Addendum to Official Statement dated October 18, 2007
relating to

NEW MEXICO FINANCE AUTHORITY
$61,945,000
Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2007E

The CUSIP numbers for the bifurcated maturities of the Series 2007E Bonds in the years 2009, 2010, 2011, 2014, and 2015 and contained on the front inside cover page were not correct. The correct CUSIP numbers are as set forth below:

(Remainder of this page intentionally left blank.)

$61,945,000
NEW MEXICO FINANCE AUTHORITY
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
SERIES 2007E

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2008	$985,000	4.000%	3.430%	64711M 6Y 8
2009	800,000	4.000	3.470	64711M 6Z 5
2009	3,765,000	5.000	3.470	64711M 7A 9
2010	150,000	4.000	3.510	64711M 7B 7
2010	3,240,000	5.000	3.510	64711M 7C 5
2011	2,190,000	4.000	3.590	64711M 7D 3
2011	1,255,000	5.000	3.590	64711M 7E 1
2012	3,795,000	4.250	3.640	64711M 7F 8
2013	3,000,000	4.250	3.690	64711M 7G 6
2014	1,575,000	4.250	3.740	64711M 7H 4
2014	1,160,000	5.000	3.740	64711M 7J 0
2015	1,290,000	4.250	3.820	64711M 7K 7
2015	1,655,000	5.000	3.820	64711M 7L 5
2016	3,000,000	4.250	3.910	64711M 7M 3
2017	3,050,000	4.250	4.000	64711M 7N 1
2018	3,295,000	4.000	4.090	64711M 7P 6
2019	2,700,000	5.000	4.110(c)	64711M 7Q 4
2020	2,860,000	4.200	4.320	64711M 7R 2
2021	2,880,000	5.000	4.210(c)	64711M 7S 0

$6,035,000 Series 2007E Term Bond due June 1, 2025, bearing interest at 5.000%, price 105.118% (c), CUSIP Number 64711M 7T 8†

$7,275,000 Series 2007E Term Bond due June 1, 2029, bearing interest at 5.000%, price 104.164% (c), CUSIP Number 64711M7 U 5†

$5,990,000 Series 2007E Term Bond due June 1, 2032, bearing interest at 4.500%, price 97.385%, CUSIP Number 64711M 7V 3†

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† The above referenced CUSIP number(s) have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2007E Bonds. None of the NMFA, the Trustee or the Underwriters is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2007E Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2007E Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

(c) Priced to call on June 1, 2017.

This Addendum should be read in conjunction with the Official Statement.

The date of this Addendum is November 13, 2007

NEW MEXICO FINANCE AUTHORITY

By: /s/ William C. Sisneros

NEW ISSUE – BOOK-ENTRY ONLY
DAC Bond

Insured/Underlying Ratings: Moody's "Aaa" "Aa2"
S & P "AAA" "AA+"
Fitch "AAA" "AA"
MBIA Insured
(See "RATINGS" herein)

In the opinion of Brownstein Hyatt Farber Schreck, P.C., Bond Counsel to the NMFA, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2007E Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2007E Bonds is exempt from State of New Mexico personal income taxes as described herein. See "TAX MATTERS" regarding certain other tax considerations.

$61,945,000

NEW MEXICO FINANCE AUTHORITY

SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2007E

Dated: Date of Initial Delivery **Due: June 1, as shown on inside cover**

The New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2007E are being issued as fully registered bonds in denominations of $5,000 or any integral multiple of $5,000. The Depository Trust Company will act as securities depository of the Series 2007E 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 2007E Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2007E Bonds will be made in book-entry form only, and beneficial owners of the Series 2007E Bonds will not receive physical delivery of bond certificates, except as described in this Official Statement. 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 2007E Bonds.

The Series 2007E Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2007E Bonds accrues from the date of initial delivery of the Series 2007E Bonds and is payable on June 1 and December 1 of each year, commencing June 1, 2008. Principal of the Series 2007E Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedule on the inside front cover.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER

The Series 2007E Bonds are subject to redemption prior to maturity.

Proceeds of the Series 2007E Bonds will be used by the NMFA for the purpose of (i) reimbursing the NMFA for moneys used to originate loans to or purchase securities from certain governmental entities that will be or were used to finance certain Projects for such governmental entities; (ii) retiring a borrowing of the NMFA incurred in anticipation of the issuance of the Series 2007E Bonds; and (iii) paying costs incurred in connection with the issuance of the Series 2007E Bonds. The principal of and premium, if any, and interest on the Series 2007E Bonds and additional bonds issued or to be issued are payable solely from and secured solely by the Trust Estate. The NMFA has issued or incurred and expects to issue or incur parity bonds and other obligations pursuant to the Indenture.

The Series 2007E Bonds are special limited obligations of the NMFA, payable, together with additional bonds issued or to be issued, solely from and secured solely by the Trust Estate. The Series 2007E Bonds will not constitute or create a general obligation or other indebtedness of the State of New Mexico, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 2007E Bonds will be construed or interpreted 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 Series 2007E Bonds do not constitute or give rise to personal liability on the part of the members, directors or officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

Simultaneously with the delivery of the Series 2007E Bonds, a financial guaranty insurance policy will be issued by MBIA Insurance Corporation insuring the payment of principal of and interest on the Series 2007E Bonds when due. See "BOND INSURANCE" herein.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Certain legal matters concerning the legality of the Series 2007E Bonds will be passed on by Brownstein Hyatt Farber Schreck, P.C., Albuquerque, New Mexico, Bond Counsel to the NMFA. Certain legal matters will be passed upon for the NMFA by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the NMFA, and by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Disclosure Counsel to the NMFA. The General Counsel of the NMFA will deliver a non-litigation certification for the NMFA. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with the Series 2007E Bonds. It is expected that a single certificate for each maturity of the Series 2007E Bonds will be delivered to DTC or its agent on or about November 8, 2007. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 2007E Bonds.

RAMIREZ & CO., INC.

RBC CAPITAL MARKETS **GEORGE K. BAUM & COMPANY**

This Official Statement is dated October 18, 2007 and the information contained herein speaks only as of that date.

$61,945,000
NEW MEXICO FINANCE AUTHORITY
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2007E

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2008	$985,000	4.000%	3.430%	64711M 6Y 8
2009	3,765,000	5.000	3.470	64711M 6Z 5
2009	800,000	4.000	3.470	64711M 7A 9
2010	3,240,000	5.000	3.510	64711M 7B 7
2010	150,000	4.000	3.510	64711M 7C 5
2011	1,255,000	5.000	3.590	64711M 7D 3
2011	2,190,000	4.000	3.590	64711M 7E 1
2012	3,795,000	4.250	3.640	64711M 7F 8
2013	3,000,000	4.250	3.690	64711M 7G 6
2014	1,160,000	5.000	3.740	64711M 7H 4
2014	1,575,000	4.250	3.740	64711M 7J 0
2015	1,655,000	5.000	3.820	64711M 7K 7
2015	1,290,000	4.250	3.820	64711M 7L 5
2016	3,000,000	4.250	3.910	64711M 7M 3
2017	3,050,000	4.250	4.000	64711M 7N 1
2018	3,295,000	4.000	4.090	64711M 7P 6
2019	2,700,000	5.000	4.110(c)	64711M 7Q 4
2020	2,860,000	4.200	4.320	64711M 7R 2
2021	2,880,000	5.000	4.210(c)	64711M 7S 0

$6,035,000 Series 2007E Term Bond due June 1, 2025, bearing interest at 5.000%, price 105.118% (c), CUSIP Number 64711 M7T8†

$7,275,000 Series 2007E Term Bond due June 1, 2029, bearing interest at 5.000%, price 104.164% (c), CUSIP Number 64711 M7U5†

$5,990,000 Series 2007E Term Bond due June 1, 2032, bearing interest at 4.500%, price 97.385%, CUSIP Number 64711 M7V3†

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† The above referenced CUSIP number(s) have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2007E Bonds. None of the NMFA, the Trustee or the Underwriters is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the Series 2007E Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2007E Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

(c) Priced to call on June 1, 2017.

The information set forth herein has been obtained from the NMFA, DTC, the Insurer and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the NMFA, or in any other information contained herein since the date hereof.

No dealer, broker, salesman or any other person has been authorized by the NMFA, the Insurer or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy nor shall there be any sale of the Series 2007E Bonds by any person in any jurisdiction in which it is unlawful for such offer, solicitation or sale.

All inquiries relating to this Official Statement and the offering contemplated herein should be directed to the Underwriters. Prospective investors may obtain additional information from the Underwriters or the NMFA which they may reasonably require in connection with the decision to purchase any of the Series 2007E Bonds from the Underwriters.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Forward-looking statements are included in the Official Statement under the captions "THE PLAN OF FINANCING—Estimated Sources and Uses of Funds." The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

The yields at which the Series 2007E Bonds are offered to the public may vary from the initial reoffering yields on the inside front cover page of this Official Statement. In connection with this offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect market prices of the Series 2007E Bonds. Such transactions, if commenced, may be discontinued at any time.

The NMFA maintains a website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2007E Bonds.

THE SERIES 2007E BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. THE SERIES 2007E BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NEW MEXICO FINANCE AUTHORITY
207 Shelby Street
Santa Fe, New Mexico 87501
Telephone: (505) 984-1454
Facsimile copy: (505) 984-0002

Members
Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Joanna Prukop, Secretary
Craig Reeves, Treasurer
Gary Bland
John A. Carey
Ron Curry
Edward Garcia
Paul Gutierrez
Katherine B. Miller
Fred Mondragon
Jennifer Taylor

Chief Executive Officer
William C. Sisneros

NMFA General Counsel
Reynold E. Romero

Issuer Counsel
Virtue Najjar & Brown PC
Santa Fe, New Mexico

Financial Advisor
Western Financial Group, LLC
Lake Oswego, Oregon

Bond Counsel
Brownstein Hyatt Farber Schreck, P.C.
Albuquerque, New Mexico

Disclosure Counsel
Ballard Spahr Andrews & Ingersoll, LLP
Salt Lake City, Utah

Trustee, Registrar and Paying Agent
Bank of Albuquerque, N.A.
Albuquerque, New Mexico

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OFFICIAL STATEMENT

RELATING TO

$61,945,000
NEW MEXICO FINANCE AUTHORITY
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
SERIES 2007E

INTRODUCTION

This Official Statement, which includes the cover page and appendices, provides information in connection with the offer and sale of the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2007E (the "Series 2007E Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2007E Bonds, together with additional bonds the NMFA has issued or may issue in parity with them, are collectively referred to in this Official Statement as the "Bonds." Capitalized terms used and not defined in the main body of this Official Statement have the meanings specified in the General Indenture of Trust and Pledge, dated as of June 1, 1995, as previously amended and supplemented (the "General Indenture"), and as further amended and supplemented by the Sixty-Eighth Supplemental Indenture of Trust, dated as of October 1, 2007 (the "Sixty-Eighth Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the NMFA and the Bank of Albuquerque, N.A., Albuquerque, New Mexico, as trustee (the "Trustee"), and are presented under the caption "Definitions" in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE." The General Indenture and all Supplemental Indentures are collectively referred to in this Official Statement as the "Indenture."

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality separate and apart from the State created to coordinate the planning and financing of State and local public projects. For additional information concerning the NMFA, see "NEW MEXICO FINANCE AUTHORITY" and the NMFA's financial statements for the fiscal year ended June 30, 2006 included as APPENDIX A hereto.

Authority and Purpose

The Series 2007E Bonds are being issued under the authority of and pursuant to the laws of the State, 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—The Public Project Revolving Fund Program."

Proceeds from the sale of the Series 2007E Bonds will be used by the NMFA for the purpose of (i) reimbursing the NMFA for moneys used to originate loans ("Loans") to or purchase securities from certain governmental entities ("Governmental Units") that will be or were used to finance certain Projects for such Governmental Units; (ii) retiring a borrowing of the NMFA incurred in anticipation of the issuance of the Series 2007E Bonds; and (iii) paying costs incurred in connection with the issuance of the Series 2007E Bonds. See "THE PLAN OF FINANCING" and "APPENDIX F" for a list of the Governmental Units and the amounts of the loans financed with the Series 2007E Bonds.

Parity Obligations

Bonds with a lien on the Trust Estate in parity with the lien of the Series 2007E Bonds have been issued and may be issued to provide loans to Governmental Units, to reimburse the Public Project Revolving Fund for loans made to Governmental Units, and to purchase securities from Governmental Units. For a description of the parity Bonds currently outstanding (the "Outstanding Parity Bonds"), see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Parity Bonds."

Subordinate Obligations

Obligations with a subordinate lien on the revenues from the NMFA Portion of the Governmental Gross Receipts Tax (as defined below) and Revenues from Additional Pledged Loans released from the lien of the Indenture have been issued and may be issued to provide loans to Governmental Units, to reimburse the Public Project Revolving Fund for loans made to Governmental Units, to purchase securities from Governmental Units and to retire borrowings incurred in anticipation of the issuance of such subordinate obligations. For a description of the subordinate obligations currently outstanding, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Subordinate Lien Bonds."

The Series 2007E Bonds

The Series 2007E Bonds will be dated the date of their initial delivery. Interest on the Series 2007E Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2008. The Series 2007E Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear interest at the rates shown on the inside front cover of this Official Statement. The Series 2007E Bonds are issuable in denominations of $5,000 or integral multiples of $5,000.

Individual purchases will be made in book-entry only form, and purchasers of the Series 2007E Bonds will not receive physical delivery of bond certificates except as more fully described in "APPENDIX E—BOOK-ENTRY ONLY SYSTEM." Payments of principal of and interest on the Series 2007E 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 (as defined below) for subsequent disbursement to the beneficial owners of the Series 2007E Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2007E 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 and Indirect Participants acquire an interest in the Series 2007E Bonds, but (1) all rights of ownership must be exercised through DTC and the book-entry only system as described in APPENDIX E, and (2) except as otherwise provided in the Indenture, 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

The Series 2007E Bonds are subject to redemption prior to maturity. See "THE SERIES 2007E BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2007E Bonds, are special limited obligations of the NMFA secured by and payable solely from the Trust Estate, which includes the Revenues described below and certain funds and accounts created and maintained pursuant to the Indenture. (See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" herein.)

The Bonds do not constitute or create a general obligation or other indebtedness of the State, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE NMFA HAS NO TAXING POWERS. No provision of the Series 2007E Bonds will be construed or interpreted as a donation or lending of the credit of the NMFA, the State, or any Governmental Unit within the meaning of the Constitution of the State. The principal of and interest and premium, if any, on the Series 2007E Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

No Debt Service Reserve Account. The NMFA is not funding an Account in the Debt Service Reserve Fund with respect to the Series 2007E Bonds.

Additional Bonds. The NMFA maintains an ongoing program to provide loans and to purchase securities from Governmental Units and expects to finance certain of those activities with the issuance of Additional Bonds in parity with the Series 2007E Bonds. The NMFA must satisfy certain requirements set forth in the Indenture to issue such Additional Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds." The timing, amount and other details of such Additional Bonds are not known as of the date of this Official Statement.

Bond Insurance

Simultaneously with the delivery of the Series 2007E Bonds, a financial guaranty insurance policy (the "Bond Insurance Policy") will be issued by MBIA Insurance Corporation ("MBIA" or the "Bond Insurer") insuring the payment of principal of and interest on the Series 2007E Bonds when due. See "BOND INSURANCE" herein.

Continuing Disclosure Undertaking

The NMFA has undertaken for the benefit of the Series 2007E Bond Owners that, so long as the Series 2007E Bonds remain outstanding, the NMFA will provide certain annual financial information, operating data and audited financial statements with respect to the NMFA, and each Governmental Unit expected by the NMFA to have loan repayment obligations in the then-current fiscal year constituting more than twenty percent (20%) of the estimated Revenues in the then-current fiscal year 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 amended. The Continuing Disclosure Undertaking is summarized in "APPENDIX G—CONTINUING DISCLOSURE UNDERTAKING."

In September 2004, the NMFA discovered that for fiscal years 2000-01, 2001-02 and 2002-03, certain information required to be filed under the terms of its continuing disclosure undertakings in effect at that time was not filed. The NMFA has since filed the information and believes that, since October 4, 2004, it has been in compliance with its continuing disclosure undertakings. The NMFA engaged Digital Assurance Certification, L.L.C., as dissemination agent, to assist with continuing disclosure compliance matters. The provisions of the Continuing Disclosure Undertaking may be amended under certain circumstances. See "CONTINUING DISCLOSURE UNDERTAKING."

Tax Considerations

In the opinion of Brownstein Hyatt Farber Schreck, P.C., Bond Counsel to the NMFA, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2007E Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2007E Bonds is exempt from State of New Mexico personal income taxes as described herein. See "TAX MATTERS" regarding certain other tax considerations.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2007E Bonds, Brownstein Hyatt Farber Schreck, P.C., Albuquerque, New Mexico, as Bond Counsel to the NMFA, will deliver its opinion in the form included in APPENDIX D. Certain legal matters will be passed upon for the NMFA by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the NMFA, and by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Disclosure Counsel to the NMFA. The General Counsel of the NMFA will provide a non-litigation certification for the NMFA. Western Financial Group, LLC, Lake Oswego, Oregon has acted as financial advisor to the NMFA in connection with its issuance of the Series 2007E Bonds. See "FINANCIAL ADVISOR."

The NMFA's audited financial statements for the fiscal year ended June 30, 2006, included in APPENDIX A, have been audited by Meyners & Company, Certified Public Accountants, Albuquerque, New Mexico. See also "FINANCIAL STATEMENTS."

Offering and Delivery of the Series 2007E Bonds

The Series 2007E Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each maturity of the Series 2007E Bonds will be delivered to DTC or its agent on or about November 8, 2007. The Series 2007E Bonds will be distributed in the initial offering by Ramirez & Co., Inc., RBC Capital Markets and George K. Baum & Company (the "Underwriters"), for which Ramirez & Co., Inc. is acting as managing underwriter and representative of the Underwriters (in such role, the "Representative").

Other Information

This Official Statement speaks only as of its date, and the information in it is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents in this Official Statement do not purport to be complete, and reference is made to those 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 to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 207 Shelby Street, Santa Fe, New Mexico 87501, Attention: Chief Financial Officer.

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 any purchaser or holder of Series 2007E Bonds.

THE SERIES 2007E BONDS

General

The Series 2007E Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2007E Bonds from such date at the rates presented on the inside front cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), and is payable on June 1 and December 1 of each year, commencing June 1, 2008. The Series 2007E Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2007E Bonds are issuable in denominations of $5,000 or integral multiples of $5,000 (the "Authorized Denominations").

Book-Entry Only System

The Depository Trust Company will act as securities depository for all of the Series 2007E Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount and maturity of each series of the Series 2007E Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2007E Bonds will be made in book-entry only form, and beneficial owners of the Series 2007E Bonds will not receive physical delivery of bond certificates, except as described in APPENDIX E. Upon receipt of payments of principal and interest, DTC will remit such payment to DTC participants for subsequent disbursement to the beneficial owners of the Series 2007E Bonds. For a more complete description of the book-entry only system, see "APPENDIX E—BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

Optional Redemption. The Series 2007E Bonds maturing on or after to June 1, 2018 are subject to optional redemption at any time on and after June 1, 2017, 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 General Indenture and at the redemption price of 100% of the principal amount of the Series 2007E Bonds to be redeemed, but without premium.

Mandatory Sinking Fund Redemption. The Series 2007E Bonds maturing on June 1, 2020 are subject to mandatory sinking fund redemption on each of the dates set forth below, at a price equal to one hundred percent (100%) of the principal amount of each Series 2007E Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2022	$1,395,000
2023	1,470,000
2024	1,545,000
2025*	1,625,000

* Final Maturity

If less than all of the Series 2007E Bonds of a series maturing on June 1, 2025 are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed will be credited toward a part or all of any one or more of any mandatory sinking fund payments for such Series 2007E Bonds, in such order as may be directed by the NMFA.

Mandatory Sinking Fund Redemption. The Series 2007E Bonds maturing on June 1, 2029 are subject to mandatory sinking fund redemption on each of the dates set forth below, at a price equal to one hundred percent (100%) of the principal amount of each Series 2007E Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2026	$1,710,000
2027	1,800,000
2028	1,835,000
2029*	1,930,000

* Final Maturity

If less than all of the Series 2007E Bonds of a series maturing on June 1, 2029 are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed will be credited toward a part or all of any one or more of any mandatory sinking fund payments for such Series 2007E Bonds, in such order as may be directed by the NMFA.

Mandatory Sinking Fund Redemption. The Series 2007E Bonds maturing on June 1, 2032 are subject to mandatory sinking fund redemption on each of the dates set forth below, at a price equal to one hundred percent (100%) of the principal amount of each Series 2007E Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2030	$1,905,000
2031	1,995,000
2032*	2,090,000

* Final Maturity

If less than all of the Series 2007E Bonds of a series maturing on June 1, 2032 are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed will be credited toward a part or all of any one or more of any mandatory sinking fund payments for such Series 2007E Bonds, in such order as may be directed by the NMFA.

Notice of Redemption. In the event any of the Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of 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 redemption date.

In addition, further notice of any redemption of 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 Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Bonds. Failure to give all or any portion of such further notice will not in any manner defeat the effectiveness of a call for redemption.

If at the time of mailing of any notice of redemption there are not on deposit with the Trustee moneys sufficient to redeem all the 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 will 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 Bonds or portions thereof redeemed but who failed to deliver Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed will be conclusively presumed to have been duly given, whether or not the owner of such 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 Bonds.

Partially Redeemed Bonds. In case any Bond is redeemed in part, upon the presentation of such Bond for such partial redemption, the NMFA will execute and the Trustee will 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 Bond or Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Bond. A portion of any 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 of $5,000 and, in selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Bonds by $5,000.

Defeasance

When a Bond has been deemed to be paid under the Indenture, it will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment. Any Bond will be deemed to be paid for all purposes of the Indenture when (1) the principal of and the applicable premium, if any, on such Bond (whether at maturity or prior redemption) plus interest on the Bond to the Bond's due date either have been paid or 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 moneys sufficient to make such payment, and/or 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 (2) 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.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Limited Obligations

The Bonds, including the Series 2007E Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2007E Bonds do not constitute nor create a general obligation or other indebtedness of the State, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE NMFA HAS NO TAXING POWERS. No provision of the Series 2007E Bonds will be construed or interpreted 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 principal of and interest and premium, if any, on the Series 2007E Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

Trust Estate

In the Indenture, the NMFA pledges and assigns the Trust Estate for the equal and ratable payment of the Bonds. The Trust Estate includes (i) Agreement Revenues and amounts in the Agreement Reserve Accounts subject to the uses provided for in the Indenture and described herein, (ii) Additional Pledged Loans, (iii) revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, and (iv) other amounts in certain funds and accounts created and maintained pursuant to the Indenture, all as more fully described below.

Agreement Revenues. 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 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 (the "Agreement Revenues") and (ii) moneys in certain funds and accounts held by the Trustee. Each Governmental Unit executing a Loan Agreement or issuing Securities agrees to pay principal of and interest on its loan promptly from its Agreement Revenues and to continue such payments until its Loan is paid in full. Each Governmental Unit that has entered into a Loan Agreement or has issued Securities has pledged specific Agreement Revenues to the repayment of its Loan. It should be noted that each Governmental Unit that has entered into an Agreement with the NMFA has the ability to incur additional obligations that may be secured on a parity basis with the Agreement Revenues as long as certain conditions are satisfied. See APPENDIX F for a list of the Governmental Units and the allocable portions of the Loans financed with the Series 2007E Bonds. Also, please see APPENDIX F for information relating to the largest repayment obligations. A Governmental Unit is not required to make up any Loan Payment not paid in full by another Governmental Unit or to make up any insufficiency in any other source of revenues.

