenue Department attributable to businesses located within the municipal boundaries of the City and on land outside those boundaries owned by the City, for the month for which the distribution is made, subject to any increase or decrease made pursuant to Section 7-1-6.15, NMSA 1978, and after disbursement of tax credits, refunds, payments of interest and administrative costs (herein "State Shared GRT"); and (2) the City on all persons engaging in business in the Española pursuant to

Sections 7-1-6.1 and 7-1-6.12, NMSA 1978, and Sections 7-19D-1 through 7-19D-11, NMSA 1978 and Ordinance Nos. 350, 386, and 406 in the total amount of 0.75% of the gross receipts of a person engaging in business in Española, subject to any increase or decrease made pursuant to Section 7-1-6.15, NMSA 1978, and after any disbursements for tax credits, refunds, payments of interest and administrative costs (herein "Municipal GRT").

The lien of Española's Taxable Loan Agreement on its State Shared GRT and Municipal GRT is on a parity with the lien thereon of its outstanding City of Española, New Mexico Gross Receipts Tax Refunding and Improvement Revenue Bonds, Series 1994 (the "Series 1994 Bonds") outstanding on the date of its Taxable Loan Agreement in the aggregate principal amount of $6,910,000, and the City's New Mexico Finance Authority Loan Agreement dated September 5, 1997 (the "1997 NMFA Loan") outstanding in the aggregate principal amount of $1,216,891. Other than the Series 1994 Bonds, the 1997 NMFA Loan, and the Taxable Loan Agreement, Española did not have any additional obligations payable from its State Shared GRT and Municipal GRT revenues as of the date of its Taxable Loan Agreement.

Additional Parity Obligations

Pursuant to its Taxable Loan Agreement, Española may enter into or issue obligations payable from its State Shared GRT and Municipal GRT on a parity with its obligations under its Taxable Loan Agreement upon the satisfaction of the following requirements:

(i) It is current in all of the accumulations required to be made into the Debt Service Account and Loan Agreement Reserve Account as provided in its Taxable Loan Agreement;

(ii) No default exists in connection with any of the covenants or requirements of its Taxable Loan Agreement or the ordinance approving its Taxable Loan Agreement.

(iii) The combined State Shared GRT and Municipal GRT revenues received by or credited to Española for the current fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing two hundred percent (200%) of the combined maximum annual principal and interest requirements coming due in any subsequent fiscal year on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding accumulation of any reserves therefor).

Española's Taxable Loan Agreement does not prevent the City from issuing bonds or other obligations payable from the State Shared GRT and Municipal GRT revenues which are subordinate or junior to the lien thereon of the Loan Agreement.

APPENDIX D-7
LOWER VALLEY WATER USERS COOPERATIVE ASSOCIATION

Generally

Lower Valley Water Users Cooperative Association ("Lower Valley") was formed in 1966 as a nonprofit cooperative association. It is located in the vicinity of the community of Kirtland in San Juan County, New Mexico. The purpose of forming Lower Valley was to associate its members together for their mutual interest and benefit and to acquire, construct, install, maintain and operate a water system for the supplying and distribution of water for domestic uses and purposes to its members.

Lower Valley is governed by a seven-member board of directors that is elected from the membership to serve three-year terms.

The 1999 Project

The $1,412,377 NMFA Taxable Loan Agreement to Lower Valley dated September 1, 1998 refunded, refinanced and paid in full three outstanding loans of Lower Valley held by GMAC Commercial Mortgage Corporation, one outstanding loan held by the New Mexico Environment Department, and one loan held by the United States Department of Agriculture Rural Utilities Service. The proceeds of the Taxable Loan were applied on the day following the loan closing to refund the five outstanding loans.

Security for Loan Payments

Generally

Lower Valley pledged the gross revenues derived from the operation of its water system less operation and maintenance expenses (the "Net Revenues") to the repayment of its Taxable Loan Agreement. Gross revenues includes all income receipts, and other amounts, thereon, including any interest earnings thereon, derived from the service charges imposed by Lower Valley for use of the System and all other funds of Lower Valley properly allocable to the operation and use of the System. Operation and maintenance expenses include all reasonable and necessary current expenses of Lower Valley, paid or accrued, of operating, maintaining, and repairing the System.