The following table lists the ten Agreements that, based on scheduled payments in fiscal year 2007-08 and assuming no prepayments of the Agreements, are expected to generate the largest Agreement Revenues in fiscal year 2007-08. These ten Agreements comprise 44.20% of projected Agreement Revenues for fiscal year 2007-08.

AGREEMENTS EXPECTED TO GENERATE AGREEMENT REVENUES[1]

Borrower	FY 2007-08 Debt Service	% of Projected FY 2007-08 Agreement Revenues	Final Maturity
Albuquerque Bernalillo County Water Utility Authority	$6,751,363	13.94%	2024
State of New Mexico General Services Department	4,764,439	9.84	2036
New Mexico State Park and Recreation	2,451,922	5.06	2032
Gallup-McKinley Schools	1,397,763	2.89	2023
Miners' Colfax Medical Center	1,269,918	2.62	2026
City of Albuquerque	1,119,509	2.31	2026
City of Las Cruces	1,023,019	2.11	2026
Artesia Schools	921,999	1.90	2009
Jicarilla Apache Nation	889,454	1.84	2022
Taos Municipal Schools	818,721	1.69	2015
Total	$21,408,107	44.20%	

(1) Based on scheduled fiscal year 2007– 2008 debt service and assumes no prepayments or redemptions. (Source: New Mexico Finance Authority.)

Although Agreement Revenues are received at various times throughout the year, they are held under the Indenture until June 1 of each year to be applied to pay debt service on the Bonds. For more information with respect to Agreement Revenues and Governmental Units, See "APPENDIX F—2007E GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS."

The NMFA may require and has previously required the establishment and funding of an Agreement Reserve Fund in connection with certain Agreements. 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 Agreement.

Additional Pledged Loans. The NMFA may make loans from or purchase securities with available funds in the Public Project Revolving Fund. 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 the NMFA to the payment of Bonds. See "Flow of Funds" below under this caption.

The Governmental Gross Receipts Tax. Pursuant to Section 7-1-6.38, NMSA 1978, the Public Project Revolving Fund administered by the NMFA is allocated seventy-five percent (75%) (the "NMFA Portion of the Governmental Gross Receipts Tax") of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-4.3, NMSA 1978. The governmental gross receipts tax was enacted into law and first imposed in 1991 at a rate of five percent on governmental gross receipts. Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State 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 principally engaged in providing health care services, from (i) the sale of tangible personal property other than water from facilities open to the general public; (ii) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public; (iii) refuse collection, refuse disposal or both; (iv) sewage services; (v) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State; and (vi) the renting of parking, docking or tie-down spaces or the granting of permission to park vehicles, tiedown aircraft or dock boats.

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.

Certain receipts are excluded from the governmental gross receipts tax, including (i) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision, (ii) receipts from operation of a cable television system owned or operated by a municipality, (iii) receipts from the sale of livestock, receipts of growers, producers, trappers or nonprofit marketing associations from selling livestock, live poultry, and (iv) receipts from certain activities at a minor league baseball stadium.

In addition, there are certain deductions from the governmental gross receipts tax, including (i) certain receipts from selling tangible personal property to the United States or the State, (ii) receipts from selling tangible personal property to an Indian tribe, nation or pueblo, (iii) receipts from transactions in interstate commerce, (iv) certain receipts 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, and (v) 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 Taxation and Revenue Department 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 Taxation and Revenue Department. 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.

Presented below is information from the New Mexico Taxation and Revenue Department concerning collections of the governmental gross receipts tax for the fiscal years 2002-03 through 2006-07.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2002-2003 THROUGH 2006-07

	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07[1]
Total Net Receipts	$22,324,134	$26,522,933	$24,593,886	$26,250,123	$28,447,877
NMFA Portion of the Governmental Gross Receipts Tax	$17,181,295	$18,368,369	$18,445,414	$19,689,576	$21,335,908

(1) This figure is based on actual collections through June 2007.
(Source: State of New Mexico Taxation and Revenue Department.)

The information presented below relates to the ten top payers of the governmental gross receipts tax for fiscal years 2003-04 through 2005-06. Such information is for informational purposes and is presented to show trends of the receipt of governmental gross receipts tax. Such information is not publicly available from the State and has instead been obtained from each individual entity and is believed to be reliable. However, the NMFA has not verified and does not guarantee the accuracy of any such information.

TOP PAYERS OF GOVERNMENTAL GROSS RECEIPTS TAXES[1]
FISCAL YEARS 2003-04 THROUGH 2005-06

Entity	Fiscal Year 2003-04 Amount Paid	Fiscal Year 2003-04 % of Total Net Receipts	Fiscal Year 2004-05 Amount Paid	Fiscal Year 2004-05 % of Total Net Receipts	Fiscal Year 2005-06 Amount Paid	Fiscal Year 2005-06 % of Total Net Receipts
Albuquerque Bernalillo County Water Utility Authority	$5,992,345	22.59%	$5,840,450	23.75%	$6,204,046	23.63%
City of Albuquerque	2,393,510	9.02	3,014,954	12.26	3,135,295	11.94
City of Santa Fe	2,335,710	8.81	2,161,898	8.79	2,110,865	8.04
City of Las Cruces	1,240,693	4.68	1,273,532	5.18	1,390,969	5.30
University of New Mexico	1,111,129	4.19	1,286,475	5.23	1,198,860	4.57
City of Rio Rancho	807,306	3.04	876,666	3.56	1,005,457	3.83
City of Farmington	664,164	2.50	673,920	2.74	678,451	2.58
City of Roswell	551,411	2.08	531,245	2.16	556,207	2.12
County of Los Alamos	478,477	1.80	443,102	1.80	488,464	1.86
City of Gallup	347,556	1.31	396,420	1.61	308,208	1.17
Total	$15,922,302	60.03%	$16,498,662	67.08%	$17,076,822	65.05%

(1) Unaudited.
(Sources: Listed entities. No representation regarding the accuracy of such information is made by the NMFA.)

Funds and Accounts

The Indenture creates a Revenue Fund, a Program Fund (with separate accounts for each Agreement or Project), a Bond Fund, a Debt Service Fund (with separate accounts for each Agreement), an Agreement Reserve Fund (with a separate account for each Agreement that has a reserve requirement), and an Expense Fund, all of which are part of the Trust Estate. Amounts on deposit in accounts in the Debt Service Fund and in each Agreement Reserve Account shall only secure repayment of the Loan made under the related Agreement.

Flow of Funds

Loan Payments. All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements and Securities are to be paid directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee (less an administrative fee of up to one quarter of one percent (0.25%) retained by the NMFA) prior to each Interest Payment Date, and the Trustee is directed to deposit all such payments immediately upon receiving them, in the following accounts and in the following priority:

First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit in that Account 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; and

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

On each Interest Payment Date for the Bonds, the Trustee is directed 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, to the extent amounts are on deposit for such purpose. At least once each year, and more frequently if required pursuant to the provisions of a Supplemental Indenture, the Trustee must 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) in certain cases, to pay the Governmental Unit's share of Program Costs for the year. The Trustee is directed to return any excess that the Trustee does not expect to be required for such payments to the related Governmental Unit or to credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement. In certain cases, any excess attributable to the difference in interest rates on the Governmental Unit's Loans and the related Bonds (including the Series 2007E Bonds) will be deposited into the Revenue Fund.

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 directed to transfer from the related Agreement Reserve Account, if any, to that Governmental Unit's Account of the Debt Service Account, 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.

The above provisions, with respect to the flow of funds, do not apply to moneys provided pursuant to the 2000A Loan Agreement. For a description of the flow of funds with respect to the 2000A Loan Agreement, see APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—THE INDENTURE Application of Loan Payments."

<u>Revenue Fund</u>. 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 required to be paid by the NMFA to the Trustee prior to each Interest Payment Date 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 directed 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 Account, 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 directed to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining in the Revenue Fund), the following:

- an amount equal to any deficiency in any account in the Agreement Reserve Fund;

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

- 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 (i) five percent of the proceeds of the Bonds issued to finance such Grant, (ii) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (iii) 0.625 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 directed to transfer the balance on deposit in the Revenue Fund to the NMFA for deposit into the Subordinate Lien Revenue Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Subordinate Lien Bonds." After the moneys have been used for the purposes specified in the Subordinated Indenture (as defined below), the NMFA may use any remaining moneys for Public Project Revolving Fund purposes; redemption of Bonds prior to maturity by depositing the same into the Bond Fund; refinancing, refunding, purchasing or advance refunding of any Bonds; or any other lawful purpose.

The balance so transferred to the Subordinate Lien Revenue Fund is no longer pledged to the payment of debt service on the Bonds.

Debt Service Reserve Fund. The Indenture permits the NMFA to establish a separate Account in the Debt Service Reserve Fund solely for the benefit of the holders of a Series of Bonds. However, the NMFA is not creating a separate Account in the Debt Service Reserve Fund with respect to the Series 2007E Bonds.

Investment Earnings. All income earned from the investment of moneys in the respective Accounts held by the NMFA and the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit exceeds the related Agreement Reserve Requirement), shall be deposited in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement, with all earnings received on the Governmental Unit's Accounts being allocated solely to the benefit of such Governmental Unit.

Application of Loan Prepayments

Covenants Applicable to the Series 2007E Bonds. The NMFA covenants pursuant to the Sixty-Eighth Supplemental Indenture, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to Loans reimbursed or originated with proceeds of the Series 2007E Bonds with debt service payable on Series 2007E Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2007E Bonds with revenues received from Loan Payments on all outstanding Loans, to take any one or more of the following actions separately or in combination, within 365 days following the receipt of a Prepayment of a Loan financed with proceeds of Series 2007E Bonds:

For Prepayments funded with proceeds of bonds or another financing transaction the interest on which is intended by the Governmental Unit to be exempt from inclusion in gross income under the Internal Revenue Code (a "Tax-Exempt Financing"), the NMFA must either (i) to the extent practicable, originate one or more new Loans in an aggregate principal amount equal to or greater than the amount of the portion of the Prepayment to be applied, and with a final maturity date and debt service requirements approximating, to the extent practicable, the final maturity date and debt service requirements for the portion of the Loan pursuant to which the Prepayment was made (or a pro rata portion thereof if a portion of the Prepayment is to be used to originate a new Loan or Loans), or (ii) call for optional redemption Series 2007E Bonds that are subject to redemption in an aggregate principal amount equal to or greater than the amount of the Prepayment (or a pro rata portion thereof if a portion of the Prepayment is to be applied), and with a final maturity date and debt service requirements approximating the final maturity date and debt service requirements of the Loan pursuant to which the Prepayment was made (or a pro rata portion thereof if a portion of the Prepayment is to be applied). See "THE 2007E BONDS—Redemption—Optional Redemption by the NMFA."

For Prepayments funded from sources other than a Tax-Exempt Financing, the NMFA must elect either of the options described in the previous paragraph, or must defease Series 2007E Bonds, in Authorized Denominations, to their first optional redemption date as described under the caption "THE 2007E BONDS—Redemption—Optional Redemption by the NMFA," in an amount approximating the Prepayment received (or a pro rata portion thereof if a portion of the Prepayment is to be applied). The principal amount and maturity date of Series 2007E Bonds to be defeased must correspond to the principal amount and due date of the Principal Component of such Prepayment.

The NMFA will recalculate the respective Loan Payments due under any Loan Agreement in the case of a partial Prepayment of Loan Payments under such Loan Agreement in a manner consistent with the actions taken.

Historical Prepayments. In the past five fiscal years, the NMFA received Prepayments in the numbers and aggregate principal amounts presented in the following table. Because prepayment of some Loans by Governmental Units is optional for certain Governmental Unit and because the Loan Payments that Governmental Units may prepay vary greatly in amount, the occurrence and aggregate principal amount of Prepayments in past fiscal years are not an indication of Prepayments to be received by the NMFA in future fiscal years.

Fiscal Year	Number of Prepayments	Aggregate Principal Amount
2002-03	9	$6,840,000
2003-04	12	10,303,000
2004-05	12	6,096,000
2005-06	8	2,681,000
2006-07	9	9,145,000

Additional Bonds

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) The 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. A "Cash Flow Statement" incorporates a variety of items including revenues, debt service, loan prepayments and discount factors for certain types of Loans and is more particularly described in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE."

(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 under the Indenture 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 to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default has occurred and is continuing under the Indenture, except that the foregoing will 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 Agencies to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

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 will be created or incurred without the prior written consent of the Owners of one hundred percent (100%) of the Outstanding Bonds.

Outstanding Parity Bonds

The following table presents the series of Public Project Revolving Fund Revenue Bonds that were outstanding under the Indenture as of October 1, 2007:

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of October 1, 2007[2]
1999A	$13,135,000	$7,100,000
1999B	3,025,000	1,235,000
1999C	2,265,000	765,000
1999D	4,875,000	2,260,000
2000A	4,715,000	1,055,000
2000B	7,670,000	705,000
2000C	28,850,000	1,640,000
2002A	55,610,000	23,000,000
2003A	39,945,000	23,799,000
2003B	25,370,000	21,470,000
2004A-1	28,410,000	21,540,000
2004A-2	14,990,000	13,315,000
2004B-1	48,135,000	40,170,000
2004B-2	1,405,000	1,185,000
2004C	168,890,000	151,540,000
2005A	19,015,000	16,595,000
2005B	13,500,000	13,225,000
2006B	38,260,000	37,605,000
2006D	56,400,000	52,645,000
Total Outstanding	$574,465,000	$430,849,000

(1) The official statements for the various series of bonds beginning with the Series 2002A Bonds are available at the internet site http://www.munios.com and the official statements for the various series of bonds issued prior to that time are available upon request from the NMFA.

(2) Bonds mature on June 1.

(Source: Western Financial Group, LLC.)

See "ANNUAL DEBT SERVICE REQUIREMENTS" for Debt Service Requirements on the outstanding Bonds and aggregate payments under Agreements relating to the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Revenues" for a listing of the Governmental Units with Loan repayment obligations, based on scheduled payments in fiscal year 2005-06 and assuming no prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2005-06.

Outstanding Subordinate Lien Bonds

Pursuant to a Subordinated General Indenture of Trust and Pledge between the NMFA and Bank of Albuquerque, N.A., as trustee, dated as of March 1, 2005 (the "Subordinated Indenture"), the NMFA may incur obligations that have a lien on the revenues from the NMFA Portion of the Governmental Gross Receipts Tax and the revenues from Additional Pledged Loans (collectively, the "Subordinate Lien Revenues") that is subordinate to the lien of the Indenture on those revenues.

Pursuant to the Subordinated Indenture, the NMFA has issued various series of bonds (the "Subordinate Lien Bonds"). The following table sets forth the various series of Subordinate Lien Bonds and the original principal amount of Subordinate Lien Bonds outstanding as of October 1, 2007.

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of October 1, 2007[2]
2005C[3]	$50,395,000	$50,395,000
Taxable 2005D[3]	8,660,000	2,525,000
2005E	23,630,000	23,630,000
2005F	21,950,000	21,215,000
2006A	49,545,000	49,490,000
2006C	39,860,000	39,095,000
2007A	34,010,000	33,695,000
2007B	38,475,000	38,475,000
2007C	131,860,000	131,860,000
Total	$398,385,000	$390,380,000

(1) The official statements for the various series of bonds are available at the Internet site http://www.munios.com.

(2) Bonds mature on June 15.

(3) The Series 2005C and Series 2005D Bonds were issued to refinance bonds issued in 2001, 2002 and 2003 to finance a new Metropolitan Courthouse Complex located in downtown Albuquerque (the "Metro Court"). It should be noted that revenues that provide the source of repayment for the Series 2005C and the Series 2005D Bonds have recently declined. In addition, indictments were recently handed down against various parties that are accused of engaging in a scheme of kickbacks in connection with the construction of the Metro Court. The NMFA has not conducted a comprehensive investigation of the alleged kickback scheme that is the subject of the indictments. However, the NMFA is not aware of any relationship between the indictments and the decline in the revenues that provide the source of repayment for the Series 2005C and Series 2005D Bonds.

(Source: Western Financial Group, LLC.)

See "ANNUAL DEBT SERVICE REQUIREMENTS" for Debt Service Requirements on the Outstanding Bonds and aggregate payments under Agreements.

The NMFA plans to issue a series of Subordinate Lien Bonds in December 2007. The NMFA anticipates that such additional Subordinate Lien Bonds will be issued in the approximate aggregate principal amount of $56,000,000. The NMFA may issue additional bonds pursuant to the Subordinate Lien Indenture from time to time to satisfy the financing needs of governmental entities in the State of New Mexico.

The Series 2007E Bonds have a lien on the Subordinate Lien Revenues senior to the lien securing the outstanding Subordinate Lien Bonds.

Supplemental Indentures and Amendments to 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 with the prior written confirmation from the Rating Agencies that such amendment will not result in the rating on the Bonds and the PPRF Secured Obligations, following such amendment, to be lower than the rating on the Bonds and the PPRF Secured Obligations immediately prior to such amendment. See "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—Supplemental Indentures, Amendments to Agreements, and Amendments and Supplements to Senior Indenture."

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 Agreement, Additional Pledged Loan documents and any existing Security Documents with the prior written confirmation from the Rating Agencies that such amendment will not result in the rating on the Bonds following such amendment to be lower than the rating on the Bonds immediately prior to such amendment; or 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 MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to APPENDIX H for a specimen of MBIA's policy (the "Bond Insurance Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurance Policy and MBIA set forth under the heading "BOND INSURANCE." Additionally, MBIA makes no representation regarding the Series 2007E Bonds or the advisability of investing in the Series 2007E Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the NMFA 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 Series 2007E 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 MBIA 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, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Series 2007E 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").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2007E Bonds. MBIA'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 2007E Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Series 2007E Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2007E 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 MBIA from the Paying Agent or any owner of a Series 2007 Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA 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 U.S. Bank Trust National Association, 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 2007E Bonds or presentment of such other proof of ownership of the Series 2007E Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2007E Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2007E Bonds in any legal proceeding related to payment of insured amounts on the Series 2007E Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Series 2007E Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation ("MBIA") 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 MBIA. MBIA 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. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions. In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA México, S.A. de C.V. ("MBIA Mexico"), through which it intends to write financial guarantee insurance in Mexico beginning in 2007.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Bond Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2007E Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2007E Bonds. MBIA does not guaranty the market price of the Series 2007E Bonds nor does it guaranty that the ratings on the Series 2007E Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2006, MBIA had admitted assets of $10.9 billion (audited), total liabilities of $6.9 billion (audited), and total capital and surplus of $4.0 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2007, MBIA had admitted assets of $10.8 billion (unaudited), total liabilities of $6.8 billion (unaudited), and total capital and surplus of $4.0 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2007 and for the six month periods ended June 30, 2007 and June 30, 2006 included in the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at http://www.mbia.com and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Series 2007E Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2007 and June 30, 2007) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington, D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA at its principal executive offices.

THE PLAN OF FINANCING

Purposes of the Series 2007E Bonds

Proceeds of the Series 2007E Bonds will be used by the NMFA for the purposes of (i) reimbursing the NMFA for moneys used to originate loans to, or purchase securities from, the 2007E Governmental Units that will be or were used to finance certain Projects for such 2007E Governmental Units; (ii) retiring a borrowing of the NMFA incurred in anticipation of the issuance of the Series 2007E Bonds; and (iii) paying costs incurred in connection with the issuance of the Series 2007E Bonds. See APPENDIX F for a list of the 2007E Governmental Units and the amount of the Loans financed with the Series 2007E Bonds.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2007E Bonds.

Sources of Funds

Principal Amount	$61,945,000.00
Net Reoffering Premium	1,674,118.95
Total Sources:	$63,619,118.95

Uses of Funds

Reimbursement of Loans[1]	$5,229,563.06
Repayment of Interim Borrowing	57,718,050.89
Costs of Issuance[2]	671,505.00
Total Uses	$63,619,118.95

(1) Includes reimbursement of the Public Project Revolving Fund of amounts used to make Loans.

(2) Includes legal and accounting fees, financial advisory fees, printing and electronic posting costs, rating fees, trustee fees, underwriters' discount, bond insurance premium, and other miscellaneous costs. See "UNDERWRITING."

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2007E Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

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DEBT SERVICE FOR THE BONDS[1]

Fiscal Year	Series 2007E Bonds Principal[2]	Interest[3]	Total	Outstanding Parity Bonds	Total Debt Service on Parity and Series 2007E Bonds
2008	$985,000	$1,608,434	$2,593,434	$45,780,615	$48,374,048
2009	4,565,000	2,812,995	7,377,995	46,385,292	53,763,287
2010	3,390,000	2,592,745	5,982,745	46,115,155	52,097,900
2011	3,445,000	2,424,745	5,869,745	45,218,810	51,088,555
2012	3,795,000	2,274,395	6,069,395	46,790,843	52,860,238
2013	3,000,000	2,113,108	5,113,108	45,483,116	50,596,224
2014	2,735,000	1,985,608	4,720,608	42,460,895	47,181,503
2015	2,945,000	1,860,670	4,805,670	41,361,991	46,167,661
2016	3,000,000	1,723,095	4,723,095	38,231,930	42,955,025
2017	3,050,000	1,595,595	4,645,595	27,524,507	32,170,102
2018	3,295,000	1,465,970	4,760,970	25,870,740	30,631,710
2019	2,700,000	1,334,170	4,034,170	23,765,476	27,799,646
2020	2,860,000	1,199,170	4,059,170	22,009,670	26,068,840
2021	2,880,000	1,079,050	3,959,050	20,877,687	24,836,737
2022	1,395,000	935,050	2,330,050	19,241,993	21,572,043
2023	1,470,000	865,300	2,335,300	15,297,030	17,632,330
2024	1,545,000	791,800	2,336,800	13,832,652	16,169,452
2025	1,625,000	714,550	2,339,550	8,190,783	10,530,333
2026	1,710,000	633,300	2,343,300	7,571,489	9,914,789
2027	1,800,000	547,800	2,347,800	6,380,063	8,727,863
2028	1,835,000	457,800	2,292,800	4,785,313	7,078,113
2029	1,930,000	366,050	2,296,050	4,789,138	7,085,188
2030	1,905,000	269,550	2,174,550	4,593,969	6,768,519
2031	1,995,000	183,825	2,178,825	4,600,538	6,779,363
2032	2,090,000	94,050	2,184,050	4,578,600	6,762,650
2033	–	–	–	4,584,050	4,584,050
2034	–	–	–	4,550,250	4,550,250
2035	–	–	–	4,553,750	4,553,750
2036	–	–	–	4,562,250	4,562,250
Total	$61,945,000	$31,928,824	$93,873,824	$629,988,590	$723,862,414

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(1) Amounts are rounded to the nearest whole dollar.
(2) Payable on June 1 of each year.
(3) Payable on June 1 and December 1 of each year, commencing June 1, 2008.
(Source: Western Financial Group, LLC.)

The following table shows estimated available Revenues pledged to the payment of the Bonds, total debt service requirements for the 2007E Bonds and all other outstanding Bonds and the resulting estimated annual coverage ratios. Revenues for current and future fiscal years are based on fiscal year 2006-07 collections of the NMFA Portion of the Governmental Gross Receipts Tax and scheduled payments under the Agreements and Additional Pledged Loans, and do not reflect any future Prepayments or delinquencies. The estimated annual coverage ratios are based in part on assumptions that may not be realized. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Revenues—The Governmental Gross Receipts Tax," "—The Agreements and the

Agreement Pledged Revenues" and "—Additional Pledged Loans" for descriptions of the Revenues presented in the table under the headings "Governmental Gross Receipts Tax" and "Aggregate Pledged Borrower Payments." See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" and "INVESTMENT CONSIDERATIONS" for a list of some factors affecting Revenues.

ESTIMATED REVENUES, ANNUAL DEBT SERVICE REQUIREMENTS
AND PROJECTED COVERAGE RATIOS

Fiscal Year	Governmental Gross Receipts Tax[1]	Aggregate Pledged Borrower Payments[2][3]	Estimated Total Revenues[3]	Total Debt Service Requirements[3]	Estimated Annu Coverage Ratios[4]
2008	$21,335,908	$48,433,334	$69,769,242	$48,374,048	1.44x
2009	21,335,908	54,721,641	76,057,549	53,763,287	1.41
2010	21,335,908	54,190,754	75,526,662	52,097,900	1.45
2011	21,335,908	52,992,405	74,328,313	51,088,555	1.45
2012	21,335,908	54,737,488	76,073,396	52,860,238	1.44
2013	21,335,908	53,553,367	74,889,275	50,596,224	1.48
2014	21,335,908	49,844,807	71,180,715	47,181,503	1.51
2015	21,335,908	49,137,037	70,472,945	46,167,661	1.53
2016	21,335,908	44,826,507	66,162,415	42,955,025	1.54
2017	21,335,908	35,133,959	56,469,867	32,170,102	1.76
2018	21,335,908	33,093,792	54,429,700	30,631,710	1.78
2019	21,335,908	30,068,909	51,404,817	27,799,646	1.85
2020	21,335,908	28,699,355	50,035,263	26,068,840	1.92
2021	21,335,908	26,889,205	48,225,113	24,836,737	1.94
2022	21,335,908	23,946,680	45,282,588	21,572,043	2.10
2023	21,335,908	18,669,349	40,005,257	17,632,330	2.27
2024	21,335,908	17,134,161	38,470,069	16,169,452	2.38
2025	21,335,908	11,160,624	32,496,532	10,530,333	3.09
2026	21,335,908	10,301,177	31,637,085	9,914,789	3.19
2027	21,335,908	9,372,083	30,707,991	8,727,863	3.52
2028	21,335,908	7,119,134	28,455,042	7,078,113	4.02
2029	21,335,908	7,127,951	28,463,859	7,085,188	4.02
2030	21,335,908	6,801,052	28,136,960	6,768,519	4.16
2031	21,335,908	6,811,660	28,147,568	6,779,363	4.15
2032	21,335,908	6,782,855	28,118,763	6,762,650	4.16
2033	21,335,908	4,593,327	25,929,235	4,584,050	5.66
2034	21,335,908	4,551,829	25,887,737	4,550,250	5.69
2035	21,335,908	4,559,312	25,895,220	4,553,750	5.69
2036	21,335,908	4,563,896	25,899,804	4,562,250	5.68
	$618,741,332	$759,817,652	$1,378,558,984	$723,862,414	

(1) Unaudited. Reflects GGRT collections from July 1, 2006 through June 30, 2007 on a cash basis.
(2) Include scheduled payments under Agreements and outstanding Additional Pledged Loans and does not reflect the prepayment of any such Agreements that may occur while Bonds are Outstanding.
(3) Amounts are rounded to the nearest dollar.
(4) Calculated using the fiscal year 2006-07 NMFA Portion of the Governmental Gross Receipts Tax assuming that no Additional Bonds will be issued under the Indenture, and are subject to change.

(Sources: NMFA and Western Financial Group LLC.)

NEW MEXICO FINANCE AUTHORITY

General Information

The NMFA is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality of the State. The NMFA was created in 1992 pursuant to the Act 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. Pursuant to the Act, the NMFA and its corporate existence will continue until terminated by law, provided that no such law will 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 comprised of 12 members who also constitute the NMFA's board of directors and currently employs 35 persons, including a Chief Executive Officer. The Chief Executive Officer directs the business and affairs of the NMFA, subject to the policies, control and direction of the NMFA.

Powers

In addition to the power to issue bonds and other obligations to finance specific programs and projects, 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:

(a) 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;

(b) 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;

(c) to accept, administer, hold and use all funds made available to the NMFA from any sources;

(d) to borrow money and to issue bonds and provide for the rights of holders of the bonds;

(e) to establish and maintain reserve and sinking fund accounts to insure against and have funds available for maintenance of other debt service accounts;

(f) to invest and reinvest its funds and to take and hold property as security for the investment of such funds;

(g) subject to any agreement with bondholders to: (1) renegotiate any loan, lease or agreement; (2) consent to any modification of the terms of any loan, lease or agreement; and, (3) purchase bonds, which may upon purchase be canceled; and

(h) to do any and all things necessary or convenient to carry out its purposes and exercise the powers given and granted in the Act.

The NMFA has no authority to impose or collect taxes.

Organization and Governance

The NMFA is composed of 12 members who serve as the governing body of the NMFA. Seven of the members are ex officio members designated in the Act and five members are appointed by the Governor with the advice and consent of the State Senate. One of the appointed members must be the chief financial officer of a state higher educational institution. The remaining four appointed members must be residents of the State. The seven ex officio members include four 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), one is a State agency official (the State Investment Officer), and two are chief executive directors of state-wide associations (the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties). The appointed members serve at the pleasure of the Governor and the appointed members serve four-year terms. Vacancies for the appointed members are filled by appointment of the Governor for the remainder of any unexpired term. Any appointed member is eligible for reappointment.

The governing body of the NMFA exercises and oversees the exercise of the powers of the NMFA. The governing body of the NMFA satisfies those responsibilities through monthly meetings and through the standing committees that the governing body has established. Those committees are advisory and have no authority to act on behalf of the governing body. Each committee reviews and makes recommendations to the governing body concerning matters assigned to it by the governing body.

The Executive Committee, which is chaired by the Chairman of the NMFA, Stephen R. Flance, provides oversight and direction relating to the operations of the NMFA. Other committees include the Audit Committee, chaired by Katherine B. Miller; the Finance/Loan Committee, chaired by Stephen R. Flance; the Economic Development Committee, chaired by Joanna Prukop; the Investment Committee, chaired by Craig Reeves; and the Contracts Committee, chaired by John Carey. The committees typically meet monthly.

The governing body has also established written policies concerning the exercise of the powers of the NMFA. The written policies serve as ongoing directions to staff and consultants with respect to standards to be applied in the conduct of the business of the NMFA.

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Governing Body and Key Staff Members

Current members of the NMFA, and their respective occupations and term expiration dates, are presented below:

Name	Occupation	Term Expires
Gary Bland[(1)]	State Investment Officer, State Investment Council	not applicable
John Carey[(2)]	Retired, Former President and CEO, Association of Commerce and Industry	01/01/08
Ron Curry[(1)]	Secretary, Environment Department, State of New Mexico	not applicable
Stephen R. Flance[(2)] (Chairman)	Owner/CEO, The Flance Company Santa Fe, New Mexico	12/31/09
William Fulginiti[(1)] (Vice-Chairman)	Executive Director, New Mexico Municipal League	not applicable
Edward Garcia[(2)]	President, Garcia Honda Albuquerque, New Mexico	01/01/09
Paul Gutierrez[(1)]	Executive Director, New Mexico Association of Counties	not applicable
Katherine B. Miller[(1)]	Secretary, Department of Finance and Administration, State of New Mexico	not applicable
Fred Mondragon[(1)]	Secretary, Economic Development Department, State of New Mexico	not applicable
Joanna Prukop[(1)] (Secretary)	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Craig Reeves[(2)] (Treasurer)	President, First National Bank of New Mexico Clayton, New Mexico	12/31/07
Jennifer Taylor	Vice President for Business, Finance and Human Resources, New Mexico State University	12/31/07

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(1) *Ex officio* member. An *ex officio* member may designate an alternative member. Alternate members may attend meetings and vote on all matters considered by the NMFA.

(2) Appointed by the Governor of the State and serves at the pleasure of the Governor.

Presented below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2007E Bonds and the administration of the NMFA's financing programs.

William C. Sisneros, Chief Executive Officer. Mr. Sisneros serves as the Chief Executive Officer of the NMFA. Mr. Sisneros was appointed as the principal administrative officer in June 2004. Prior to that, Mr. Sisneros was President of WCS Consultants and Chief Executive Officer of Jenkeel, Ltd., a New Mexico corporation doing business as The Club at El Gancho. As a businessman and consultant, Mr. Sisneros provided services to public and private sector clients specializing in management and organization development and land development process consulting. He graduated from the University of Colorado at Boulder with a Master's Degree in Public Administration. In addition, Mr. Sisneros served as City Manager of Santa Fe, New Mexico; Town Manager of Taos, New Mexico; Assistant City Manager of Boulder, Colorado; and Administrative Assistant in Englewood, Colorado. In Santa Fe, Mr. Sisneros served on the Executive Board of St. Vincent Hospital, as President of the Santa Fe Chamber of Commerce, as Chairman of the Industrial Park for Santa Fe Economic Development Inc., on the Board of Directors of Open Hands, New Mexico CARES, and New Mexico First each of which are New Mexico nonprofit corporations.

John T. Duff, Chief Operating Officer. Mr. Duff joined the NMFA as Chief Investment Officer in February 2006. Mr. Duff has more than 20 years experience in investment management, financial management, and public accounting. He has held positions as COO and CFO of publicly held corporations and served as the Partner-In-Charge of an office of a major international CPA firm. Mr. Duff served as an investment consultant with two major investment firms. As Acting Chief Operating Officer, Mr. Duff is responsible for administering the day-to-day operations of the NMFA. As Chief Investment Officer, Mr. Duff is responsible for management of the NMFA's investment portfolio. Mr. Duff has a Bachelor of Arts degree in economics from Oberlin College and a Master of Business Administration in accounting and finance from Miami University.

Joseph Gosline, Chief Financial Officer. Mr. Gosline joined the NMFA in October 2005. Mr. Gosline has 15 years of experience in financial management. He previously worked with the NMFA for 5 1/2 years, leaving to work for one year at a financial company that advises state and public agencies on housing bonds. His responsibilities include developing, recommending and implementing NMFA internal financial management programs; managing and supervising day-to-day administrative operations related to accounting; establishing control and procedures for account management, delinquency limits; and overseeing the preparation of tax reports annually, quarterly and monthly as required. Mr. Gosline holds a Bachelor of Business Administration in accounting from the University of Miami, Florida and a Master of Business Administration in finance from the College of Santa Fe.

Marquita Russel, Chief of Programs. Ms. Russel joined the NMFA in September 2000. Ms. Russel has 17 years of experience in the financial services industry, in both marketing and financial analysis. Prior to joining the NMFA, Ms. Russel spent 10 years at the Illinois Development Finance Authority, where she held the positions of Marketing Director and Senior Program Administrator. During that time, Ms. Russel closed more than $1 billion of transactions, ranging from $5,000 microloans to $175 million tax-exempt hospital bonds. Ms. Russel earned her Bachelor of Science degree from Marquette University, Milwaukee, Wisconsin.

Jeremy Turner, Chief Financial Advisor. Mr. Turner joined the NMFA in July 2000 as a financial analyst and was appointed Chief Financial Advisor in September 2005. Mr. Turner has been responsible for over $300 million in financings for the NMFA. Mr. Turner earned a Bachelor of Science in Agricultural Economics/Agricultural Business and a Master of Business Administration from New Mexico State University.

Reynold E. Romero, General Counsel. Mr. Romero joined the NMFA in April 2007 as General Counsel. Prior to joining the NMFA, Mr. Romero served as General Counsel for the New Mexico Department of Transportation (NMDOT) for over three years and previously served as Deputy General Counsel and Assistant General Counsel for NMDOT. Mr. Romero has over 28 years of legal practice in transportation law, including eminent domain, property law, and procurement. Mr. Romero handled complex litigation and negotiated complex transactions for the NMDOT such as the purchase of the rail line from BNSF for the commuter rail project in New Mexico. Mr. Romero received his Juris Doctorate from the University of Denver College of Law.

Scott W. Stovall, Chief Investment Officer. Mr. Stovall joined the NMFA in June, 2007. Mr. Stovall has 18 years of experience in public finance and investment management. Mr. Stovall has held positions as New Mexico Deputy State Treasurer, State Cash Manager, and New Mexico State Board of Finance Director. While at the State Treasurer's office, Mr. Stovall was responsible for the investment management of over $5 billion in general fund, local government funds and bond proceeds and was instrumental in starting the state's bond proceeds investment pool. Mr. Stovall also served a three year term as a member on the Government Finance Officers Association Governmental Debt Management Committee.

The NMFA staff provides a full range of services to its borrowers and other parties benefiting from or otherwise interested in the NMFA's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the NMFA's programs, accounting, program marketing and development services, application assistance to borrowers, coordination and assistance with other funding sources, coordination with taxing and regulatory authorities, and coordination with various legislative authorities.

Legislative Oversight

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, among other things: (i) meets on a regular basis to receive and review reports from the NMFA; (ii) monitors and provides assistance and advice on the public project financing program of the NMFA; (iii) oversees and monitors State and local government capital planning and financing; (iv) provides advice and assistance to the NMFA on planning, setting priorities for and financing of State and local capital projects; (v) undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and (vi) reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the State legislature (the "Legislature"), and makes available the report and proposed legislation.

The Public Project Revolving Fund Program

General. The Act created the Public Project Revolving Fund (the "PPRF") Program of the NMFA in 1992 to pay the reasonably necessary costs of originating and servicing loans, grants or securities funded by the PPRF and to make loans or grants and to purchase or sell securities to assist qualified entities in financing the acquisition, construction, improvement, alteration or reconstruction of assets of a long-term capital nature, including land; buildings; water rights; water, sewerage and waste disposal systems; streets; airports; municipal utilities; parking facilities; and machinery, furniture and equipment. Public projects financed through the PPRF in amounts in excess of $1 million per project require specific authorization by the Legislature. As of September 30, 2007, the NMFA had made 638 PPRF loans totaling approximately $1,229,847,480. To implement the PPRF Program, the NMFA has been granted the following specific powers:

(a) to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA;

(b) to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (1) a loan to a qualified entity, (2) a purchase or sale of securities individually or on a pooled basis, or (3) the performance of its duties and execution of any of its powers under the Act;

(c) to purchase, hold or sell securities at prices and in a manner the NMFA considers advisable, giving due consideration to the financial capability of the qualified entity, and sell securities acquired or held by it at prices without relation to cost and in a manner the NMFA considers advisable;

(d) to prescribe the form of application or procedure required of a qualified entity for a loan or purchase of its securities, fix the terms and conditions of the loan or purchase and enter into agreements with qualified entities with respect to loans or purchases;

(e) 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, whether or not the loan is made or the securities purchased;

(f) to fix and establish terms and provisions with respect to: (1) a purchase of securities by the NMFA, including date and maturities of the securities; (2) redemption or payment before maturity; and (3) any other matters that in connection with the purchase are necessary, desirable or advisable in the judgment of the NMFA;

(g) to the extent permitted under its contracts with the holders of bonds of the NMFA, consent to modification of the rate of interest, time and payment of installment of principal or interest, security or any other term of a bond, contract or agreement of any kind to which the NMFA is a party;

(h) 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

(i) to acquire fee simple, leasehold, mortgagor's or mortgagee's interests in real and personal property and to sell, mortgage, convey or lease that property for NMFA purposes; and

(j) in the event of a default by a qualifying entity, enforce its rights by suit or mandamus or use all of the available remedies under State law.

Contingent Liquidity Account. In an effort to pursue its policy of maintaining a sufficient cash balance to meet the borrowing needs of eligible entities and improving the fund and cash balances of the Public Project Revolving Fund program, the NMFA established a contingency account (the "Contingent Liquidity Account") effective July 1, 2006. Although it will not be pledged to the Series 2007E Bonds, or any other NMFA bonds, the Contingent Liquidity Account is intended to enhance the NMFA's ability to meet the cash-flow needs of the PPRF program. Funds from the Contingent Liquidity Account may be used to pay debt service on NMFA bonds; however, such use is within the sole discretion of the NMFA and such funds may also be used for other purposes, including but not limited to SWAP termination payments (to date the NMFA has not entered into any counterparty agreements related to the PPRF), loan originations, or to address other purposes as determined by the NMFA. The Contingent Liquidity Account is funded to an amount of $25,000,000. Upon approval of the NMFA, the Contingent Liquidity Account may receive annual increases thereafter of an amount approximately equal to 25% of the Governmental Gross Receipts Tax funds received by the NMFA at the end of the fiscal year. In future years, the NMFA plans to annually evaluate the level of the Contingent Liquidity Account to determine the amount, if any, of subsequent deposits.

Temporary Borrowing. The NMFA has recently entered into an arrangement with Bank of America, N.A. (the "Short-term Lender") for the Short-term Lender to provide to the NMFA an amount up to $100,000,000 to reimburse the NMFA for Loans made to eligible entities that are incurred prior to the issuance of a Series of Bonds. Once the amounts are advanced, the NMFA has up to 180 days to repay the advancement. The short-term borrowings are secured by proceeds of Bonds that are anticipated to be issued subsequent to the advances. The NMFA is entering into such an arrangement to assist it with its cash flows. Such short-term borrowings are not secured by the Trust Estate.

Other Programs and Projects

The NMFA also participates in or administers other programs designed to provide financing to local governmental entities and state agencies for public projects. Such programs are not secured by the Trust Estate but are secured by other sources of revenues. The following table sets forth the different types of programs and the amount of bonds outstanding under such programs.

Program	Project	Original Principal Amount	Amount Currently Outstanding	Scheduled Final Maturity
Worker's Compensation	Administrative Building	$4,310,000	$2,750,000	9/1/2016
Cigarette Tax	University of New Mexico Health Sciences Building	39,035,000	25,225,000	4/1/2019
Cigarette Tax	University of New Mexico Health Sciences Building	10,000,000	8,915,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	2,375,000	5/15/2026
Transportation	Highways	700,000,000	700,000,000	6/15/2024
Transportation	Highways	237,950,000	162,330,000	6/15/2024
Transportation	Highways	200,000,000	200,000,000	6/15/2026
Transportation	Highways	150,000,000	150,000,000	12/15/2026
Transportation	Highways	40,085,000	37,735,000	12/15/2026
Transportation	Highways	220,000,000	220,000,000	12/15/2026
Transportation	Highways	50,400,000	50,400,000	12/15/2026

(Source: NMFA.)

LITIGATION

To the knowledge of 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 2007E 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 2007E Bonds or in any way contesting or affecting the validity or enforceability of the Series 2007E Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. The NMFA will deliver a non-litigation certification as to the foregoing prior to the issuance of the Series 2007E Bonds.

UNDERWRITING

The Underwriters have agreed to purchase the Series 2007E Bonds from the NMFA pursuant to a Bond Purchase Agreement dated October 18, 2007 (the "Bond Purchase Agreement"), at an aggregate price of $63,336,513.95 (being the aggregate principal amount of the Series 2007E Bonds plus a net reoffering premium of $1,674,118.95, and less an Underwriters' discount of $282,605.00). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2007E 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 2007E 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

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2007E Bonds for interest thereon to be excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2007E Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2007E Bonds. The NMFA and the Governmental Units have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2007E Bonds from gross income for Federal income tax purposes.

In the opinion of Brownstein Hyatt Farber Schreck, P.C., Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, interest on the Series 2007E Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2007E Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, the interest on the Series 2007E Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Interest on the Series 2007E Bonds owned by corporations will, however, be taken into account in determining the alternative minimum tax imposed by Section 55 of the Code on 75 percent of the excess of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction).

In rendering its opinion, Bond Counsel will rely on, and will assume the accuracy of, certain representations and certifications, and compliance with certain covenants of the NMFA and the Governmental Units. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the NMFA and the Governmental Units. In addition, Bond Counsel has not been engaged, and will not undertake, to monitor the NMFA's and the Governmental Units' compliance with the covenants or to inform any person as to whether the covenants are being complied with; nor has Bond Counsel undertaken to determine or to inform any person as to whether any actions taken or not taken, or events occurring or not occurring, after the date of the issuance of the Series 2007E Bonds may affect the federal tax-exempt status of the interest on the Series 2007E Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2007E Bonds maturing on June 1 of the years 2018, 2020 and 2032 (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Series 2007E Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Series 2007E Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Bond Counsel is also of the opinion that the difference between the principal amount of the Series 2007E Bonds maturing on June 1 of the years 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2019, 2021, 2025 and 2029 (collectively, the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Series 2007E Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2007E Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate tax payer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2007E Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax exempt obligations.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2007E Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2007E Bonds. Prospective purchasers of the Series 2007E Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2007E Bonds may affect the tax status of interest on the Series 2007E Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2007E Bonds from gross income for Federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Series 2007E Bonds, or the interest thereon, if any action is taken with respect to the Series 2007E Bonds or the proceeds thereof upon the advice or approval of bond counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Series 2007E Bonds is excluded from gross income for Federal income tax purposes, a Series 2007E Bondholder's Federal, State or local tax liability may otherwise be affected by the ownership or disposition of the Series 2007E Bonds. The nature and extent of these other tax consequences will depend upon the Series 2007E Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2007E Bonds should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2007E Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2007E Bonds, (iii) interest on the Series 2007E Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Series 2007E Bonds, may be subject to Federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2007E Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Unless separately engaged, Bond Counsel is not obligated to defend the NMFA, the Governmental Units or the Series 2007E Bondholders regarding the tax-exempt status of the Series 2007E Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the NMFA, the Governmental Units and their respective appointed counsel, including the Series 2007E Bondholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of the IRS positions with which the NMFA or the Governmental Unites legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2007E Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2007E Bonds, and may cause the NMFA, the Governmental Units or the Series 2007E Bondholders to incur significant expense.

Bond Counsel is also of the opinion that interest on the Series 2007E Bonds is exempt from State of New Mexico personal income taxes as described herein.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as "APPENDIX D—FORM OF OPINION OF BOND COUNSEL."

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Series 2007E Bonds. Prospective purchasers or owners should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability, inclusion of Social Security or other retirement payments in taxable income and the state and local tax rules in New Mexico and other states.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2007E Bonds, Brownstein Hyatt Farber Schreck, P.C., Albuquerque, New Mexico, as Bond Counsel to the NMFA, will deliver its opinion in substantially the form included in APPENDIX D. Certain legal matters will be passed upon for the NMFA by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the NMFA. Certain legal matters will be passed upon for the NMFA by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Disclosure Counsel to the NMFA. General Counsel to the NMFA will deliver a non-litigation certification for the NMFA. The counsel involved in this transaction have not participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA contained in this Official Statement.

FINANCIAL ADVISOR

The NMFA has retained Western Financial Group, LLC, as financial advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2007E Bonds. Western Financial Group, 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, 2006, included in APPENDIX A of this Official Statement, have been audited by Meyners & Company, LLP, certified public accountants, Albuquerque, New Mexico, as set forth in their report thereon dated October 6, 2006. Meyners & Company, LLP has consented to the use of its name and audited financial reports of the NMFA in this Official Statement.

CONTINUING DISCLOSURE UNDERTAKING

The NMFA reserves the right to modify from time to time the Continuing Disclosure Undertaking, including 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 Rule 15c2-12 of the Securities and Exchange Commission (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 2007E Bonds and will 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 will not be an event of default with respect to the Series 2007E Bonds.