Additional Parity Obligations

Pursuant to its Taxable Loan Agreement, Lower Valley may enter into or issue obligations payable from the Net Revenues on a parity with its obligations under the Taxable Loan Agreement upon the satisfaction of the following requirements:

(i) Lower Valley is current in all of the accumulations required to be made into the Debt Service Account and the Loan Agreement Reserve Account as provided in the Taxable Loan Agreement;

(ii) No default exists in connection with any of the covenants or requirements of the Taxable Loan Agreement or the Lower Valley Resolution authorizing the execution of the Taxable Loan Agreement; and

(iii) The Net Revenues received by or credited to Lower Valley for the fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing one hundred and thirty percent (130%) of the average principal and interest requirements coming due on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

Lower Valley's Taxable Loan Agreement does not prevent Lower Valley from issuing bonds or other obligations payable from the Net Revenues which are subordinate or junior to the lien thereon of the Taxable Loan Agreement. Lower Valley's Taxable Loan Agreement prevents Lower Valley from issuing additional obligations with a lien on the Net Revenues superior to the lien thereon of the Taxable Loan Agreement.

APPENDIX D-8
NORTH STAR DOMESTIC WATER CONSUMERS & MUTUAL SEWAGE WORKS COOPERATIVE, INC.

Generally

North Star Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc. ("North Star") is a community water association that was formed in1981 pursuant to the Sanitary Projects Act, Sections 3-29-1 through 3-29-19, NMSA 1978. North Star is located in San Juan County with its principal office in the City of Aztec. The business and affairs of North Star is managed by a board of directors. The directors are elected from the membership of the association to serve four-year terms.

The 1999 Project

North Star entered into the $299,845 Taxable Loan Agreement with the NMFA dated September 1, 1998 for the purpose of prepaying in full North Star's outstanding loan agreement dated November 7, 1983 between North Star and the United States Department of Agriculture Farmers Home Administration in the original aggregate principal amount of $308,000 as that loan was assigned by the Farmers Home Administration to GMAC Commercial Mortgage Corporation (the "GMAC Loan"). On September 2, 1998, the proceeds of the Taxable Loan Agreement were applied to prepay in full North Star's outstanding GMAC Loan.

Security for Loan Payments

Generally

North Star pledged the gross revenues derived from the operation of its water system less operation and maintenance expenses (the "Net Revenues") to the payment of its obligations under the Taxable Loan Agreement. Gross revenues includes all income receipts, and other amounts, thereon, including any interest earnings thereon, derived from the service charges imposed by North Star for use of the System and all other funds of North Star properly allocable to the operation and use of the System. Operation and maintenance expenses include all reasonable and necessary current expenses of North Star, paid or accrued, of operating, maintaining, and repairing the System.

The lien of North Star's Taxable Loan Agreement is on a parity with the lien thereon of its outstanding Farmers Home Administration Loan Agreement dated August 1, 1991 (the "1991 Farmer's Home Loan"), its outstanding New Mexico Water Supply Construction Loan No. 83-35 (the "WSC 83-35 Loan"), its New Mexico Rural Infrastructure Project Loan No. 91-03 (the "RIP 91-03 Loan"), as amended by Amendment No. 1, dated November 13, 1992, its Farmers Home Administration Loan dated February 1, 1984 (the "1984 Farmer's Home Loan"), and its New Mexico Water Supply Construction Loan No. 86-42 (the "WSC 86-42 Loan"). As of July 31, 1998, the 1991 Farmer's Home Loan was outstanding in the aggregate principal amount of $316,537.03, the WSC

83-35 Loan was outstanding in the aggregate principal amount of $53,007.28, the RIP 91-03 Loan was outstanding in the aggregate principal amount of $151,128.02, the 1984 Farmer's Home Loan was outstanding in the aggregate principal amount of $31,913.61, and the WSC 86-42 Loan was outstanding in the aggregate principal amount of $38,121.19.