Continuing disclosure undertakings previously entered into by the NMFA with respect to certain of the Bonds called for it to file certain annual financial information and operating data and audited financial statements for the NMFA and any Governmental Unit meeting the objective criteria described in those undertakings with each NRMSIR no later than 270 days after the end of each fiscal year. In September 2004, the NMFA discovered that for fiscal years 2000-01 and 2001-02 only the audited financial statements of the NMFA were filed with the NRMSIRs. For fiscal year 2002-03 annual financial information and operating data and audited financial statements for the NMFA were filed with each NRMSIR, but the audited financial statements for the Governmental Units meeting the objective criteria were not filed. On October 1, 2004, the NMFA notified the MSRB of its failure to file the annual financial information and operating data and the audited financial statements for the Governmental Units meeting the objective criteria. The NMFA filed annual financial information and operating data and the audited financial statements for the City of Albuquerque, New Mexico and the Energy, Minerals and Natural Resources Department of the State of New Mexico on October 4, 2004. The NMFA believes that, since October 4, 2004, it has been in compliance with its continuing disclosure undertakings. See "APPENDIX G—CONTINUING DISCLOSURE UNDERTAKING" herein.

None of the Securities represent annual Loan repayment obligations exceeding 20% of estimated Revenues in the first full year immediately following issuance of the Series 2007E Bonds. See APPENDIX F for a discussion of Governmental Units with the largest outstanding principal loan balances.

RATINGS

Moody's Investor's Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have assigned municipal bond ratings of "Aaa," "AAA" and "AAA," respectively, to the Series 2007E Bonds with the understanding that upon delivery of the Series 2007E Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2007E Bonds will be issued by MBIA Insurance Corporation. In addition, Moody's, S&P and Fitch have assigned underlying (i.e., without regard to a municipal bond insurance policy) ratings of "Aa2," "AA+" and "AA," respectively, to the Series 2007E Bonds. An explanation of the significance of such ratings may be obtained from Moody's, S&P and Fitch.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2007E 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 2007E Bonds may have an adverse effect on the market price of the Series 2007E Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2007E Bonds any proposed revision or withdrawal of the ratings on the Series 2007E Bonds, or to oppose any such proposed revision or withdrawal.

INVESTMENT CONSIDERATIONS

Availability of Revenues

The amount of Revenues actually received by the NMFA may be affected by several factors. Among other things, the amount of Governmental Gross Receipts Taxes that will be collected and distributed to the NMFA is subject to fluctuation based on the activities that generate those taxes. There can be no guarantee that the NMFA's Portion of the Governmental Gross Receipts Taxes collected in the future will be consistent with historical collection trends. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Governmental Gross Receipts Tax."

Pursuant to Section 7-9-4.3, NMSA 1978, revisions to laws of the State affecting, among other things, tax rates, taxed activities and distributions of Governmental Gross Receipts Taxes could be adopted in the future by the State legislature. There is no assurance that any future revisions to State laws will not adversely affect, among other things, tax rates, activities now subject to the governmental gross receipts tax or distribution of governmental gross receipts tax revenues to the NMFA. However, the State has pledged to and agreed with holders of any bonds or notes issued under the Act that the State will not limit or alter the rights vested by the Act in the NMFA to fulfill the terms of any agreements made with the holders thereof or in any way impair the rights and remedies of those holders until the bonds or notes 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.

ADDITIONAL INFORMATION

This Official Statement speaks only as of its date, and the information in this Official Statement is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained in this Official Statement 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 to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 207 Shelby Street, Santa Fe, New Mexico 87501, Attention: Chief Executive Officer.

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated as such, 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 2007E Bonds.

NEW MEXICO FINANCE AUTHORITY

By /s/ Stephen R. Flance
Stephen R. Flance,
Chairman

By /s/ William C. Sisneros
William C. Sisneros,
Chief Executive Officer

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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NEW MEXICO
FINANCE AUTHORITY

Financial Statements
for the Year Ended
June 30, 2006,
and Independent
Auditors' Report

MEYNERS + COMPANY, LLC
Certified Public Accountants/
Consultants to Business
500 Marquette NW, Suite 800
Albuquerque, NM 87102
P 505/842-8290
F 505/842-1568
E cpa@meyners.com

INDEPENDENT AUDITORS' REPORT

New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Mexico Finance Authority (Authority), a component unit of the State of New Mexico, as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Authority's non-major governmental funds, presented as supplementary information in the accompanying combining fund financial statements, as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2006, and the respective changes in the financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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New Mexico Finance Authority
and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Authority as of and for the year ended June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and combining and individual fund financial statements of the Authority. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements, including the Schedule of Changes in Assets and Liabilities of Agency Funds. In addition, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Meyners + Company, LLC

October 6, 2006

The New Mexico Finance Authority's (Authority) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position (ability to address future year challenges), identify any material deviations from the financial plan, and identify any fund issues of concern.

The Management's Discussion and Analysis (MD&A) is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the transmittal letter at the front of this report and the Authority's financial statements and notes which follow this section.

Financial Highlights

- The Authority's government-wide net assets increased by $4,528,247 in fiscal year 2006 from 2005.
- The Authority's program revenues increased by $1,059,947 in fiscal year 2006 from 2005.
- The total cost of all Authority programs was $70,163,037, a decrease of $26,772,168 over 2005.

Authority Highlights

The New Mexico Finance Authority, created in 1992, assists qualified entities in financing capital equipment and infrastructure projects at any stage of completion, from pre-planning through construction, by providing low-cost funds and technical assistance. It does so through its six main financing sources: Public Project Revolving Fund (PPRF), Water and Wastewater Grant Fund (W/WWGF), the Drinking Water Revolving Loan Fund (DWRLF), the Primary Care Capital Fund (PCCF), the Water Planning Fund, and State Buildings and Automation Project Financing. The Water Trust Fund is administered by the Authority and the Authority provides staff support to the Water Trust Board.

The Authority's core program, the PPRF loan program, has provided financing for a variety of infrastructure and equipment projects. In FY2006, the PPRF program made approximately 72 loans totaling approximately $177.4 million, compared to 58 loans totaling approximately $187.6 million in FY2005.

In cooperation with the New Mexico Environment Department (NMED), the Authority administers the DWRLF program, a federally funded loan program to provide local authorities with low-cost financing and technical assistance in the construction, renovation or expansion of necessary drinking water facilities. In FY2006, the DWRLF made one loan totaling $6.56 million compared to five loans totaling $12.6 million in FY2005. The FY2006 binding commitments numbered four (4), approximating $14.2 million, compared to four totaling approximately $20.5 million, in FY2005.

Authority Highlights - continued

The PCCF program helps qualified non-profit primary care clinics in medically indigent and underserved areas by providing low-cost financing for capital equipment and infrastructure projects. Since the inception of the program through June 30, 2006, the Authority Board has approved 14 loans totaling $7.75 million.

During FY2006, the Authority issued $168.4 million in bonds to provide reimbursement to the Public Projects Revolving Loan Fund, refund certain PPRF bonds issued in prior years and provide funds for the Behavioral Health Capital Fund.

The Authority's grant program, the Water/Waste Water Grant Fund Program, was created in 1999 to help qualified disadvantaged entities fund critical water and wastewater projects. In FY2006, 15 grants closed for a total of $4,182,000, compared to 30 grants totaling $11,457,000 in FY2005.

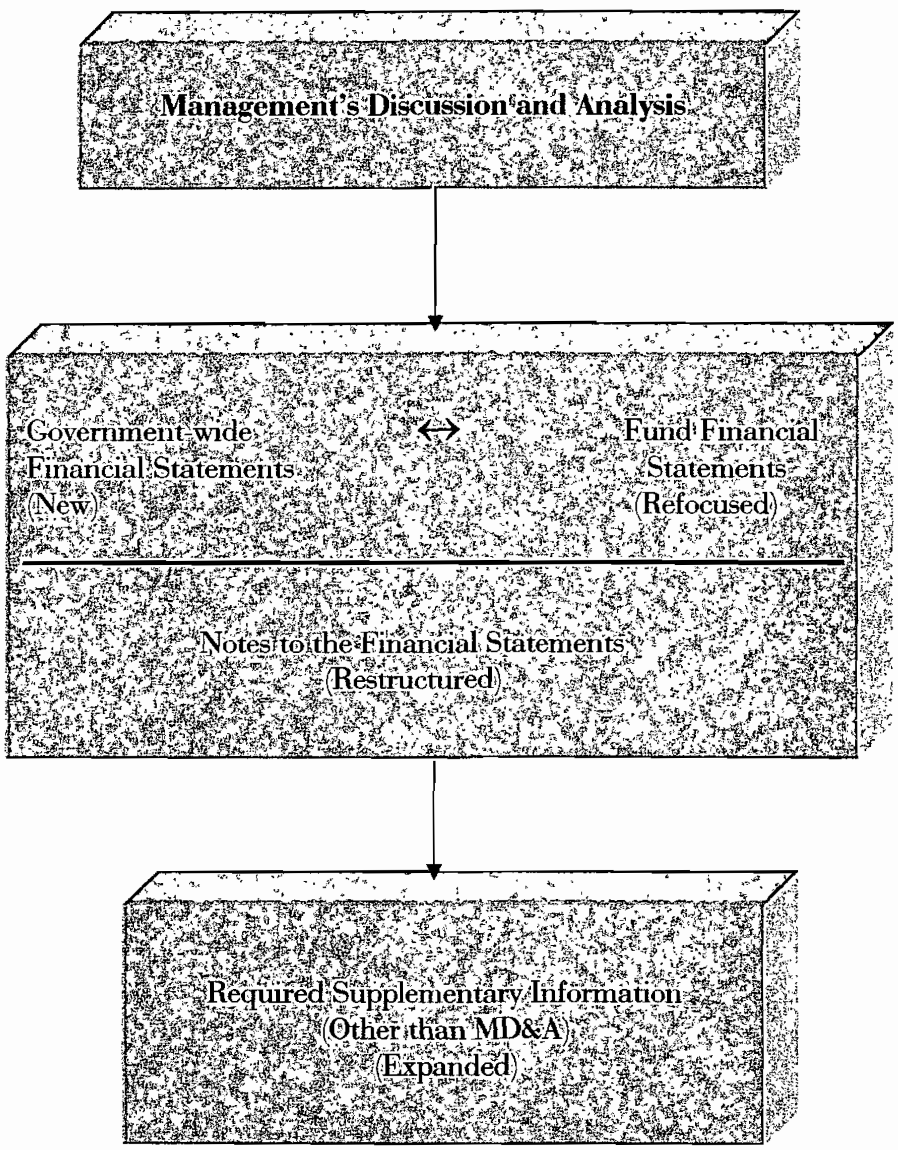
The 2001 Legislature passed the Water Project Finance Act to provide a financing mechanism to promote water use efficiency, water resource conservation, and protection, fair distribution and the allocation of water to all users. To this end, the Act created the Water Trust Fund and the Water Project Fund to provide the necessary financial framework, and created a 15-member Water Trust Board. The Water Trust Fund is created in the State Treasurer's office to be invested by the State Investment Officer in a manner similar to land grant permanent funds. Money in the Water Trust Fund may not be expended for any purpose, but an annual distribution is made to the Water Project Fund.

The Water Project Fund is created in the Authority, which provides staff support to the Water Trust Board and makes loans or grants to qualified entities for projects prioritized by the Board, approved by the Legislature and on terms and conditions established by the Water Trust Board. The Authority is authorized to recover from the fund the costs of administering the fund and originating loans and grants. In FY 2003, House Bill 88, as amended, appropriated $22.5 million for identified regional projects, as well as an appropriation for future use to the Water Project Fund in FY2004. In FY2004, the Water Trust Board reviewed 28 applications for funding. Beginning with FY2005, funding comes from severance tax.

Using This Annual Report

With the implementation of GASB #34, the presentation of the financial statements is significantly different from the previous general-purpose financial statements. The primary focus in State government's financial statements for the last twenty years or so, (summarized fund type information) has been discarded with implementation of GASB #34. The new focus is on both the Authority (government-wide) and the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison and enhance accountability. Although the Authority is one of several agencies within the State of New Mexico Government, the primary Government focus in this financial report is the Authority and not the State of New Mexico as a whole. The following is a graphic presentation of the new accounting model:

Using This Annual Report - continued



Management's Discussion and Analysis

MD&A should provide an objective and easily readable analysis of the Authority's financial activities based on currently known facts, decisions or conditions. It should provide an analysis of the Authority's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it should provide an analysis of significant changes that occur in funds and significant budget variances.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Fiduciary activities whose resources are not available to finance the government's programs are excluded from the government-wide statements.

GASB #34 requires that infrastructure assets (roads, bridges, traffic signals, etc.) be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either depreciate these assets over their estimated useful life or develop a system of asset management designed to maintain the service delivery potential. The Authority does not own a material interest in any infrastructure assets and, therefore, is not required to implement this portion of GASB #34.

Government-Wide Financial Statements - continued

The government-wide financial statements of the Authority are divided into two categories:

- Governmental Activities - All of the Authority's stand-alone bond financings and grant programs are included in the governmental activities. State dedicated revenues and grant appropriations finance most of these activities. The funds included in Governmental Activities for the Authority are the Metro Court Financing, State Building Program Financing, State Building Purchase Financing, University of New Mexico (UNM) Health Sciences Financing, Water Project Financing, Water/Wastewater Grant Fund, Economic Development Financing, Emergency Drought Relief Grant Fund, Water Planning Fund, Workers Compensation Building Financing, State Capital Improvement Financing and Equipment COP Financings and the Insurance Department Financings.

- Business-type Activities - The Authority's revolving fund programs and operating fund are included in the business-type activities. The funds included in the business-type activities are the Public Projects Revolving Fund, the Federal Drinking Water Loan Revolving Fund, the Primary Care Loan Revolving Fund, Behavioral Health Clinic Financing, the GRIP Administrative Fund and the General Operating Fund.

Fund Financial Statements

Fund financial statements consist of a series of statements that focus on information about the major governmental and proprietary funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (enterprise funds) are prepared using the economic resources measurement focus and the accrual basis of accounting.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

Fund Financial Statements - continued

Governmental Fund Types:

Most of the Authority's services are included in governmental funds, which focus on (a) how cash and other financial assets that can be readily converted to cash flow in and out, and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view and help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.

- Special Revenue Funds - The Special Revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. The Authority's funds classified as Special Revenue funds are the UNM Cancer Center Bond Fund, the Water/Wastewater Grant Fund, the Water Planning Fund, the Emergency Drought Relief Fund, the Water Projects Fund (accounted for within the Water Trust Fund) and the Economic Development Fund.

- Debt Service Funds - The Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs. The funds classified as Debt Service funds are the UNM Health Sciences Fund, the Metro Court Financing Fund, the Workers Compensation Building Financing Fund, the State Capitol Improvement Financing Fund and the Equipment Certificate of Participation (COP) Funds.

Proprietary Fund Types:

- Enterprise Funds - Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services, and the activity is a) financed with debt that is solely secured by a pledge of the net revenues, b) has third party requirements that the costs of providing services including capital costs be recovered with fees and charges, or c) has a pricing policy designed for the fees and charges to recover similar costs. The fund classified as Proprietary or Enterprise funds are the General Operating Fund, the Public Projects Revolving Fund, the Drinking Water State Revolving Loan Fund, the Primary Care Capital Fund and the Behavioral Health Clinic Fund.

Notes to the Financial Statements

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

Budgetary Comparisons

The Authority does not have any legally adopted budgets and, therefore, does not present any budgetary statements.

Required Supplementary Information (Other than MD&A)

In addition to the basic statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees.

Financial Analysis Of The Authority As A Whole

Net Assets: Table A-1 summarizes the Authority's net assets for the fiscal year ending June 30, 2006. FY2006 net assets for Governmental Activities and Business-type Activities were ($73,470,696) and $179,882,110, respectively. Total Authority net assets for fiscal year 2006 are $106,411,414. However, most of those net assets are restricted as to the purposes for which they can be used.

Table A-1
The Authority's Net Assets

		Governmental Activities		Business-Type Activities		Total	
		2006	2005	2006	2005	2006	2005
Current and other assets	$	53,624,471	75,171,015	32,697,069	248,080,457	86,321,540	323,251,472
Capital and non-current assets		3,608,898	4,047,008	862,702,716	476,415,138	866,311,614	480,462,146
Total assets	$	57,233,369	79,218,023	895,399,785	724,495,595	952,633,154	803,713,618
Current liabilities	$	11,947,088	5,267,723	143,670,717	101,828,939	155,617,805	107,096,662
Long-term liabilities		118,756,977	134,928,465	571,846,958	459,805,324	690,603,935	594,733,789
Total liabilities		130,704,065	140,196,188	715,517,675	561,634,263	846,221,740	701,830,451
Net Assets:							
Invested in capital assets		232,249	118,808	360,882	140,719	593,131	259,527
Restricted		(73,702,945)	(61,096,973)	176,161,533	159,955,266	102,458,588	98,858,293
Unrestricted		-	-	3,359,695	2,354,989	3,359,695	2,354,989
Total net assets		(73,470,696)	(60,978,165)	179,882,110	162,861,332	106,411,414	101,883,167
Total liabilities and net assets	$	57,233,369	79,218,023	895,399,785	724,495,595	952,633,154	803,713,618

Changes in Net Assets: The Authority's change in net assets for fiscal year 2006 was an increase of $4,528,247 (Table A-2). A significant portion, twenty-five percent (25%), of the Authority's revenue comes from Tax Revenue. Six percent (6%) comes from other operating grants and contributions, and thirteen percent (13%) from interest and investment income. Twenty-six percent (26%) comes from state general fund appropriations, and charges for services and other revenue comprise thirty percent (30%) of total revenue.

Table A-2
Changes in the Department's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	**2006**	2005	**2006**	2005
Revenues:						
Program	**845,680**	1,143,328	**24,051,276**	22,779,749	**24,983,024**	23,923,077
General	**21,676,344**	28,942,690	**28,031,916**	23,119,623	**49,708,260**	52,062,313
Total revenues	**22,522,024**	30,086,018	**52,083,192**	45,899,372	**74,691,284**	75,985,390
Expenses	**35,036,050**	72,279,123	**35,040,919**	24,656,082	**70,163,037**	96,935,205
Net revenues (loss) before transfers and reversions	**(12,514,026)**	(42,193,105)	**17,042,273**	21,243,290	**4,528,247**	(20,949,815)
Transfers and reversions	**21,495**	1,588,800	**(21,495)**	(1,588,800)	**-**	-
(Decrease) increase in net assets	**(12,492,531)**	(40,604,305)	**17,020,778**	19,654,490	**4,528,247**	(20,949,815)
Net assets, beginning of year	**(60,978,165)**	(20,373,860)	**162,861,332**	143,206,842	**101,883,167**	122,832,982
Net assets, end of year	$ **(73,470,696)**	(60,978,165)	**179,882,110**	162,861,332	**106,411,414**	101,883,167

The decline in governmental net assets is the result of certain grant funds (water wastewater grant fund, emergency drought relief, water project fund) "winding down". There are no additional funds being appropriated to these programs and, as grant recipients draw down funds on their grants, there is an on-going decline in the assets (cash). Business-type (enterprise) activities continue to grow in terms of net assets because of the expansion of the PPRF program and the continual growth in the loan portfolio.

The overall decline in the expenses of the Authority is directly related to the decreasing activity in the funds mentioned above.

Governmental-Type Activities

The Authority's total expenditures for governmental-type activities during the fiscal year 2006 were $35,036,050. The highest area of expenditures, $15,335,743, forty four percent (44%), was in the area of Debt Service.

The second highest area of expenditures within the Authority is in the category of Grant Expenses:

Business Type Activities

The Authority's total expenditures for business-type activities during the fiscal year were $35,126,987. The majority of business-type expenditures, $24,036,583, sixty eight percent (68%), was in the area of Debt

Business Type Activities - continued

Service. Within the operating cost category, salaries and benefits comprised six percent (6%) of total expenditures, and all other operating costs such as professional services, repairs and maintenance, travel, supplies, etc., were twenty percent (20%) of total expenditures.

Capital Assets and Debt Administration

At the end of fiscal year 2006, the Authority had invested a total of $360,882 net of depreciation in business-type activities and $232,249 in capital assets for government-type activities. During FY2006, capital outlay expenditures totaled $453,360. This amount represents purchases for technical upgrades, office equipment and leasehold improvements. More detailed information about the Authority's capital assets is presented in Note 7 to the financial statements.

GASB #34 requires the recording and depreciation of infrastructure assets such as roads, bridges, traffic signals, etc. The Authority does not own any infrastructure assets.

Long-Term Debt

The Authority's long-term debt is all outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2006, the total amount outstanding was $700.9 million (excluding the $1.1 billion GRIP bonds which are administered by but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 8 to the financial statements.

During the fiscal year, the Authority issued $168.4 million in PPRF debt, primarily to directly fund loans, reimburse the PPRF loan fund for loans already made or to advance refund certain PPRF bond issues.

Bond Ratings

The Authority's insured bond ratings are as follows:

Moody's	Aaa
Standard & Poor's	AAA
Fitch	AAA

The Authority's uninsured bond ratings are:

Moody's	Aa2
Standard & Poor's	AA
Fitch	AA

The Authority received bond ratings increases from both Moody's and Standard and Poor's during FY2006.

Economic Factors and Next Year's Budgets and Rates

The FY2006 budget accommodates the Authority's administration of eight programs paid from different sources of revenue:

- General operations of the Authority, funded from administration fees and cigarette tax revenue;
- Administration of the Water Trust Board, funded from the Water Project Fund:
- Administration of the Water Trust Board, funded from the Emergency Drought Relief Declarations;
- Water and Wastewater Grant Fund (W/WWGF) program operations, funded from the W/WWGF;
- Drinking Water Revolving Loan Fund (DWRLF) program operations, funded from the federal capitalization grant;
- PPRF Loan Servicing, funded from the PPRF;
- The Water and Wastewater Planning Fund (WPF), funded from the WPF;
- The Economic Development Fund, funded from administration fees and cigarette tax revenue.

The Authority's primary operating budget for FY2006 was $6,179,829, compared to the FY2005 budget of $4,515,518, a 37% increase. This was due to the addition of new programs, increased staffing levels, the addition of office space and major upgrades in both computer hardware and software.

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

New Mexico Finance Authority (NMFA)
207 Shelby Street
Santa Fe, New Mexico 87505

FINANCIAL STATEMENTS

AS OF JUNE 30, 2006

		Governmental Activities	Business-type Activities	Total
ASSETS:				
Cash and equivalents:				
Unrestricted	$	28,236,889	15,987,199	44,224,088
Restricted		23,117,927	208,621,775	231,739,702
Receivables:				
Tax revenue		2,097,341	6,101,447	8,198,788
Interest		9,535	4,132,123	4,141,658
Grant and other		779	4,003,663	4,004,442
Due from other state agencies		-	72,917	72,917
Due from other funds (Note 5) [Internal Balances]		-	2,031,406	2,031,406
Administrative fees receivable		-	368,314	368,314
Loans receivable, net of allowance (Note 3)		669,000	574,115,317	574,784,317
Securities (Note 4)		-	11,705,377	11,705,377
Restricted asset - escrow		-	60,166,010	60,166,010
Capital Assets, net of depreciation		232,249	360,882	593,131
Deferred costs, net		2,869,649	7,716,745	10,586,394
Other assets		-	16,610	16,610
TOTAL ASSETS		57,233,369	895,399,785	952,633,154
LIABILITIES:				
Accounts payable and accrued liabilities		155,569	1,347,781	1,503,350
Accrued payroll, fringe benefits and compensated absences (Note 11)		9,426	238,674	248,100
Accrued interest		707,547	1,944,197	2,651,744
Debt service payable		111,140	34,302,486	34,413,626
Notes payable		2,000,000	-	2,000,000
Funds held for others		-	69,040,959	69,040,959
Due to other state agencies (Note 5)		-	681,620	681,620
Due to other funds [Internal Balances]		2,031,406	-	2,031,406
Deferred revenue		-	3,260,000	3,260,000
Bonds payable, current, net (Note 8)		6,932,000	32,855,000	39,787,000
Bonds payable, noncurrent, net of bond discount/premium (Note 8)		118,756,977	571,846,958	690,603,935
TOTAL LIABILITIES		130,704,065	715,517,675	846,221,740
NET ASSETS:				
Invested in capital assets		232,249	360,882	593,131
Restricted for:				
Debt service		(109,626,690)	-	(109,626,690)
Program funds		35,923,745	176,161,533	212,085,278
Unrestricted		-	3,359,695	3,359,695
TOTAL NET ASSETS		(73,470,696)	179,882,110	106,411,414
TOTAL LIABILITIES AND NET ASSETS	$	57,233,369	895,399,785	952,633,154

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2006

		Governmental Activities	Business-type Activities	Total
EXPENSES:				
Capital financing	$	35,036,050	35,040,919	70,076,969
PROGRAM REVENUES:				
Charges for services		-	20,680,142	20,680,142
Operating grants and contributions		845,680	3,371,134	4,216,814
NET PROGRAM EXPENSES		(34,190,370)	(10,989,643)	(45,180,013)
GENERAL REVENUES:				
Governmental gross receipts and gross receipts taxes		-	18,656,645	18,656,645
Investment earnings		2,109,460	7,375,271	9,484,731
State General Fund Appropriations		19,566,884	-	19,566,884
Other revenue		-	2,000,000	2,000,000
TOTAL GENERAL REVENUES		21,676,344	28,031,916	49,708,260
TRANSFERS		21,495	(21,495)	-
CHANGE IN NET ASSETS		(12,492,531)	17,020,778	4,528,247
NET ASSETS, BEGINNING OF FISCAL YEAR		(60,978,165)	162,861,332	101,883,167
NET ASSETS, END OF FISCAL YEAR	$	(73,470,696)	179,882,110	106,411,414

See Notes to Financial Statements.

AS OF JUNE 30, 2006

		Major Funds							
		Metro Court Financing Fund	State Building Program Cigarette Tax Fund	State Office Building Financing Fund	UNM Health Sciences Fund	Water Project Fund	Water and Wastewater Project Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:									
Unrestricted:									
Cash and cash equivalents	$	-	4,277,573	6,102,620	44,062	5,421,506	10,079,274	2,311,854	28,236,889
Receivables:									
Tax receivable		-	540,641	500,000	699,509	-	-	357,191	2,097,341
Interest		-	-	-	-	-	-	9,535	9,535
Other receivables		-	-	-	-	-	-	779	779
Loans receivable		-	-	-	-	-	-	669,000	669,000
		-	4,818,214	6,602,620	743,571	5,421,506	10,079,274	3,348,359	31,013,544
Restricted:									
Cash and cash equivalents held for others by trustee:									
Debt service		-	-	-	-	-	-	620,035	620,035
Bond reserve		-	698,852	2,774,721	1,516,890	-	-	-	4,990,463
Investments		-	-	-	-	6,002,547	11,504,882	-	17,507,429
TOTAL ASSETS	$	-	5,517,066	9,377,341	2,260,461	11,424,053	21,584,156	3,968,394	54,131,471
LIABILITIES:									
Accounts payable	$	-	-	-	-	5,381	58,501	101,113	164,995
Debt service payable		111,140	-	-	-	-	-	-	111,140
Notes payable		-	2,000,000	-	-	-	-	-	2,000,000
Due to other funds		1,275,483	-	-	-	18,157	10,001	727,765	2,031,406
TOTAL LIABILITIES		1,386,623	2,000,000	-	-	23,538	68,502	828,878	4,307,541
FUND BALANCES:									
Reserve for debt service		(1,386,623)	-	9,377,341	2,260,461	-	-	2,439,654	12,690,833
Unreserved:									
Special revenue funds		-	3,517,066	-	-	11,400,515	21,515,654	699,862	37,133,097
TOTAL FUND BALANCES		(1,386,623)	3,517,066	9,377,341	2,260,461	11,400,515	21,515,654	3,139,516	49,823,930
TOTAL LIABILITIES AND FUND BALANCES	$	-	5,517,066	9,377,341	2,260,461	11,424,053	21,584,156	3,968,394	54,131,471

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2006

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	$	49,823,930
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
The cost of capital assets is		309,895
Accumulated depreciation is		(77,646)
Total capital assets, net of depreciation		232,249
Bond issuance costs are included in the current period and, therefore, not capitalized as assets in the funds, amortized over the life of the respective bond. Deferred costs, net, are		2,869,649
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term and other liabilities at year end consist of:		
Bonds payable, net of premium of $2,169,977		(125,688,977)
Accrued interest payable		(707,547)
Total long-term and other liabilities		(126,396,524)
Net assets of governmental activities (Statement of Net Assets)	$	(73,470,696)

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2006

	Metro Court Financing Fund	State Building Program Cigarette Tax Fund	State Office Building Financing Fund	UNM Health Sciences Fund	Water Project Fund	Water and Wastewater Project Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:								
Grant revenue	$ -	-	-	-	845,680	-	-	845,680
Interest on loans	-	-	-	-	-	-	52,765	52,765
Interest on investments	14,822	163,870	433,423	102,344	428,470	794,062	119,706	2,056,697
TOTAL REVENUES	14,822	163,870	433,423	102,344	1,274,150	794,062	172,471	2,955,142
EXPENDITURES:								
Current:								
Administrative fee	-	-	45,255	154,778	-	-	17,169	217,202
Professional services	-	10,338	1,122	48,158	45,257	184,588	235,019	524,482
Salaries and fringe benefits	-	-	-	-	108,263	69,121	123,413	300,797
In-state travel	-	-	-	-	4,706	2,852	11,759	19,317
Out-of-state travel	-	-	-	-	545	564	4,950	6,059
Maintenance and repairs	-	-	-	-	1,437	1,000	1,831	4,268
Operating costs	-	-	-	-	29,791	21,670	48,050	99,511
Grant expenses	-	-	-	-	5,577,998	8,284,822	171,054	14,033,874
Capital outlay	-	-	-	-	45,130	38,480	78,408	162,018
Debt service - principal	175,000	600,000	1,320,000	5,690,000	-	-	1,286,000	9,071,000
Debt service - interest	3,044,015	31,500	1,167,707	1,234,888	-	-	786,633	6,264,743
TOTAL EXPENDITURES	3,219,015	641,838	2,534,084	7,127,824	5,813,127	8,603,097	2,764,286	30,703,271
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,204,193)	(477,968)	(2,100,661)	(7,025,480)	(4,538,977)	(7,809,035)	(2,591,815)	(27,748,129)
OTHER FINANCING SOURCES (USES):								
State General Fund appropriations	-	1,538,727	6,000,000	9,767,447	-	-	2,260,710	19,566,884
Transfers (to) from other funds	(802,800)	(261,265)	-	1,085,000	(16,558)	(1,945)	19,063	21,495
Transfers (to) other state agencies	-	(94,150)	(9,797,728)	(2,897,518)	-	-	(784,264)	(13,573,660)
NET OTHER FINANCING SOURCES (USES)	(802,800)	1,183,312	(3,797,728)	7,954,929	(16,558)	(1,945)	1,495,509	6,014,719
NET CHANGE IN FUND BALANCES	(4,006,993)	705,344	(5,898,389)	929,449	(4,555,535)	(7,810,980)	(1,096,306)	(21,733,410)
FUND BALANCES, June 30, 2005	2,620,370	2,811,722	15,275,730	1,331,012	15,956,050	29,326,634	4,235,822	71,557,340
FUND BALANCES, June 30, 2006	$ (1,386,623)	3,517,066	9,377,341	2,260,461	11,400,515	21,515,654	3,139,516	49,823,930

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2006

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	$ (21,733,410)
Amounts reported for governmental activities in the Statement of Activities are different because:	
In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The decrease in the liabilities for the fiscal year was:	
Governmental Funds report principal payments on debt service as expenditures. However, in the Statement of Activities, these payments are reported as a reduction of the liability. In the current period, these principal payment amounts were	9,246,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the Governmental Funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the net result of two factors: accrued interest on bonds and notes payable. The decrease in the liability for the fiscal year was	50,310

YEAR ENDED JUNE 30, 2006

Change from prior year in amortization of bond issuance costs:				
Deferred issuance costs FY05 (p. 17 PY)	$	3,032,008		
Deferred issuance costs FY06 (p. 17 CY)		2,869,649		
			$	(162,359)
Change from prior year in amorization of bond premium/discount:				
Amortization of bond premium/discount FY05 (p. 62 PY)		2,163,465		
Amortization of bond premium/discount FY06 (p. 64 CY)		2,169,977		
				(6,512)

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital outlay		162,018
Depreciation expense		(48,578)
Excess of capital outlay over depreciation expense		113,440
Change in net assets of governmental activities (Statement of Activities)	$	(12,492,531)

AS OF JUNE 30, 2006

	Operating Fund	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund	GRIP Administrative Fund	Primary Care Capital Fund	Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	Total
ASSETS:										
Current:										
Cash and cash equivalents	$ 229,446	2,849,858	10,096,279	1,850,289	-	78,701	-	882,626		15,987,199
Receivables:										-
Tax revenue	-	6,080,078	3,460	-	17,909	-	-	-	-	6,101,447
Interest	-	4,038,897	93,226	-	-	-	-	-	-	4,132,123
Grant and other	166,751	51,436	3,785,476	-	-	-	-	-	-	4,003,663
Due from other state agencies	-	-	-	72,917	-	-	-	-	-	72,917
Due from other funds	970,999	1,275,483	-	-	-	-	-		-	2,246,482
Administrative fees receivable	357,314	-	11,000	-	-	-	-	-	-	368,314
Total current assets	1,724,510	14,295,752	13,989,441	1,923,206	17,909	78,701	-	882,626	-	32,912,145
Loans receivable, net of allowance	-	551,812,951	17,329,581		4,541,415	431,370	-	-	-	574,115,317
Securities	-	11,705,377	-	-		-	-	-	-	11,705,377
Restricted assets - cash and cash equivalents	-	196,799,266	5,879,803	-	2,893,651	11,102	252,557	-	2,785,396	208,621,775
Escrow	-	60,166,010		-	-	-	-	-	-	60,166,010
Depreciable property and equipment, net	121,412	114,566	43,520	81,384	-	-	-	-	-	360,882
Deferred charges		7,663,195	-	-	-	53,550	-	-		7,716,745
Other assets	16,610	-	-	-	-	-	-	-	-	16,610
TOTAL ASSETS	$ 1,862,532	842,557,117	37,242,345	2,004,590	7,452,975	574,723	252,557	882,626	2,785,396	895,614,861
LIABILITIES:										
Accounts payable and other liabilities	$ 41,868	1,076,852	167,415	6,286	1,188	53,715	457		-	1,347,781
Accrued payroll, fringe benefits and compensated absences	204,235	22,737	4,872	6,830	-	-	-		-	238,674
Accrued interest payable	-	1,921,238	-	-	-	-	-	-	22,959	1,944,197
Debt service payable		34,103,265	156,403	-	34,870	7,948	-	-	-	34,302,486
Funds held for others	-	67,165,260	1,607,750	-	17,949	-	250,000	-	-	69,040,959
Due to other state agencies	4,294	-	677,326	-	-	-	-	-	-	681,620
Due to other funds	-	101,415	23,472	41,118	-	289	48,756	26	-	215,076
Deferred revenue	-	3,260,000	-	-	-	-	-	-	-	3,260,000
Bonds payable, current, net	-	32,730,000	-	-	-	-	-	-	125,000	32,855,000
Bonds payable, noncurrent, net	-	569,471,958	-	-	-	-	-	-	2,375,000	571,846,958
TOTAL LIABILITIES	250,397	709,852,725	2,637,238	54,234	54,007	61,952	299,213	26	2,522,959	715,732,751
NET ASSETS:										
Invested in capital assets, net of related debt	121,412	114,566	43,520	81,384	-	-	-	-	-	360,882
Restricted for:										
Program funds	-	132,589,826	34,561,587	-	7,398,968	512,771	(46,656)	882,600	262,437	176,161,533
Unrestricted	1,490,723	-	-	1,868,972	-	-	-	-	-	3,359,695
TOTAL NET ASSETS	1,612,135	132,704,392	34,605,107	1,950,356	7,398,968	512,771	(46,656)	882,600	262,437	179,882,110
TOTAL LIABILITIES AND NET ASSETS	$ 1,862,532	842,557,117	37,242,345	2,004,590	7,452,975	574,723	252,557	882,626	2,785,396	895,614,861

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2006

	Operating Fund	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund	GRIP Administrative Fund	Primary Care Capital Fund	Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	Total
INTEREST EARNINGS:										
Interest on loans	$ -	16,651,654	575,035	-	-	12,674	-		-	17,239,363
Interest on investments	63,420	6,509,778	505,658	51,004	200,478	3,322	2,557	8,505	30,549	7,375,271
TOTAL INTEREST EARNINGS	63,420	23,161,432	1,080,693	51,004	200,478	15,996	2,557	8,505	30,549	24,614,634
INTEREST EXPENSE:										
Debt service - interest expense	-	23,989,518	-	-	-	-	-	-	47,065	24,036,583
NET INTEREST EARNINGS	63,420	(828,086)	1,080,693	51,004	200,478	15,996	2,557	8,505	(16,516)	578,051
NON-INTEREST EARNINGS:										
Tax revenue	-	18,656,645	-	-		-		-	-	18,656,645
Federal grant revenue		-	3,371,134	-	-	-	-		-	3,371,134
Administrative fees	1,648,679	-	40,948	1,750,000	-	1,152	-	-	-	3,440,779
TOTAL NON-INTEREST EARNINGS	1,648,679	18,656,645	3,412,082	1,750,000	-	1,152	-		-	25,468,558
NON-INTEREST EXPENSE:										
Grant expense		533,548	-	-		-		-		533,548
Bond issuance costs		552,302	-	-	-		-		-	552,302
Administrative fees	-	141,695	-			-		-	-	141,695
Professional services	421,675	2,104,587	238,747	251,931	383,474	8,849	33,488	879	136	3,443,766
Salaries and fringe benefits	1,069,463	700,489	152,735	188,595	-		-		-	2,111,282
In-state travel	10,636	22,390	3,650	7,274	-	3	1,081	26	-	45,060
Out of state travel	11,471	11,176	2,977	3,977		-	51	-	-	29,652
Maintenance and repairs	5,652	7,509	5,081	2,370	-	172	314	-		21,098
Supplies	27,676	30	5,669	6,924	-	133	4,916	-	-	45,348
Operating costs	167,213	155,137	89,889	39,185		345	1,084	-	-	452,853
Depreciation	25,279	18,491	12,355	15,052	-	-	-	-	-	71,177
TOTAL NON-INTEREST EXPENSE	1,739,065	4,247,354	511,103	515,308	383,474	9,502	40,934	905	136	7,447,781
NON-OPERATING REVENUES (EXPENSES):										
Miscellaneous revenue	-	-	2,000,000	-	-	-	-	-	-	2,000,000
TOTAL NON-INTEREST EARNINGS (EXPENSE) BEFORE TRANSFERS	(26,966)	13,581,205	5,981,672	1,285,696	(182,996)	7,646	(38,377)	7,600	(16,652)	20,598,828
TRANSFERS:										
Transfers in (out)	746,524	(1,012,705)	(18,064)	(875,000)	-	(16,339)	-	875,000	279,089	(21,495)
Transfers from (to) other state agencies	-	(696,524)	(2,860,031)	-	-	-	-	-	-	(3,556,555)
TOTAL TRANSFERS	746,524	(1,709,229)	(2,878,095)	(875,000)	-	(16,339)		875,000	279,089	(3,578,050)
CHANGE IN NET ASSETS	719,558	11,871,976	3,103,577	410,696	(182,996)	(8,693)	(38,377)	882,600	262,437	17,020,778
TOTAL NET ASSETS, June 30, 2005	892,577	120,832,416	31,501,530	1,539,660	7,581,964	521,464	(8,279)	-	-	162,861,332
TOTAL NET ASSETS, June 30, 2006	$ 1,612,135	132,704,392	34,605,107	1,950,356	7,398,968	512,771	(46,656)	882,600	262,437	179,882,110

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2006

		Operating Fund	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund	GRIP Administrative Fund	Primary Care Capital Fund	Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	Total
CASH FLOWS FROM OPERATING ACTIVITIES:											
Cash paid for employee services	$	(1,069,463)	(700,489)	(152,735)	(188,595)	-	-	-	-	-	(2,111,282)
Cash paid to vendors for services		(591,003)	(380,813)	(258,652)	(291,629)	(382,285)	(9,022)	-	(879)	(136)	(1,914,419)
Bond issuance costs		-	(552,302)	-	-	-	-	-	-	-	(552,302)
Interest expense paid		-	(22,068,279)	-		-	-	-	-	(24,106)	(22,092,385)
Grants awarded		-	(533,548)	4,145,259	-	-	-	-	-	-	3,611,711
Tax revenue		-	17,290,673	-	-	-	-	-	-	-	17,290,673
Interest income received		63,420	23,161,432	1,080,693	51,004	200,478	15,996	2,557	8,505	30,549	24,614,634
Administrative fees received		1,076,269	-	40,948	1,750,000	5,194	1,152	-	-	-	2,873,563
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		(520,777)	16,216,674	4,855,513	1,320,780	(176,613)	8,126	2,557	7,626	6,307	21,720,193
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITES:											
Operating transfers, net		746,524	(1,012,705)	(18,064)	(875,000)		(16,339)	-	875,000	279,089	(21,495)
Cash paid to subrecipients for services			(696,524)	(2,860,031)	-		-	-	-	-	(3,556,555)
Cash provided (used) by funds held for others		-	8,868,060	174,246	-	(3,553)	-	250,000	-	-	9,288,753
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES		746,524	7,158,831	(2,703,849)	(875,000)	(3,553)	(16,339)	250,000	875,000	279,089	5,710,703
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:											
Securities		-	1,056,286	-	-	-	-	-	-	-	1,056,286
Escrow			(12,621,900)	-	-	-		-	-	-	(12,621,900)
Loans funded			(153,628,075)	(1,550,114)	-	-	-	-		-	(155,178,189)
Loan payments received			37,546,043	1,033,066	-	811,822	29,495	-	-	-	39,420,426
Bonds issued			168,400,000	-	-	-	-	-	-	2,500,000	170,900,000
Payment of bonds		-	(27,569,347)	-	-	-	-	-	-	-	(27,569,347)
Debt service		-	(2,866,969)	(1,260,753)	-	(4,482)	-	-	-	-	(4,132,204)
Capital asset purchases		(103,035)	(96,926)	(28,536)	(62,844)	-	-	-	-	-	(291,341)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(103,035)	10,219,112	(1,806,337)	(62,844)	807,340	29,495	-	-	2,500,000	11,583,731
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		122,712	33,594,617	345,327	382,936	627,174	21,282	252,557	882,626	2,785,396	39,014,627
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, June 30, 2005		106,734	166,054,507	15,630,755	1,467,353	2,266,477	68,521	-	-	-	185,594,347
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, June 30, 2006	$	229,446	199,649,124	15,976,082	1,850,289	2,893,651	89,803	252,557	882,626	2,785,396	224,608,974
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES - OPERATING INCOME:		719,558	11,871,976	3,103,577	410,696	(182,996)	(8,693)	(38,377)	882,600	262,437	17,020,778
Adjustments to operating income:											
Depreciation and amortization		25,279	18,491	12,355	15,052	-	-	-	-	-	71,177
Net transfers		(746,524)	1,709,229	2,878,095	875,000	-	16,339	-	(875,000)	(279,089)	3,578,050
(Increase) decrease in prepaids and receivables		(572,410)	(1,365,972)	(1,225,875)	-	5,194	480	-	-	-	(3,158,583)
Increase in payables and other accrued liabilities		53,320	3,982,950	87,361	20,032	1,189	-	40,934	26	22,959	4,208,771
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	$	(520,777)	16,216,674	4,855,513	1,320,780	(176,613)	8,126	2,557	7,626	6,307	21,720,193

See Notes to Financial Statements.

AS OF JUNE 30, 2006

		Agency Funds
ASSETS:		
Cash at Trustee:		
Program funds	$	364,453,433
Expense funds		2,463,987
Bond reserve funds		41,318,641
TOTAL ASSETS	$	408,236,061
LIABILITIES:		
Accounts payable	$	1,388,387
Debt service payable		42,887,424
Funds held for the New Mexico Department of Transportation		363,960,250
TOTAL LIABILITIES	$	408,236,061

See Notes to Financial Statements.

NATURE OF ORGANIZATION

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico 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, appoints to the Authority Board, 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 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 Standards Board (GASB) 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 its ability to issue tax-exempt debt.

NATURE OF ORGANIZATION - continued

The financial reporting entity as defined by GASB No. 14 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government". The Authority is, however, considered to be a discretely presented component unit of the State of New Mexico. The Authority does not have any component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standard Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

The Authority has implemented the provisions of GASB No. 34. As a part of this statement, there is a reporting requirement regarding the local government's infrastructure (roads, bridges, etc.) The Authority does not own any infrastructure assets and, therefore, is unaffected by this requirement.

- ***Basic Financial Statements***

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The new reporting model focus is on either the Authority as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis by column, and is reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ *Government-wide and Fund Financial Statements*

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units, if any. For the most part, the effect of interfund activity has been removed from these statements. ***Governmental activities***, which normally are supported by taxes and intergovernmental revenues, are reported separately from ***business-type activities***, which rely to a significant extent on fees and charges for support. Likewise, the ***primary government*** is reported separately from certain legally separate ***component units*** for which the primary government is financially accountable.

The government-wide statement of activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Authority includes only one function (infrastructure financing). Inter-fund balances have been eliminated in the government-wide financial statements within government funds and enterprise funds. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipt taxes, grants and appropriations. On an accrual basis, revenue from gross receipts taxes is recognized when the underlying transaction has occurred. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. ***Direct expenses*** are those that are clearly identifiable with a specific function or segment. ***Program revenues*** include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as ***general revenues***.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statement. Major individual enterprise funds are reported as separate columns in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ *Government-wide and Fund Financial Statements - continued*

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Authority's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

The Government-wide financial statements are prepared using the economic resources measurement focus and the accrued basis of accounting. The fund financial statements should be presented using the current financial resources measurement focus and the modified accrual basis of accounting.

♦ *Basis of Presentation - Fund Accounting*

The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

The following fund types and account groups are used by the Authority:

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) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

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. All government funds are non-reverting.

The Authority reports the following major governmental funds:

- Metro Court Financing Fund
- State Building Program Cigarette Tax Fund
- State Office Building Financing Fund
- UNM Health Sciences Fund
- Water Project Fund
- Water and Wastewater Project Grant Fund

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specific purposes.