Additional Parity Obligations

Pursuant to its Taxable Loan Agreement, North Star may enter into or issue obligations payable from the Net Revenues on a parity with its obligations under the Taxable Loan Agreement upon the satisfaction of the following requirements:

> (i) North Star is current in all of the accumulations required to be made into the Debt Service Account and the Loan Agreement Reserve Account as provided in the Taxable Loan Agreement;
>
> (ii) No default exists in connection with any of the covenants or requirements of the Taxable Loan Agreement or the North Star Resolution authorizing the execution of the Taxable Loan Agreement; and
>
> (iii) The Net Revenues received by or credited to North Star for the fiscal year or for any 12 consecutive months out of the 24 months preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing one hundred and thirty percent (130%) of the average principal and interest requirements coming due on the then outstanding parity obligations and the parity obligations proposed to be issued (excluding the accumulation of any reserves therefor).

North Star's Taxable Loan Agreement does not prevent North Star from issuing bonds or other obligations payable from the Net Revenues which are subordinate or junior to the lien thereon of the Taxable Loan Agreement. North Star's Taxable Loan Agreement prohibits North Star from issuing obligations with a lien on the Net Revenues superior to the lien thereon of the Taxable Loan Agreement.

APPENDIX E

FORMS OF OPINIONS OF CO-BOND COUNSEL

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APPENDIX E

FORM OF OPINION OF BALLARD SPAHR ANDREWS & INGERSOLL, LLP

January __, 1999

New Mexico Finance Authority
1751 Old Pecos Trail, Suite L
Santa Fe, New Mexico 87505

Re: New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 1999A, Series 1999B, Taxable Series 1999C and Taxable Series 1999D

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 1999A in the aggregate principal amount of $13,135,000 (the "Series 1999A Bonds"), its Public Project Revolving Fund Revenue Bonds, Series 1999B in the aggregate principal amount of $3,025,000 (the "Series 1999B Bonds"), its Public Project Revolving Fund Revenue Bonds, Taxable Series 1999C in the aggregate principal amount of $2,265,000 (the "Series 1999C Bonds"), and its Public Project Revolving Fund Revenue Bonds, Taxable Series 1999D in the aggregate principal amount of $4,875,000 (the "Series 1999D Bonds" and together with the Series 1999A Bonds, the Series 1999B Bonds and the Series 1999C Bonds, the "Series 1999 A-D Bonds"). The Series 1999A-D Bonds are being issued for the purpose of providing funds (i) to reimburse the NMFA for loans that it made to certain entities (the "Governmental Units") within the State of New Mexico (the "State") to finance public projects authorized by law for the use and benefit of the Governmental Units, and (ii) to pay costs of issuance.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 *et. seq.*, NMSA 1978, as amended and supplemented (the "Act"). The Series 1999A-D Bonds are authorized under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 as heretofore amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Fifteenth Supplemental Indenture of Trust dated as of January 1, 1999 (the "Fifteenth Supplemental Indenture", and collectively with the General Indenture, the "Indenture"). Under the General Indenture, the NMFA has previously issued (i) its Public Project Revolving Fund Revenue Bonds, Series 1995A and its Public Project Revolving Fund Revenue Bonds, Taxable Series 1995B (collectively, the "Series 1995 Bonds"), (ii)

its Public Project Revolving Fund Revenue Bonds, Series 1996A and its Public Project Revolving Fund Revenue Bonds, Taxable Series 1996B (collectively, the "Series 1996 Bonds") and (iii) its Public Project Revolving Fund Revenue Bonds, Series 1997 (the "Series 1997 Bonds," and together with the Series 1995 Bonds, the Series 1996 Bonds and the Series 1999A-D Bonds, the "Bonds"). The Series 1999A-D Bonds are issued and secured on a parity with the Series 1995 Bonds, the Series 1996 Bonds and the Series 1997 Bonds. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, an opinion of the Attorney General of the State, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 1999A Bonds and the Series 1999B Bonds (collectively, the "Tax-Exempt Bonds"). The NMFA and the Governmental Units whose loans are financed with the issuance of the Tax-Exempt Bonds have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Tax-Exempt Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. We have assumed continuing compliance by the NMFA and such Governmental Units with such requirements and restrictions in rendering our opinion regarding the tax exempt status of interest on the Tax-Exempt Bonds.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 1999A-D Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged under the Indenture to secure the payment of the principal of and interest on the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 1999A-D Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a general obligation or other indebtedness of the State or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

4. Based on an analysis of currently existing laws, regulations, decisions and interpretations, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

5. Interest on the Series 1999C Bonds and the Series 1999D Bonds is not excluded from gross income of the owners thereof for federal income tax purposes.