Special Revenue Fund - State Building Program-Cigarette Tax. This fund 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 were 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 the amount of 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 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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Special Revenue Funds - continued

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.

Special Revenue Fund - Water and Wastewater Project Grant Fund. This grant fund is to use the net proceeds of the sale of bonds, pursuant to the provisions of Section 6-21-6.1, NMSA, 1978 Compilation, for the purposes of water and wastewater projects and payable from the public project revolving fund. Money in the water and wastewater project grant fund is appropriated to the Authority to make grants to qualified entities for water and wastewater public projects pursuant to special authorization by law for each project, and to pay administrative costs of the water and wastewater project grant program. Any unexpended or unencumbered balances remaining at the end of the fiscal year shall not revert to the State's general fund.

Special Revenue Fund - Water Project Fund. This fund was created with the passage of Senate Bill 169 during the 2001 Legislative Session. The purpose of this fund is to provide for water use efficiency, resource conservation and protection and fair distribution and allocation of water. The Water Project Fund was created in the Authority and consists of distributions made from the Water Trust Fund and payments of principal and interest on loans approved for water projects. The fund also consists of any other money appropriated, distributed or otherwise allocated to the fund for the purpose of supporting water projects pursuant to the provisions of the Water Projects Finance Act.

Special Revenue Fund - Water and Wastewater Planning Grant Fund. The 2002 New Mexico Legislature authorized the Authority to establish the new Water and Wastewater Planning Grant fund. This fund will provide grant money to qualified entities on a sliding scale for the creation of planning documents such as preliminary engineering reports, feasibility studies and master plans. Each grant must not exceed $25,000 and must be repaid if the project in the planning document eventually receives funding. The initial capitalization of $1 million was provided from the 2002A PPRF revenue bonds issued on July 2, 2002.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Special Revenue Funds - continued

Special Revenue Fund - Emergency Drought Water Program. Executive Order 02-19 declared a statewide drought disaster due to the severe statewide drought conditions. The Water Trust Board has been designated as the coordinator of all assistance requests from public water systems during the drought. Based on initial requests, the Water Trust Board may direct a strike team to investigate the water problem. Strike team members include State Engineer's personnel and other technical personnel as deemed necessary. The strike team will assess the situation and provide the Water Trust Board with an action plan to immediately alleviate the problem through the next legislative session. If the action plan implementation is beyond local control and requires the resources of the State, the Water Trust Board will recommend the project to the Governor for disaster funding. Each emergency disaster declaration by the Governor will release $750,000 in funding to alleviate the emergency conditions.

Special Revenue Fund - Economic Development. This fund was created with the passage of Senate Bill 932 - Statewide Economic Development Finance Act (SWEDFA) during the 2003 legislative session. The purpose of this fund is to provide a comprehensive package of financing tools to stimulate economic development projects and fill the gap between public and private financing.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

Debt Service Fund - Metro Court Financing Fund. The Laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. The bonds were issued on August 1, 2001. The pledged revenues for the project consist of a portion of the docketing fees and costs collected by 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. There was an additional bond issuance in September 2002 (2002A).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ *Basis of Presentation - Fund Accounting - continued*

Debt Service Funds - continued

Debt Service Fund - Workers' Compensation Financing Fund. This fund 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 the 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 power agreement to accomplish this purpose. A total of $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 irrevocable 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 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, any surplus bond proceeds and interest will be used for the project.

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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Debt Service Funds - continued

Debt Service Fund - State Capitol Improvement Financing Fund. The Laws of 1997, Chapter 178, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $10,155,000 for the purpose of repairing, remodeling, constructing and equipping a state building located adjacent to the State Capitol in Santa Fe known as the New Mexico State Library, and for relocation-associated renovations in the State Capitol. A total of $510,000 of revenue bonds were issued on May 17, 1999 and $8,805,000 of revenue bonds were issued on June 1, 1999, for a total outstanding of $9,315,000. Monthly, all income and distributions creditable to the capitol buildings repair fund shall be distributed by the State Treasurer to the Authority, and are appropriated to the Authority to be pledged irrevocable for the payment of the bonds.

Debt Service Fund - Equipment Loan Fund. 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, the Authority issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A, the proceeds of which were loaned to 18 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. 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 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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Debt Service Funds - continued

Debt Service Fund - State Office Building Financing Fund. The Laws of 2001, Chapters 166 and 199, authorized the Authority to issue revenue bonds for the financing of acquisition, construction, equipping and otherwise improving land and buildings for the General Services Department of the State of New Mexico. The initial project consists of 1) purchasing the National Education Association Building on South Capitol Street in Santa Fe, New Mexico, 2) paying the costs of planning, designing, constructing and furnishing a new office building with integrated parking at the West Capitol Complex on Cerrillos Road in Santa Fe, New Mexico, and 3) purchasing land adjacent to the District Five Office of the New Mexico State Highway and Transportation Department on Cerrillos Road in Santa Fe, New Mexico. In addition, to the extent proceeds of the Bonds are not used for the projects listed in the preceding sentence, the Project may include the acquisition of the Public Employees Retirement Association Building on Paseo de Peralta in Santa Fe, New Mexico. The General Services Department of the State is responsible for obtaining any required approvals to proceed with the project and to negotiate the purchases of a portion of the project and to pursue the completion of the project. The Director of the Property Control Division of the General Services Department has certified that the project is needed and can be completed within a reasonable time. Planning and negotiations have begun by the Property Control Division to complete the project.

Debt Service Fund - UNM Health Sciences. Chapters 341, Laws of New Mexico 2003 (the Authorizing Act) authorized the State of New Mexico to distribute amounts equal to 1) 14.52% of the net receipts of a cigarette excise tax to the Authority on behalf and for the benefit of the University of New Mexico Health Sciences Center, and 2) 15.95% of the net Cigarette Tax receipts collected each month for bond credit enhancement purposes. The Authorizing Act also permitted the Authority to issue Cigarette Tax revenue bonds in an amount not to exceed $60,000,000 for the purpose of designing, constructing, equipping and furnishing additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Proprietary Fund Types - The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The Authority does not apply FASB pronouncements issued after November 30, 1989, to its proprietary funds or business-type activity accounting. The only proprietary fund types the Authority has are enterprise funds.

Enterprise Funds - Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services, and the activity is a) financed with debt that is solely secured by a pledge of the net revenues, b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or c) has a pricing policy designed for the fees and charges to recover similar costs. The enterprise funds are as follows:

Enterprise Fund - Operating Fund. The operating fund of the Authority accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Enterprise Fund - Public Projects Revolving Fund. This 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 75% 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 35% shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the water and wastewater project grant fund, 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 be approved by the Legislature.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ Basis of Presentation - Fund Accounting - continued

Enterprise Funds - continued

Enterprise Fund - New Mexico Drinking Water State Revolving Loan Fund. The New Mexico Drinking Water State Revolving Loan Fund Act (Act) created 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 of 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.

Enterprise Fund - 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 under-served 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

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Enterprise Funds - continued

Enterprise Fund - Primary Care Capital Fund - continued. for assistance to the Department and administration of the Primary Care Capital Fund.

Enterprise Fund - GRIP Administrative Fund. The purpose of this fund is to record the administrative expenditures and fee revenue related to the New Mexico Department of Transportation (NMDOT) Series 2004A, B and C bond issues completed by the Authority on behalf of the NMDOT. Pursuant to a memorandum of understanding between the Authority and the NMDOT, the Authority is to receive an annual fee of 25 basis points on the outstanding debt on the 2004A Bonds for issuing the NMDOT debt, managing the outstanding debt portfolio and investing the proceeds until drawn down by the NMDOT.

Enterprise Fund - Child Care Revolving Loan Fund. Created by the 2003 Legislature, the Child Care Revolving Loan Fund partners the Authority with the New Mexico Children, Youth and Families Department to provide low-cost financing to licensed child care providers. The program received $250,000 in funding from an allocation of federal funds during fiscal year 2004.

Enterprise Fund - Behavioral Health Capital Fund. This fund was created with the passage of Senate Bill 248 in the 2004 legislative session. The purpose of this fund is to support the physical improvement, repair, safety and maintenance of licensed child care facilities throughout New Mexico by providing long-term, low interest funding through a revolving loan fund, so as to ensure availability of healthy and safe teaching environments.

Enterprise Fund - Cigarette Tax Revenue Bond – Behavioral Health Capital Fund (BHCF). The BHCF was set up to provide funding for capital projects to non-profit providers to increase health care services to sick and indigent patients. The 2004 Legislature created this fund to provide low cost financing to non-profit behavioral health clinics for their capital equipment and infrastructure projects. The Authority was authorized to issue up to $2,500,000 in bonds, secured by a portion of the net cigarette tax receipts collected by the State and distributed to the Authority. A private placement of $2,500,000 in bonds was issued during fiscal year 2006.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ Basis of Presentation - Fund Accounting - continued

Enterprise Funds - continued

Enterprise Fund – Local Transportation Infrastructure Fund (Local Road Fund). This fund was created to provide local government not eligible for Federal funding, whose needs have not been met by the existing Local Government Road Fund, with grants and low cost financial assistance for transportation projects. The program is jointly administered by the Authority and the NMDOT. The NMDOT determines feasibility and priority of recommended projects and the Authority makes loans and grants to the recommended projects. Grants are capped at 25 percent of the project cost.

The Authority's only fiduciary fund is an agency fund. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The Authority's agency fund is used to account for cash at trustee related to certain bond issues that the Authority completed on behalf of the NMDOT (see Note 12).

♦ Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes, grants and appropriations. On an accrual basis, revenue from gross receipts taxes is recognized when the underlying transaction has occurred. Revenue from grants and appropriations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Governmental fund types follow the modified accrual basis of accounting for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Measurement Focus and Basis of Accounting - continued*

finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period). For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Interest earned is accrued currently by the appropriate funds. Contributions, gross receipts tax and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures, other than vacation, compensatory, and sick pay, are recorded when they are incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources. Interest expense is recognized when paid. Total interest expense incurred during the year ended June 30, 2006, was $6,264,743.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are charges to customers for interest and fees. Operating expenses for enterprise funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted net assets are available for expenses, unrestricted funds are applied first.

♦ *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, Wells Fargo and with banks acting as bond trustees. Cash in the various programs on deposit with the State Treasurer is invested by the New Mexico State Treasurer in the "overnight" repurchase program.

For pooled funds on deposit with the New Mexico State Treasurer, interest is credited to the various programs based on the program's average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Cash and Cash Equivalents - continued*

level of 50%. Separate financial statements of the State Treasurer indicate collateral, categories of risk and market value of purchased investments which may differ from the cash deposited by the Authority. Funds held by the banks and the Authority acting as trustees are invested in money market accounts that invest in United States Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. Repurchase agreements are collateralized at 102% in accordance with the Authority's internal policy.

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 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.

♦ *Securities*

The Authority has purchased State of New Mexico Department of Energy, Minerals and Natural Resources, Jemez Springs, and New Mexico Interstate Stream Commission bonds that are recorded at cost, which approximates market value.

♦ *Loans*

Loans are stated at their principal amount. Interest on loans is accrued 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. There are no material loans past due for more than 90 days at the end of the fiscal year, which would be required to be placed on non-accrual status.

♦ *Allowance for Loan Losses*

The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors, including collateral value, past loan loss experience, current facts and economic conditions. The allowance is based on management's estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and any necessary adjustments are reported in income in the period they become known. The Authority has not experienced any losses on its loan portfolio.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *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 "expense fund" account is used to cover professional expenses incurred during the bond offering process.

♦ *Budgets and Budgetary Accounting*

The Authority prepares a budget for the operations fund and for the DWRLF. These budgets are approved by the Authority's board but are not legally binding, and therefore are not presented in the financial statements. These budgets may also be amended by the Authority's board. The budgets are prepared on a non-GAAP basis. The differences between the budgetary basis and GAAP basis are that capital outlay expenditures are included as a budgetary expenditure and depreciation expense is not a budgetary expenditure.

♦ *Capital Assets*

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays exceeding $500 that significantly extend the useful life of an asset are capitalized. The Authority is adopting the New Mexico State Capitalization threshold of $5,000 in the next fiscal year. Computer software is included in furniture and equipment. In addition, furniture and equipment with lives of three years or less, and repairs and maintenance that do not extend the useful lives of premises and equipment are expensed as incurred. The Authority does not have any internally developed software.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on estimated useful lives ranging from three to seven years.

♦ *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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Compensated Absences*
Full-time employees are entitled to fifteen days vacation leave with ten years or less employment with the Authority. Employees with more than ten years receive twenty days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid vacation leave as of the date of termination.

Full-time employees are entitled to twelve days of sick leave each fiscal year. When employees terminate, they are compensated at twenty-five (25%) of their current hourly rate of accumulated unpaid sick leave up to 300 hours. Part-time employees accrue vacation leave and sick leave on a prorated basis based on the number of hours they work. Accrued compensated absences are recorded and liquidated in the operating fund.

♦ *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.

♦ *Bond Discounts, Premiums and Issuance Costs*
In governmental fund types, bond discounts, premiums and issuance costs are recognized in the period incurred. 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 straight line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs.

♦ *Fund Equity*
Reserves represent those portions of fund equity appropriated or legally segregated for a specific future use. Debt service fund balances are reserved based on the language in the trust agreements, which require the bond proceeds be used for the specific purposes of the fund. Special revenue funds are reserved based on the statutory or bond trust restrictions.

♦ *Net Assets*
The government-wide and business type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

> Investment in capital assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority has no capital asset related debt.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

◆ ***Net Assets - continued***

Restricted assets are liquid assets that have third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.

Unrestricted assets represent liquid assets.

◆ ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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.

◆ ***Interfund and Interagency Transactions***

Interfund and interagency transactions 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other transfers are recorded as operating transfers in (out) to other state agency under the other financing sources (uses) category.

2. *CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE*

Funds held for others and short-term investments are held at the trustees in the names of the applicable government entity and the Authority. The repurchase agreements are overnight only. The following is a reconciliation of cash and cash equivalents to the financial statements.

		Book Balance	Bank Balance
Government-wide statement of net assets:			
State Treasurer Local Government Investment Pool	$	55,988,450	55,809,536
The Primary Care Capital Fund held at the State Treasurer's Office		2,845,585	2,845,585

2. *CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE - continued*

		Book Balance	Bank Balance
Government-wide statement of net assets - continued:			
State Treasurer's office cash held at Bank of Albuquerque in money market accounts	$	97,570,334	99,683,333
Bank of Albuquerque trust accounts		119,065,618	119,065,618
Reserve on Bond Payable held in Bank of America		264,356	264,356
Wells Fargo operating accounts		229,447	248,189
	$	275,963,790	277,916,617
Agency Fund:			
Money market accounts invested in Bank of Albuquerque	$	408,236,061	408,236,061
	$	408,236,061	408,236,061

The New Mexico State Treasurer's Office is responsible for ensuring that all accounts held by any bank for all State governmental entities have collateral at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Authority.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States, are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contribution entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested.

Participation in the local government investment pool is voluntary. The investments are valued at fair value based on quoted market prices as of the valuation date.

2. *CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE - continued*

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 sources of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts that 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.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its collateral securities that are in the possession of an outside party. The Authority's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the Authority's name.

3. *LOANS RECEIVABLE - BUSINESS TYPE ACTIVITIES*

Loan receivable balances consist of the following at June 30, 2006:

Enterprise funds:	
Public Projects Revolving Loan Fund, net of allowance of $482,420	$ 551,812,951
Primary Care Capital Fund	4,541,415
Drinking Water State Revolving Loan Fund	17,329,581
Behavioral Health Capital Fund	431,370
	574,115,317
Governmental funds:	
C.O.P.S.	669,000
	$ 574,784,317

♦ ***Public Projects Revolving Loan Fund***

The Public Projects Revolving Loan Fund loans receivable balance at June 30, 2006 is $551,812,951, net of allowance of $482,420, and consists of loans made to various entities.

Terms for the Public Project Revolving Loans 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:

3. *LOANS RECEIVABLE - BUSINESS TYPE ACTIVITIES - continued*

♦ *Public Projects Revolving Loan Fund – continued*

		Principal	Interest	Total
July 1, 2006 to June 30, 2007	$	38,319,850	19,875,333	58,195,184
July 1, 2007 to maturity		513,975,521	187,098,108	701,073,629
	$	552,295,371	206,973,441	759,268,812

♦ *Primary Care Capital Fund*

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, 2006 to June 30, 2007	$	430,580	136,954	567,535
July 1, 2007 to maturity		4,110,835	644,738	4,755,572
	$	4,541,415	781,692	5,323,107

No allowance for uncollectible loans has been established as the loans are secured by applicable sources of pledged receivables.

♦ *Drinking Water State Revolving Loan Fund*

Terms for the Drinking Water State Revolving loans vary with interest rates ranging from 0% to 3%. 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, 2006 to June 30, 2007	$	1,014,361	331,537	1,345,898
July 1, 2007 to maturity		16,315,220	2,269,996	18,585,216
	$	17,329,581	2,601,533	19,931,115

No allowance for uncollectible loans has been established as the loans are secured by applicable sources of pledged receivables.

♦ *Behavioral Health Capital Fund*

The Behavioral Health Capital loan has an interest rate of 3%. The following is a summary of future loan principal and interest to be collected on the loan repayment schedules at year-end.

3. *LOANS RECEIVABLE - BUSINESS TYPE ACTIVITIES - continued*

♦ *Behavioral Health Capital Fund - continued*

		Principal	Interest	Total
July 1, 2006 to June 30, 2007	$	30,382	11,863	42,245
July 1, 2007 to maturity		400,988	69,425	470,413
	$	431,370	81,288	512,658

No allowance for uncollectible loans has been established as the loan is secured by applicable sources of pledged receivables.

♦ *C.O.P.S.*

The C.O.P.S. loans vary, with interest rates ranging from 4.75% to 6.618%. 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, 2006 to June 30, 2007	$	162,000	39,201	201,201
July 1, 2007 to maturity		507,000	122,858	629,858
	$	669,000	162,059	831,059

No allowance for uncollectible loans has been established as the loan is secured by applicable sources of pledged receivables.

4. *SECURITIES*

At June 30, 2006, securities for the Public Project Revolving Fund (PPRF) consisted of $11,202,538 of Department of Energy, Minerals, and Natural Resources Bonds (Series 1995A, 1995B, 1996A, 1996B, 1997A, 1997B, 1998A, 1998B and 2003B); $7,188 of Jemez Springs Bonds; and $495,651 of Interstate Stream Commission Bonds (Series 1998). The Department of Energy, Minerals, and Natural Resources Bonds have interest rates ranging from 3% to 5.6%, with final maturity on May 1, 2018. The Jemez Springs Bonds have interest rates ranging from 4.20% to 5.45%, with a final maturity on May 1, 2008. The New Mexico Interstate Stream Commission Bonds have interest rates ranging from 5.92% to 6.19%, with final maturity on May 1, 2008. The securities are carried at cost, which approximates market value.

4. *SECURITIES - continued*

The following is a summary of future principal and interest to be collected based on contractual maturity of the securities after year-end:

		Principal	Interest	Total	Weighted Average Maturity
July 1, 2006 to June 30, 2007	$	1,093,277	548,013	1,641,290	1.00
July 1, 2007 to maturity		10,612,100	2,887,887	13,499,987	9.51
	$	11,705,377	3,435,900	15,141,277	

Credit Risk. The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10F NMSA 1978, 6-10-10 NMSA 1978.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, The Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in The Authority's name. The Authority's investments in securities listed above are not collateralized.

Concentration of Credit Risk. The Authority places no limit on the amount that may be invested in any one issuer.

5. *DUE FROM AND DUE TO OTHER FUNDS AND TRANSFERS*

These amounts represent interfund receivables and payables arising from interfund transactions within the Authority. These balances are netted as part of the reconciliation to the government-wide columnar presentation.

5. *DUE FROM AND DUE TO OTHER FUNDS AND TRANSFERS - continued*

Interfund receivables and payables as of June 30, 2006 consist of the following:

			Due To:		
			Enterprise Funds		
			PPRF 200s	Operating Fund 101	Total
Due From:					
Governmental Funds:					
Metro Court	304	$	1,275,483	-	1,275,483
Water and Wastewater Grant	307		-	10,001	10,001
Water Project Fund	309		-	18,157	18,157
Emergency Drought Relief	312		-	884	884
Water Planning Grant	313		-	5,453	5,453
Economic Development	314		-	721,428	721,428
Total Governmental Funds			1,275,483	755,923	2,031,406
Enteprise Funds:					
GRIP Fund	104	$	-	41,118	41,118
Drinking Water	500		-	23,472	23,472
Child Care	319		-	48,756	48,756
Behavioral Health	311		-	289	289
Local Road Fund	504		-	26	26
PPRF	200s		-	101,415	101,415
Total Enterprise Funds			-	215,076	215,076
		$	1,275,483	970,999	2,246,482

The $1,275,483 was for court facility fee revenues due to the PPRF Fund to pay debt service.

The $970,999 was for reimbursements due to the Operating Fund for expenses paid on behalf of the other funds.

5. *DUE FROM AND DUE TO OTHER FUNDS AND TRANSFERS - continued*

Transfers between funds for the year ended June 30, 2006 are as follows:

		Transfers Out: UNM Health Sciences 103/105	Metro Court 304	State Building 100	Water and Wastewater Project 307	Water Project Fund 309	Other	Total
Transfers In:								
Governmental Funds:								
UNM Health Sciences	103/105	$ -	-	2,449,277	-	-	-	2,449,277
Metro Court	304	1,364,277	-	987,079	1,945	-	-	2,353,301
State Building	100	-	3,175,091	1,244,010	-	-	-	4,419,101
Emergency Drought Relief	312	-	-	-	-	16,558	-	16,558
Water Planning Grant	313	-	-	-	-	-	-	-
Equipment Loan Fund	400s	-	-	-	-	-	-	-
Total Governmental Funds		1,364,277	3,175,091	4,680,366	1,945	16,558	-	9,238,237

		Operating Fund 101	GRIP Admin 104	Drinking Water 500	Behavioral Health 311	Cigarette Tax Revenue 321	PPRF 200s	Total
Enterprise Funds:								
Operating Fund	101	-	-	-	-	-	5,158,684	5,158,684
Drinking Water	500	-	-	(561,824)	-	-	-	(561,824)
Behavioral Health	311	-	-	-	-	7,767	-	7,767
Local Road Fund	504	-	875,000	-	-	-	-	875,000
Cigarette Tax Revenue	321	-	-	-	-	-	286,856	286,856
PPRF	200s	4,412,160	-	-	24,107	-	480,010,608	484,446,875
Total Enterprise Funds:		4,412,160	875,000	(561,824)	24,107	7,767	485,456,148	490,213,358
Total Governmental and Enterprise Funds		$ 5,776,437	4,050,091	4,118,542	26,052	24,325	485,456,148	499,451,595

Transfers in and out of the governmental funds are legilsatively appropriated revenues to pay debt service.

Enterprise fund transfers in and out are primarily movement of loan proceeds out to the borrowers to pay for program and construction costs.

There was $21,495 transferred from the Enterprise Funds to the Governmental funds for fiscal year ending 2006.

The following Enterprise Fund owed the following amount to other state agencies at June 30, 2006.

The Drinking Water Revolving Loan Fund owed $677,326 to the Environment Department for technical set-asides.

6. TRANSFERS TO OTHER STATE AGENCIES

The following debt service funds made the following transfers to other state agencies during the year ended June 30, 2006:

The UNM Health Sciences 2004A transferred $2,897,518 for revenue rebate to UNM from cigarette tax collections.

The Workers' Compensation Series 1996 transferred $784,264 for rebate revenue to Workers' Compensation.

The State Office Building Financing Fund transferred $9,797,728 in program fund requests to project draw requests, debt service payments and final debt service payment for NMSU building.

The following special revenue fund made the following transfer to other state agencies during the year ended June 30, 2006:

The State Building Program Cigarette Tax Fund transferred $94,150 for the UNM Law Library debt service.

The following enterprise funds made the following transfers to other state agencies during the year ended June 30, 2006:

The PPRF Series 2005 C & D Metro Court Refunding transferred $696,524 for project draw requests and revenue rebate to Metro Court.

The New Mexico Drinking Water Revolving Loan Fund transferred $2,860,031 to the New Mexico Environment Department for billings.

7. *CAPITAL ASSETS*

A summary of changes in capital assets follows:

Business-type Activities		Balance June 30, 2005	Additions	Adjustments/ Deletions	Balance June 30, 2006
Depreciable assets:					
Furniture and fixtures at historical cost	$	259,439	59,360	(161,273)	157,526
Computer hardware and software		-	199,702	159,622	359,324
Machinery and equipment		-	24,656	907	25,563
Leasehold improvements		2,934	7,623	-	10,557
		262,373	291,341	(744)	552,970
Accumulated depreciation:					
Furniture and fixtures		(120,438)	(14,502)	744	(134,196)
Computer hardware and software		-	(48,788)	-	(48,788)
Machinery and equipment		-	(6,024)	-	(6,024)
Leasehold improvements		(1,217)	(1,863)	-	(3,080)
		(121,655)	(71,177)	744	(192,088)
Net total	$	140,718	220,164	-	360,882

Depreciation expense was $25,379 in the Operating Fund, $18,391 in the Public Project Revolving Fund, $12,355 in the Drinking Water Revolving Loan Fund, and $15,052 in the GRIP Administrative Fund for the year ended June 30, 2006.

7. ***CAPITAL ASSETS - continued***

Governmental Activities		Balance June 30, 2005	Additions	Adjustments/ Deletions	Balance June 30, 2006
Depreciable assets:					
Furniture and fixtures at historical cost	$	145,129	57,033	(44,492)	157,670
Computer hardware and software		-	72,871	44,004	116,875
Machinery and equipment		-	24,392	488	24,880
Leasehold improvements		2,747	7,723	-	10,470
		147,876	162,019	-	309,895
Accumulated depreciation:					
Furniture and fixtures		(28,528)	(17,100)	-	(45,628)
Computer hardware and software		-	(21,849)	-	(21,849)
Machinery and equipment		-	(7,313)	-	(7,313)
Leasehold improvements		(540)	2,316	-	(2,856)
Accumulated depreciation		(29,068)	(48,578)	-	(77,646)
Net total	$	118,808	113,441	-	232,249

Depreciation expense was $12,267 in the Water and Wastewater Project Grant Fund, $12,398 in the Water Project Fund, $4,954 in the Emergency Drought Water Program Fund, $9,299 in the Water and Wastewater Planning Grant Fund and $9,660 in the Economic Development Fund for the year ended June 30, 2006.

8. BONDS PAYABLE

Bonds outstanding as of June 30, 2006, for the Authority's enterprise funds consist of the following:

Public Project Revolving Funds (PPRF)

PPRF Series 1997A. 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 1997A Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1998 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 investments securities.

PPRF Series 1999A, 1999B, 1999C and 1999D. On January 1, 1999, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1999A and 1999B (tax exempt) and Series 1999 and 1999D (taxable), in the aggregate principal amounts of $13,135,000, $3,025,000, $2,265,000 and $4,875,000, respectively. The Series 1999 Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1999 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1999 bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources and the New Mexico Interstate Stream Commission's 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.

PPRF Series 2000A. On January 1, 2000, the Authority issued its Public Project Revolving Fund, Series 2000A Bonds, in the aggregate principal amount of $4,715,000 to finance a loan to Valencia County, New Mexico, to construct, purchase, furnish and equip an adult correctional facility for the County and to finance the cost of issuance of the Series 2000A Bonds.

PPRF Series 2000B and C. On September 1, 2000, the Authority issued $7,670,000 of Public Project Revolving Fund, Series 2000B and $28,850,000 Series 2000C Bonds. The Series 2000B and C bonds were issued to reimburse the Public Project Revolving Fund for loans made by the Authority to various Governmental Units and to reimburse the Authority for and to finance the costs of issuance of the Series 2000B and C Bonds.

8. BONDS PAYABLE - continued

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2002A. On July 2, 2002, the Authority issued $55,610,000 of Public Project Revolving Fund, Series 2002A Bonds. The Series 2002A Bonds were issued to reimburse the Public Project Revolving Fund for loans made by the Authority to various governmental units and to reimburse the Authority for and to finance the costs of issuance of the Series 2002A Bonds.

PPRF Series 2003A. On April 3, 2003, the Authority issued $39,945,000 of Public Project Revolving Fund, Series 2003A Bonds. The Series 2003A Bonds were issued to reimburse the Public Project Revolving Fund for loans made by the Authority to various governmental units and to reimburse the Authority for and to finance the costs of issuance of the Series 2003A Bonds.

PPRF Series 2003B. On June 5, 2003, the Authority issued $25,370,000 of Public Project Revolving Fund, Series 2003B Bonds. The Series 2003B Bonds were issued to 1) refund the Authority's outstanding Public Project Revolving Fund Revenue Bonds, Series 1995A, maturing on and after June 1, 2006, and Public Project Revolving Fund Revenue Bonds, Series 1996A, maturing on and after June 1, 2007; and 2) finance the costs of issuance of the Series 2003B Bonds and the refunding of the Series 1995A and 1996A Bonds.

PPRF Series 2004A. On January 28, 2004, the Authority issued $43,400,000 of Public Project Revolving Fund, Series 2004A Bonds. The Series 2004A Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the Authority to certain governmental entities for the purpose of financing public projects; and 2) finance the costs of issuance of the Series 2004A Bonds.

PPRF Series 2004B. On June 9, 2004, the Authority issued $49,540,000 of Public Project Revolving Fund, Series 2004B Revenue Bonds. The Series 2004B Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the Authority to certain governmental entities for the purpose of financing public projects; and 2) finance the costs of issuance of the Series 2004B Bonds.

8. BONDS PAYABLE - continued

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2004C. On October 1, 2004, the Authority issued $168,890,000 of Public Project Revolving Fund Series 2004C Revenue Bonds. The Series 2004C Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the Authority to certain governmental entities for the purpose of financing public projects, 2) fund the loan to the Albuquerque Bernalillo County Water Utility Authority, and 3) finance the costs of issuance of the Series 2004C Bonds.

PPRF Series 2005A and B. On August 1, 2005, the Authority issued $19,015,000 of Public Project Revolving Fund Series 2005A Revenue Bonds and $13,500,000 of Public Project Revolving Fund Series 2005B Refunding Revenue Bonds. The Series 2005A and B Bonds were issued to 1) advance refund certain outstanding Public Project Revolving Fund Bonds, 2) reimburse the Public Project Revolving Fund for loans made by the Authority to governmental entities for the purpose of funding public projects, and 3) finance the costs of issuance of the Series 2005A and B Bonds.

PPRF Series 2005C and D. On April 5, 2005, the Authority issued $50,395,000 of Subordinate Lien Public Project Series 2005C and $8,660,000 of Taxable Subordinate Lien Public Project Series 2005D Revolving Fund Refunding Revenue Bonds. The Series 2005C and D Bonds were issued to 1) purchase the Authority's Court Facilities Fee Refunding Revenue Bonds, and 2) finance the costs of issuance of the Series 2005C and D Bonds.

PPRF Series 2005E. On August 30, 2005, the Authority issued $23,630,000 of Subordinate Lien Public Project Revolving Fund Series 2005E Revenue Bonds. The Series 2005E Bonds were issued to 1) purchase the Authority's Subordinate Lien Cigarette Tax Revenue Bonds (UNM Health Sciences Center Project), Series 2005, and 2) finance the costs of issuance of the Series 2005E Bonds.

PPRF Series 2005F. On December 7, 2005, the Authority issued $21,950,000 of Subordinate Lien Public Project Revolving Fund Series 2005 F Revenue Bonds. The 2005 F Series Bonds were issued to 1) directly fund, or to reimburse the Public Projects Revolving Fund for, loans made by the NMFA to certain governmental entities for the purpose of financing public projects, 2) purchase a Reserve Instrument, and 3) pay the cost of issuance of the Series 2005 F Bonds.

8. *BONDS PAYABLE - continued*

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2006A. On March 28, 2006, the Authority issued $49,545,000 of Subordinate Lien Public Project Revolving Fund Series 2006 A Revenue Bonds. The 2006 A Series Bonds were issued to 1) originating loans or reimbursing the NMFA for moneys used to originate loans to, or purchase securities from, certain governmental entities that will be or were used to finance certain projects for such governmental units, 2) purchase a reserve surety bond for deposit to the debt service reserve account established for the Series 2006 A Bonds, and 3) pay costs incurred in connection with the issuance of the Series 2006 A Bonds.

PPRF Series 2006B. On June 27, 2006, the Authority issued $38,260,000 of Senior Lien Public Project Revolving Fund Series 2006 B Revenue Bonds. The 2006 B Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for or to originate loans made or to be made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units and, 2) pay costs incurred in connection with the issuance of the Series 2006 B Bonds.

PPRF Series 2006D. On September 6, 2006, the Authority issued $54,600,000 of Senior Lien Public Project Revolving Fund Series 2006 D Revenue Bonds. The 2006 D Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, 2) purchase contemporaneously with the issuance of the Series 2006 D Bonds the NMFA State Building Tax Revenue Bonds, Series 2006 A (PERA Building Acquisition) (the "2006A Bonds") to finance the acquisition and improvement of a public building for use by the State with proceeds of the 2006 A Bonds, 3) purchase contemporaneously with the issuance of the Series 2006 D Bonds the NMFA State Building Tax Revenue bonds Series 2006 B (Refunding Project) (the "2006 B Bonds") to refund the outstanding NMFA State Office Building Bonds Series 2002 A with proceeds of the Series 2006 B Bonds, and 4) pay costs incurred in connection with the issuance of the Series 2006 D Bonds.

8. BONDS PAYABLE - continued

Bonds outstanding as of June 30, 2006, to be paid out of the Authority's debt service funds consist of the following:

Workers' Compensation Financing Fund. 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.

Special Cigarette Tax Revenue Bonds. In July 1996, the Authority sold $6,000,000 of Special Cigarette Tax Revenue Bonds as part of the internal service fund cigarette tax program. The purpose of the bonds is for 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.

State Capitol Improvement Financing Fund. On May 11, 1999, the Authority issued $9,315,000 of New Mexico Finance Authority State Capitol Building Improvement Revenue Bonds, Taxable Series 1999. The bonds were issued for the purpose of repairing, remodeling, constructing and equipping the New Mexico State Library and for relocation associated renovations in the State Capitol.

Metro Court Financing Fund. The Laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. On August 1, 2001, the Authority issued $21,600,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001A (Tax Exempt), and $11,400,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001B (Taxable). The Series 2001A Bonds were issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2001A Bonds. The taxable Series 2001B Bonds were issued by the Authority for the purpose of financing the acquisition of land for, and the design, construction, furnishing and equipping of a parking facility adjacent to the new Bernalillo County Metropolitan Court and to finance the costs of issuance of the taxable Series 2001B Bonds.

8. *BONDS PAYABLE - continued*

Metro Court Financing Fund. On September 1, 2002, the Authority issued $24,900,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2002 (Tax Exempt). The Series 2002 Bonds were issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2002 Bonds. The Series 2002 Bonds were issued pursuant to the bond resolution with a lien on the Pledged Court Facilities revenues on parity, with the liens thereon of the $21,600,000 Authority Court Facilities Fee Revenue Bonds, Series 2001A, and the $11,400,000 Authority Taxable Court Facilities Fee Revenue Bonds, Series 2001B.

Equipment Loan Fund. 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 that 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.

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 18 governmental entities in the state. On August 29,1995, the Authority issued $2,904,000 aggregate principal amount of its Pooled 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 13 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 19965B. The net proceeds were loaned to various governmental entities in the state. Interest rates on the equipment loans range from 4.5% to 6.3%.

8. *BONDS PAYABLE - continued*

State Office Building Financing Fund. The Laws of 2001, Chapters 166 and 199, authorized the Authority to issued revenue bonds for the General Services Department (GSD) of the State of New Mexico. The State Office Building Tax Revenue Bonds, Series 2002A, were issued on December 15, 2001, for purpose of financing the costs of acquiring, constructing, equipping and otherwise improving land and buildings for the GSD. The Series 2002A Bonds are payable from and secured only by amounts on deposit in the Authority's State Office Building Fund, which consists of money appropriated and transferred to the Fund from the net receipts attributable to the gross receipts tax of the State in the amount of $500,000 per month.

UNM Health Sciences Fund. Cigarette Tax Series 2004A Revenue Bonds. On April 1, 2004, the Authority issued $39,035,000 of Cigarette Tax Series 2004A Revenue Bonds (UNM Health Services Center Project). The Series 2004A Bonds were issued to 1) finance a portion of the costs of the design, construction, equipping and furnishing of additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico; and 2) finance the costs of issuance of the Series 2004A bonds.

UNM Health Sciences 2004B. On September 22, 2004, the Authority issued $10,000,000 of Cigarette Tax Revenue Series 2004B Revenue Bonds. The Series 2004B Bonds were issued to 1) finance a portion of the costs of the design, construction, equipping and furnishing of additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico; and 2) finance the costs of issuance of the Series 2004B Bonds.

Bonds outstanding are direct obligations of the Authority for which its full faith and credit are pledged and are payable from pledged tax revenues of various entities.

8. BONDS PAYABLE - continued

Bonds payable and related premium/discount balances consist of the following at June 30, 2006:

		Amount	Interest Rate	Final Maturity
Enterprise Funds:				
PPRF 1997A	$	5,455,000	4.25 - 5.00	6/1/2007
PPRF 1999A, B, C and D		12,935,000	3.30 - 6.30	6/1/2018
PPRF 2000A		1,650,000	4.10 - 5.30	6/1/2009
PPRF 2000B and C		11,055,000	4.35 - 5.60	6/1/2030
PPRF 2002A		27,975,000	2.00 - 5.00	6/1/2026
PPRF 2003A		32,788,000	2.00 - 4.75	6/1/2032
PPRF 2003B		23,545,000	2.00 - 5.00	6/1/2021
PPRF 2004A		37,430,000	1.125 - 5.00	6/1/2031
PPRF 2004B		44,680,000	3.00 - 5.125	6/1/2033
PPRF 2004C		157,785,000	2.50 - 5.00	6/1/2024
PPRF 2005C and D		54,750,000	3.05 - 5.00	Various
PPRF 2005A		18,095,000	3.00 – 4.25	6/1/2025
PPRF 2005B		13,320,000	3.00 – 4.25	6/1/2020
PPRF 2005E		23,630,000	4.00 - 5.00	6/15/2025
PPRF 2005F		21,950,000	4.00 - 5.00	6/15/2022
PPRF 2006A		49,545,000	4.00 - 5.00	6/15/2035
PPRF 2006B		38,260,000	4.00 - 5.00	6/1/2036
CIG TAX 2006 – Behavioral Health		2,500,000	5.51	5/1/2026
		577,348,000		
Bond premium and discount, net on enterprise funds		27,353,958		
Total	$	604,701,958		

8. BONDS PAYABLE – continued

		Amount	Interest Rate	Final Maturity
To be paid out of Debt Service Funds:				
UNM Health Sciences	$	29,670,000	2.00 - 5.00	6/30/2019
UNM Health Sciences 2004B		8,915,000	2.10 - 5.50	6/30/2019
Workers' Compensation Financing Fund		2,950,000	5.00 - 5.60	3/1/2017
Metro Court		45,975,000	5.50 - 5.80	2025
State Capitol Improvement Financing Fund		6,490,000	7.00	6/1/2021
State Building Purchase Fund		28,850,000	4.00 - 5.00	11/1/2006
COP-Equipment Loan Fund Series 95A, 95B		225,000	4.05 - 5.40	10/1/2016
COP-Equipment Loan Fund Series 96A		67,000	3.85 - 5.20	4/1/2016
COP-Equipment Loan Fund Series 96B		377,000	4.50 - 5.70	4/1/2012
Cigarette Tax Revenue Bond		-	3.95 - 5.25	6/1/2006
		123,519,000		
Bond premium and discount, net on Debt Service Funds		2,169,977		
Total	$	125,688,977		

The requirements to amortize the bonds payable and the related premium/discount outstanding are as follows:

		Principal	Interest	Total
2007	$	39,787,000	32,897,047	72,684,047
2008		33,671,000	31,046,604	64,717,604
2009		44,125,000	29,760,223	73,885,223
2010		37,905,000	28,286,524	66,191,524
2011		39,987,000	26,605,564	66,592,564
2012 - 2016		213,781,000	103,313,177	317,094,177
2017 - 2021		157,293,000	56,675,428	213,968,428
2022 - 2026		101,850,000	20,549,071	122,399,071
2027 - 2031		17,576,000	6,297,652	23,873,652
2032 - 2033		14,892,000	2,009,855	16,901,855
Total	$	700,867,000	337,441,145	1,038,308,145

8. *BONDS PAYABLE - continued*

The bonds payable activity for the year is as follows:

		Balance, July 1, 2005	Additions	Deletions	Balance, June 30, 2006
Enterprise Funds	$	438,020,000	168,400,000	(29,072,000)	577,348,000
Debt Service Funds		132,765,000	-	(9,246,000)	123,519,000
Total	$	570,785,000	168,400,000	(38,318,000)	700,867,000

The amount of bonds payable due within one year is $39,787,000.

The following bonds were issued by the Authority in an agency capacity and are not included in the Authority's financial statements (see Note 12):

State Transportation Series 2004A Revenue Bonds. On May 20, 2004, the Authority issued $700,000,000 of State Transportation, Series 2004A, Revenue Bonds. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2004B Revenue Bonds. On May 20, 2004, the Authority issued $237,950,000 of State Transportation, Series 2004B, Refunding Revenue Bonds. The Series 2004B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the Authority and the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2004C Revenue Bonds. On May 20, 2004, the Authority issued $200,000,000 of State Transportation, Series 2004C, Refunding Revenue Bonds. The Series 2004C Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the Authority and the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

9. *OPERATING LEASE COMMITMENT*

The Authority is committed under various lease agreements for office space and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2006 amounted to approximately $275,765.

Future minimum lease payments for these leases are as follows:

Years ending June 30:

2007	$	290,140
2008		299,121
2009		307,598
2010		319,902
2011 and thereafter		-
	$	1,216,761

10. *RETIREMENT PLAN*

The Authority 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 Revenue 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 contributions for this retirement plan were $263,313, $204,975 and $153,937 for the years ended June 30, 2006, 2005 and 2004, respectively. Substantially all full time employees participate in this plan.

Presented below is the June 30, 2006, Statement of Fiduciary Net Assets and Statements of Change in Net Assets:

10. *RETIREMENT PLAN - continued*

Statement of Fiduciary Net Assets

Assets:		
Cash	$	20,331
Self-directed accounts (cash and investments)		1,110,611
Guaranteed Account		5,295
Participant loan receivable		25,492
Total assets	$	1,161,729
Net assets:		
Pension plan participants' benefits	$	1,161,729

Statement of Changes in Net Assets

Additions:		
Investment earnings	$	83,228
Employer contributions		263,313
Employee contributions		78,054
Total additions		424,595
Deductions:		
Distributions to participants		143,164
Investment expenses		9,663
Total deductions		152,827
Change in net assets		271,768
Net assets - beginning		889,961
Net assets - ending	$	1,161,729

10. *RETIREMENT PLAN - continued*

During the year ended June 30, 2005, the Authority adopted a retirement plan in accordance with an "eligible deferred compensation plan" pursuant to Section 457 of the Internal Revenue Code for its Executive Director and its Chief Operating Officer. The Authority contributes nine percent of compensation to the plan. The contributions are made regardless of the number of hours worked or the employment status on the last day of the plan year. Employer contributions are limited by IRS Code Section 457(e)(15)(A). The employee is fully vested at all times. Employer contributions for the year ended June 30, 2006 were $24,450.

11. *COMPENSATED ABSENCES*

During the year ended June 30, 2006, the following changes occurred in the compensated absences liabilities:

	Balance, July 1, 2005	Additions	Deletions	Balance, June 30, 2006
$	132,278	72,728	(42,729)	162,277

The portion of compensated absences due after one year is not material and, therefore, not presented separately. Compensated absences are liquidated from the operating fund. There are no compensated absences for the governmental funds.

12. *AGENCY TRANSACTIONS*

Bond Issues

The Authority, on behalf of the New Mexico Department of Transportation (NMDOT), issued $700,000,000 State Transportation Revenue Bonds (Senior Lien), Series 2004A in May 2004. The gross proceeds to the Authority were $738,787,815, including $43,556,815 of an original issue premium. The cost of issuance including underwriter fees was $6,368,367. The Bonds are special, limited obligations of the NMDOT, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and the NMDOT has determined to be necessary or desirable.

12. *AGENCY TRANSACTIONS - continued*

NMDOT is responsible for the Authority's issuance costs and must annually pay the Authority twenty-five basis points on the outstanding principal balance. Principal of the bonds is payable as follows on June 15. Interest with rates ranging from 3.8% to 5.25% per annum is payable semi-annually on June 15 and December 15 through the year 2024.

The Authority, on behalf of the NMDOT, issued $237,950,000 and $200,000,000 (Authority) State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B and Series 2004C in May 2004. The gross proceeds to the Authority for both issuances were $451,069,205, including $16,347,187 of an original issue premium. The cost of issuance including underwriter fees was $4,228,696. Following is the detail of the Series 2004B and Series 2004C bonds issued.

The $237,950,000 Series 2004B Bonds are special, limited obligations of the NMDOT, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds are being issued through the Authority at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding bonds of the Authority and the Commission.

The NMDOT is responsible for the Authority issuance costs. Principal of the bonds is payable as follows on June 15. Interest with rates ranging from 2% to 5% per annum is payable semi-annually on June 15 and December 15 through the year 2014.

The Series 2004C Bonds are special, limited obligations of the NMDOT payable, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees required by law to be paid into the Highway Infrastructure Fund. The lien on the bonds on such revenues is subordinate to the lien thereon securing other bonds issued concurrently with the 2004C Bonds or which may hereafter be issued through the Authority. The bonds are being issued through the Authority at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding debt.

The Authority is responsible for its issuance costs. Principal of the Bonds is payable as follows on June 15 with interest payable semi-annually on June 15 and December 15 through the year 2023. Interest is fixed at 3.393% based on a swap agreement in place at June 30, 2004.

12. *AGENCY TRANSACTIONS - continued*

For the year ended June 30, 2006, the Authority recorded $1,750,000 in administrative fees related to the three bonds in the GRIP Administrative Fund (Proprietary Fund).

At June 30, 2006, the Authority had $408,236,061 in cash at trustee related to these three bonds offset by accounts payable, debt service payable and funds held for the New Mexico Department of Transportation. The Authority has recorded these amounts in an agency fund.