6. Under the laws of the State as enacted and construed on the date hereof, interest on the Series 1999A-D Bonds is excluded from net income of the owners thereof for State of New Mexico income tax purposes.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 1999A-D Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 1999A-D Bonds; and

(c) although we have rendered an opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 1999A-D Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 1999A-D Bonds.

Respectfully submitted,

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FORM OF CO-BOND COUNSEL OPINION OF
MODRALL, SPERLING, ROEHL, HARRIS & SISK, P.A

New Mexico Finance Authority
1751 Old Pecos Trail, Suite L
Santa Fe, New Mexico 87505

First Security Bank of New Mexico, N.A.
Corporate Trust Department
40 First Plaza, 3rd Floor
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Series 1999A , Series 1999B, Taxable Series 1999C and Taxable Series 1999D

We have acted as co-bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Public Project Revolving Fund Revenue Bonds, Series 1999A in the aggregate principal amount of $13,135,000 (the "Series 1999A Bonds"), its Public Project Revolving Fund Revenue Bonds, Series 1999B Bonds in the aggregate principal amount of $3,025,000 (the "Series 1999B Bonds"), its Public Project Revolving Fund Revenue Bonds, Taxable Series 1999C Bonds in the aggregate principal amount of $2,265,000 (the "Taxable Series 1999C Bonds"), and its Public Project Revolving Fund Revenue Bonds, Taxable Series 1999D in the aggregate principal amount of $4,875,000 (the "Taxable Series 1999D Bonds" and together with the Series 1999A Bonds, the Series 1999B Bonds, and the Taxable Series 1999C Bonds, the "Series 1999A-D Bonds"). The Series 1999A-D Bonds are being issued for the purpose of providing funds (i) to reimburse the NMFA for loans made and securities purchased by the NMFA to finance public projects as authorized by law for the use and benefit of certain entities (the "1999 Governmental Units") within the State of New Mexico (the "State"), (ii) to reimburse the NMFA for deposits made to the 1999 Governmental Units' accounts within the Agreement Reserve Fund and (iii) to reimburse the NMFA for deposits made for costs of issuance and to pay a portion of the costs of issuance of the Series 1999A-D Bonds.

The NMFA is a public body politic and corporate created by and existing under the New Mexico Finance Authority Act, Sections 6-21-1 et. seq., NMSA 1978, as amended and supplemented (the "Act"). The Series 1999A-D Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated as of June 1, 1995 (the "General Indenture") as previously amended and supplemented between the NMFA and a

predecessor trustee, and the Fifteenth Supplemental Indenture of Trust dated as of January 1, 1999 (the "Fifteenth Supplemental Indenture") between the NMFA and First Security Bank of New Mexico, N.A., Albuquerque, New Mexico (the "Trustee"), (collectively, the "Indenture"). Under the General Indenture, the NMFA has previously issued its Public Project Revolving Fund Revenue Bonds, Series 1995A (the "Series 1995 Bonds"), its Public Project Revolving Fund Revenue Bonds, Series 1996A, its Public Project Revolving Fund Revenue Bonds, Taxable Series 1996B (the "Series 1996 Bonds"), and its Public Project Revolving Fund Revenue Bonds, Series 1997 (the "Series 1997 Bonds", and collectively, with the Series 1995 Bonds, the Series 1996 Bonds, and the Series 1999A-D Bonds, the "Bonds"). The Series 1999A-D Bonds are issued and secured on a parity with the Series 1995 Bonds, the Series 1996 Bonds, and the Series 1997 Bonds. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, an opinion of the Attorney General of the State, as counsel to the NMFA, certificates of the NMFA, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceeding and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The NMFA is a public body politic and corporate duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Series 1999A-D Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the NMFA. The Indenture creates a valid pledge of the Trust Estate pledged therefor under the Indenture, to secure the payment of the principal of and interest on Bonds subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 1999A-D Bonds constitute special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a debt or liability of the State of New Mexico or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 1999A-D Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Series 1999A-D Bonds; and

(c) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 1999A-D Bonds or any other offering material relating to the Series 1999A-D Bonds and we express no opinion relating thereto.

Respectfully submitted,

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

_____
President

Attest: _____
Assistant Secretary

SPECIMEN

STD-R-6
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