Refunding

The Authority, on behalf of the NMDOT, used the 2004B and 2004C Bonds to advance refund certain older debt issues of the NMDOT, and the New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 2001 and New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 1999. The net proceeds of $408,855,872 plus an additional $7,285,997 were used to purchase U.S. governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt is considered to be defeased and the liability for those bonds has been removed from long-term obligations. $363,490,000 of the bonds outstanding was considered defeased as of June 30, 2006.

Interest Rate Swaps

State Transportation Revenue Bonds, Series 2006

Objective of the Swaps. In April of 2004, the New Mexico Finance Authority (the "Authority") entered into two (2) forward starting swaps with two (2) counterparties to hedge against future interest rates. The intention of the swaps was to take advantage of the current historically low interest rate environment for Bonds to be issued in 2006. The Bonds are to be issued by the Authority to fund part of the Governor Richardson's Investment Partnership (GRIP), which is a $1.6 billion statewide transportation expansion and infrastructure improvement project. In addition to the forward start, the swaps have a knock-out option from settlement to maturity. The intention of the option was to reduce the synthetic fixed rate. The Authority typically has between $175 million and $200 million in cash which will act as a natural hedge if the swap is knocked-out.

Terms. The swaps were entered into with J.P Morgan Chase Bank (JP) and UBS AG (UBS). The swaps will be effective on December 15, 2006, maturing on December 15, 2026. On the trade date, JP was rated AA- by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies (S&P), and Aa2 by Moody's Investor's Service, Inc. (Moody's), and UBS was rated AA+ S&P and Aa2 Moody's. Both swaps were priced at a fixed rate of 5.072% based on an amortizing notional schedule

12. *AGENCY TRANSACTIONS - continued*

State Transportation Revenue Bonds, Series 2006 - continued

with a combined $220,000,000 initial amount. Under the swaps, the Authority pays 5.072% and receives BMA. The incorporated knock-out option was priced with a 7% barrier, effective from settlement to maturity and based on an "American" option exercise schedule. The option premium is equal to 0.34% per annum, resulting in a net fixed rate of 4.732%. Thus, the counterparty paid to have the option (but not the obligation) to terminate the swap should the 180 day average of the BMA index move above the barrier. The bonds' variable-rate coupons are not based on an index but on market conditions.

Fair Value. As of June 30, 2006, the swaps had a negative fair value of $6,818,902 without the option. The options had a negative value of $12,823,336 in isolation of the swaps, thus the swaps including the options had a total negative value of $19,642,238. Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit Risk. As of June 30, 2006 the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on counterparty ratings as set forth in the CSA. Goldman, Lehman, and RBC was rated AAA/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's respectively as of June 30, 2006.

Termination Risk. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's respectively. The swap also includes an additional termination event related to non-issuance of the associated bonds. That is, the swap may be terminated if the related bonds are not issued on the effective date. Should the counterparties exercise the option to terminate the swap per the knock-out option, the Authority would become subject to variable rate risk on the outstanding bonds. However, historically the BMA index has yet to reset above the barrier set forth in the swap agreement. In addition, the Authority has substantial cash reserves which will mitigate this risk by generating variable rate income. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

12. *AGENCY TRANSACTIONS - continued*

$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2 and C-3

Objective of the Swap. In April of 2004, the Authority entered into three (3) swaps with three (3) counterparties to synthetically refund outstanding bonds, which provided the Authority with present value savings of $11,524,206.49 or 3.02% of the refunded bonds. The swap structure was used as a means to increase the Authority's savings, when compared against fixed-rate bonds at the time of issuance. In addition, through this structure, the Authority was able to release several restrictive covenants as set forth by the old indenture, thus providing future flexibility. The intention of the swap was to effectively change the Authority's interest rate on the bonds to a fixed rate.

Terms. The swaps were executed with Goldman Sachs Mitsui Marine Derivative (Goldman), Lehman Brothers Derivative Products Inc. (Lehman) and Royal Bank of Canada (RBC) at respective initial amortizing notional amounts of $50,000,000, $50,000,000 and $100,000,000. The counterparties were, at the trade date, rated AA+/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody',s respectively. All three swaps commenced on May 20, 2004 and will mature on June 15, 2024. Under the swaps, the Authority pays a fixed rate of 3.934% and received a variable rate computed as the BMA index until June 15, 2006, on which date the variable interest rate received switched to 68% of the one month London Interbank Offered Rate ("LIBOR") until maturity. The bonds' variable-rate coupons are not based on an index but on market conditions.

Fair Value. As of June 30, 2006, the Lehman swap and Goldman swap each had a fair value of $62,922, while the RBC swap had a fair value of $125,844. The total fair value on all the swaps was $251,688. Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value on the swaps was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit Risk. As of June 30, 2006 the Authority is exposed to credit risk in an amount equal to the positive fair value for each of the swaps. To mitigate credit risk, the counterparties are required to post collateral based upon the agreed upon collateral threshold levels per the Credit Support Annex (CSA) which are adjusted based on counterparty ratings as set forth in the CSA. Goldman, Lehman, and RBC was rated AAA/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's respectively as of June 30, 2006.

12. *AGENCY TRANSACTIONS - continued*

$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2 and C-3 - continued

Basis Risk. As of June 15, 2006, the Authority is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and the 68% of one month LIBOR rate received on the swap. The Authority is also exposed to tax risk, a form of basis risk, where the Authority is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rates causes the rate paid on the outstanding bonds to be greater than the 68% of LIBOR received on the swap. The effect of the difference in basis is indicated by the difference between the intended synthetic rate (3.934%) and the synthetic rate as of June 30, 2006 (4.197%). The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the swaps. As of June 30, 2006, the rate on the bonds was 3.89%, whereas 68% of one month LIBOR was 3.627%.

Termination Risk. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. Furthermore, the swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's respectively. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Swap Payments and Associated Debt: As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps, Net	Total
2007	$ -	7,780,000	614,000	8,394,000
2008	-	7,780,000	614,000	8,394,000
2009	-	7,780,000	614,000	8,394,000
2010	-	7,780,000	614,000	8,394,000
2011	-	7,780,000	614,000	8,394,000
2012 - 2016	-	38,900,000	3,070,000	41,970,000
2017 - 2021	-	38,900,000	3,070,000	41,970,000
2022 - 2024	200,000,000	20,511,645	1,618,785	22,130,431
	$ 200,000,000	137,211,645	10,828,785	148,040,431

13. *SUBSEQUENT EVENTS*

After June 30, 2006, the Authority issued the following PPRF Direct Loans, Water Project Fund/Water Trust Board Grants, Water Wastewater Grants, and Senior Lien PPRF Revenue Bonds:

	Closing Date		Amount
PPRF Cash Loans:			
City of Catron – Cruz, Apac, Aragon VFD	7/14/2006	$	277,778
Edgewood SWCD	7/14/2006		427,511
City of Roswell – Police Department	7/21/2006		583,000
Union County	7/21/2006		1,836,505
City of Las Cruces	7/28/2006		268,552
Gallup - McKinley County School District	7/28/2006		13,580,026
Socorro County – Hop Canyon VFD	7/28/2006		266,651
Belen Cons. School District No. 2	8/4/2006		1,000,000
City of Alamogordo	8/11/2006		730,453
Jicarilla Apache Tribal Utility Authority	8/11/2006		21,650,229
City of Bayard	8/18/2006		175,000
Quay County – Jordan FD	8/18/2006		100,000
Dept. of Health – Behavioral Health Institute	8/25/2006		1,000,000
Dept. of Health – Rehabilitation Center	8/25/2006		1,000,000
Otero County – Oro Grande FD	8/25/2006		91,109
Otero County – Pinon VFD	8/25/2006		80,000
Zuni Public Schools – T-house Bonds	9/8/2006		2,702,601
Chaves County – East Grand VFD	9/22/2006		150,000
Farmington Municipal School District No. 5	9/29/2006		1,100,000
Jemez Public School District No. 31	9/29/2006		750,000
Lincoln County – Bonito VFD	9/29/2006		90,000
City of Bayard	10/6/2006		40,000
City of Rio Rancho	10/6/2006		717,868
City of Rio Rancho – Tax Exempt	10/6/2006		8,764,398
		$	57,381,681
Water Project Fund/Water Trust Board:			
Cloudcroft Village	8/4/2006	$	500,000
City of Las Vegas	8/11/2006		1,471,400
ENMRWA – City of Clovis (FA)	8/11/2006		1,000,000
Interstate Stream Comm.	8/11/2006		900,000
Pojoaque Pueblo	9/15/2006		1,000,000
		$	4,871,400

13. SUBSEQUENT EVENTS - continued

	Closing Date		Amount
Water Wastewater Grants:			
Las Vegas	8/25/2006	$	399,996
Las Vegas	8/25/2006		2,277,000
Mora MDWCA	9/29/2006		400,000
Los Ojos MDWCA	10/6/2006		154,350
		$	3,231,346
Senior Lien PPRF Revenue Bonds Series 2006D	9/5/2006	$	56,400,000
		$	56,400,000
PPRF Revenue Bonds Series 2005A	8/1/2005	$	19,015,000
		$	19,015,000
PPRF Revenue Bonds Series 2005B	8/1/2005	$	13,500,000
		$	13,500,000
Subordinate Lien PPRF Refunding Revenue Bonds Series 2005C	4/5/2005	$	50,395,000
		$	50,395,000
Taxable Subordinate Lien PPRF Refunding Revenue Bonds Series 2005D	4/5/2005	$	8,660,000
		$	8,660,000
Subordinate Lien PPRF Refunding Revenue Bonds Series 2005E	8/30/2005	$	23,630,000
		$	23,630,000

Energy Efficiency and Renewable Energy Bonding Fund. House Bill 32 created the Energy Efficiency and Renewable Energy Bonding Fund at the Authority. The Authority would issue bonds based on projected savings and from a $200,000 per month allocation from the General Fund to the Authority. The proceeds from the bonds would be used to pay for energy efficient improvements at state-owned buildings or public schools. The Authority is authorized to issue up to $20 million in bonds for this purpose.

14. DEFICIT FUND / NET ASSETS

There are deficit fund balances of $736,503 in the Economic Development Fund, $46,656 in the Child Care Revolving Loan Fund and $1,386,623 in the Metro Court Financing Fund. The operating fund will cover the deficits in these funds.

There is a deficit in net assets of $73,470,696 in the governmental activities in the Statement of Net Assets. The decline in governmental net assets is the result of the decline in certain grant funds.

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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 defined terms in and provisions of the Indenture. These extracts do not purport to be complete. Please refer to the Indenture itself for a full and complete statement of such provisions. During the offering period of the 2007E Bonds, copies of the Indenture will be available at the principal office of the Representative. Subsequent to the offering of the 2007E Bonds, copies of the Indenture may be obtained from the Trustee. See "ADDITIONAL INFORMATION."

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, in compliance with the Indenture, except for the Series l995A-B 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 will 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.

"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 Tax Exempt 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 Percentages
CATEGORY I	100%
CATEGORY II	80%
CATEGORY III	50%
CATEGORY IV	0%

"Authorized Denominations" means, with respect to the 2007E Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Sixty-Eighth Supplemental Indenture, $5,000 and any other dollar amount in excess of $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.

"Beneficial Owner" means, while DTC or its nominee is the registered owner of the Series 2007E Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2007E Bonds and otherwise exercise ownership rights with respect to Series 2007E Bonds.

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

"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 commencing June 2 of each year and ending on the next succeeding June 1.

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

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

"Business Day" means 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 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:

(A) 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;

(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 the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds one hundred percent (100%) of the aggregate of the amounts set forth in clause (C) of the definition.

For purposes of the foregoing definition the following assumptions will apply:

(i) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year will 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;

(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.

"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 Agencies.

"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 Agencies.

"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 Agencies, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Nonperforming 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 or loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agencies.

"Cede" means Cede & Co. and any substitute nominee of DTC who becomes the Registered Owner of any 2007E Bonds.

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

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the NMFA and the Trustee dated the date of issuance and delivery of the Series 2007E Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

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

"DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York.

"Expense Fund" means the fund by that name established by the Indenture to be held by the Trustee.

"Funds and Accounts" means collectively, the Debt Service Account and the Accounts created in the Indenture, 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 as the same may be amended and supplemented.

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

"Interest Payment Date" means, with respect to the Series 2007E Bonds, each June 1 and December 1, commencing December 1, 2006.

"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 seventy-five percent (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 2007E Bonds, the date of delivery thereof.

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

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

(b) any Bond (or any portion thereof) (i) for the payment or redemption of which there will 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 will be given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

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

(d) 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 2007E Bonds as Securities Depository.

"Participating Underwriters" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Paying Agent," when used with respect to the Series 2007E Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2007E Bond on behalf of the NMFA, and initially is the Trustee.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Account 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 and GNMA-guaranteed pass-through obligations (participation certificates);

(v) US. Maritime Administration Guaranteed Title Xl financing;

(vi) U.S. Department of Housing and Urban Development (HUD) Project Notes and 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") rated AAA by Standard & Poor's and Aaa by Moody's. 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 S&P of "AAAm/G," "AAAm" or "Aam" or by 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 Agencies;

(k) Investment contracts with providers the long term, unsecured debt organization of which are rated at least “A” by the Rating Agencies; 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.

“Purchasers” means, with respect to the Series 2007E Bonds, Ramirez & Co. Inc., RBC Capital Markets, and George K. Baum & Company.

“Rating Agencies” means Moody’s Investors’ Service, Inc., Standard & Poor’s Ratings Group and Fitch Ratings or their successors 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 2007E Bonds maintained by the Registrar.

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

“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).

“Representation Letter” means the blanket representations letter from the NMFA to DTC in substantially the form attached to the Sixtieth Supplemental Indenture of Trust as Exhibit B.

"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.

"Securities Depository" means the person who operates the computerized book entry system through which ownership interest in the Series 2007E Bonds may be recorded. Such entity shall at all times be a registered clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, and in good standing thereunder.

"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" means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefore.

"Series l995A-B 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 2000A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2000A, in an initial aggregate principal amount of $4,715,000.

"Series 2004B Bonds" means the Series 2004B-1 Bonds and the Series 2004B-2 Bonds.

"Series 2004C Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2004C, bearing interest at the rates herein described and in the aggregate principal amount of $168,890,000.

"Series 2005A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2005A, in an initial aggregate principal amount of $19,015,000.

"Series 2005B Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2005B, in an initial aggregate principal amount of $13,500,000.

"Series 2006B Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2006B, in an initial aggregate principal amount of $38,260,000.

"Series 2006D Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2007D, in an initial aggregate principal amount of $56,400,000.

"Series 2007E Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2007E, in an initial aggregate principal amount of $61,945,000.

"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 Bank of Albuquerque, 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 under the Indenture.

THE INDENTURE

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds will 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 will be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal corporate trust 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 will execute and the Trustee will 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 will constitute full and due authorization of such denomination, and the Trustee will thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee will 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 will be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond will 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 will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Trustee will 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 is not presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond are 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 will forthwith cease, determine and be completely discharged, and thereupon it will 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 will 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 will, 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 will 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 will 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 will 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 under the Indenture 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 will take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and will comply with 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 under the Indenture.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions, Further Assurance. The NMFA and the Trustee will 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 will not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and will, from time to time, execute and deliver such further instruments and will take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee will 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 in 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 will 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 will execute or cause to be executed any and all further instruments as may reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and will furnish satisfactory evidence to the Trustee that such actions have been taken and will 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 have been paid. The Trustee will 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 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 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 of Bonds 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 Tax-exempt 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 do 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 will deposit the proceeds of the Bonds to the Accounts created under the Indenture and will make the advances of funds thereunder to fund the Program and the NMFA will 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.

Loan Agreement and Securities - Loan Payments

The Loan Payments will 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 will be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement will 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 will be defined in the Loan Agreement or Securities. The Term will not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Security will provide that the related Governmental Unit will pay Loan Payments directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee (less a quarter of one percent (0.25%) administration fee retained by the NMFA for the payment of Program Costs) prior to each Interest Payment Date. In the case of Securities, the Securities will 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 the 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 will be made in multiples of the minimum Authorized Denomination. Each Prepayment will 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 will 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 will 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 Account and within such fund a separate Account for each Agreement, which separate Account is established and maintained by the NMFA;

(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 (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 Account for such Additional Pledged Loans.

Flow of Funds

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

Program Fund. Upon the issuance of a Series of Bonds the Trustee will deposit an amount specified in the related Supplemental Indenture in the Program Fund and will allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement. Disbursements from each Account within the Program

Fund may be made in stages. Disbursements from each Account within the Program Fund with respect to an Agreement with a Governmental Unit will (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.

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."

Pursuant to the Supplemental Indenture authorizing the Series 2000A Bonds, the payments required to be made by the 2000A Governmental Unit pursuant to the 2000A Agreement are to be paid directly to the Trustee from the New Mexico Taxation and Revenue Department pursuant to an Intercept Agreement between NMFA and the 2000A Governmental Unit, and the Trustee is to deposit all such payments immediately upon receipt thereof as follows:

(i) moneys identified by the NMFA as being from the receipt of the Correctional Facility Tax will be deposited into the Series 2000A Correctional Facility Tax Account and moneys identified by the NMFA as being from the receipt of the 2000A Governmental Unit Gross Receipts Tax will be deposited into a Series 2000A Governmental Unit Gross Receipts Tax Account, both in the Series 2000A Tax Revenue Fund;

(ii) moneys on deposit in the Series 2000A Correctional Facility Tax Account will be applied as follows:

First: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Debt Service Account 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 2000A Agreement;

Second: to the extent moneys are available for such purpose, to the payment of Program Costs;

Third: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Agreement Reserve Fund until such time as the balance on deposit in said Account equals the Agreement Reserve Requirement of such Account; and

Fourth: to the extent moneys are available for such purpose, to the Series 2000A Correctional Facility Tax Redemption Fund to annually redeem Series 2000A Bonds on or as soon as is reasonably practicable after June 2 from moneys deposited prior to the preceding June 1 in accordance with the Supplemental Indenture. Any excess Correctional Facility Tax revenues not applied to redemption will be returned to the 2000A Governmental Unit Debt Service Account.

(iii) moneys on deposit in the Series 2000A Governmental Unit Gross Receipts Tax Account will be applied as follows:

First: to the extent moneys from the Series 2000A Correctional Facility Tax Account deposited into the 2000A Governmental Unit Debt Service Account and the 2000A Governmental Unit Agreement Reserve Account in the Agreement Reserve Fund are insufficient to meet the then required principal and interest payments due or to next become due with respect to the 2000A Agreement, to the 2000A Governmental Unit's Debt Service Account the amount necessary 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 2000A Agreement;

Second: to the extent money from the Series 2000A Correctional Facility Tax Account are insufficient to pay the 2000A Governmental Unit's share of Program Costs, an amount necessary to pay such Program Costs; and

Third: to the 2000A Governmental Unit, the balance of the moneys remaining in the Series 2000A Governmental Unit Gross Receipts Tax Account as soon as reasonably practicable after June 2 of each year.

All income earned from the investment of moneys in the respective Accounts of the Debt Service Account and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), will be deposited in the related Account of the Debt Service Account 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 will be allocated solely to the benefit of such Governmental Unit. The Trustee will 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 will apply such Prepayments to the mandatory redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture, except with respect to the Series 2004B and each series of Bonds issued thereafter, which are subject to the provisions of the Indenture discussed in the forepart of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Application of Loan Prepayments."

At least once a year the Trustee will 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 will return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or will credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to Loans relating other than to the Series 2000A Bonds, any such excess will be disbursed as follows:

(a) Any excess attributable to earnings on funds and accounts for the Governmental Unit will be returned to the Governmental Unit or will 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 relevant Bonds will be deposited into the Revenue Fund; and, provided further, however, that with respect to the Series 2000A Loan Agreement, any such excess will be disbursed as provided in the second paragraph under this heading "Application of Loan Payments" above.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement will be transferred at least annually to the related Accounts of the Debt Service Account 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 will 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 related Account of the Debt Service Account.

All moneys held by the Trustee in the Bond Fund will 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 will 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 will 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 will 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 will be held by or under the control of the Trustee. The Trustee will 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 will invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys held (i) as part of a Governmental Unit's Account in any of the Funds established under the Indenture or (ii) by the NMFA as agent for the Trustee will be invested and reinvested by the NMFA or the Trustee, as the case may be, at the direction of the related Governmental Unit in Permitted Investments as directed by the Loan Agent or the Securities and in accordance with the following provisions.

The Trustee or the NMFA will 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.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund will 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 will be held by or under the control of the Trustee. The Trustee will 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 will 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 will be credited to, and losses thereon will be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments will 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 of the Indenture.

The principal of the investments and the interest, income, and profits received in respect thereof will 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 will (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 will (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 will 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 will 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 will be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there has been paid, or provisions for payment have been 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 has 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 estate and rights granted by the Indenture will cease, determine and be void, whereupon the Trustee will cancel and discharge the lien of the Indenture and on demand of the NMFA will execute such documents to evidence such release as will be reasonably required by the NMFA and will 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 will 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) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent has 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 have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond is deemed to be paid under the Indenture, as aforesaid, it will 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 amount and at times as set forth in the Indenture, 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 have been so deposited, will be deposited in the Revenue Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

Notwithstanding anything in the Indenture to the contrary, 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) will 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 will be withdrawn or used for any purpose other than, and will 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 are 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 will 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.

Notwithstanding anything in the Indenture to the contrary, 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 have not in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture will 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 is paid by a bond insurer with respect to such Series of Bonds pursuant to a financial guaranty insurance policy, the Bonds of such Series will 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 and related Security Instrument Issues of such Series of Bonds will continue to exist and will run to the benefit of such bond insurer, and such bond insurer will be subrogated to the rights of such Registered Owners and related Security Instrument Issues 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 is not be made by or on behalf of the NMFA when the same becomes due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds is not be made by or on behalf of the NMFA when the same becomes 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 is for any reason rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree is 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 will not be vacated or discharged or stayed on appeal within 30 days after the entry thereof, or

(e) if any proceeding is 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 is not vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA files 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 assumes 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 is not terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA defaults 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 continues for 30 days after written notice specifying such Event of Default and requiring the same to be remedied has been given to the NMFA by the Trustee, which may give such notice in its discretion and will give such notice at the written request of the Registered Owners of not less than twenty-five percent (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, will, 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 will 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 will impair any such right or 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 may 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 will 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 under the Indenture is intended to be exclusive of any other remedy, and each such remedy is cumulative and is in addition to every other remedy given under the Indenture 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 has 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 have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture;

(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.

No one or more Owners has 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 provided in the Indenture and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond has 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 will not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture 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 is not 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, will, 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 or the NMFA under the Indenture, will be applied as follows:

(a) Unless the principal of all Bonds shall have become due and payable, all such moneys will 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 will 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 and any of the Bonds which 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 is not 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; and

Third: To be held for the payment to the persons entitled thereto as the same 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 is not sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment will be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds becomes due and payable all such moneys will 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 of principal 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 will be applied at such times, and from time to time, as the Trustee may determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee applies such moneys it will fix the date (which will be an Interest Payment Date unless it deems 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 will cease to accrue. The Trustee will 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 will not be required to make payment to the holder of any unpaid Bond until such Bond is 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 will 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 will 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 has 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 has 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 has been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners will be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission will 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 Registered 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 judgment 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 of 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 will 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 may 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 will 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 one hundred percent (100%) of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but is not 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 requests the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee will, 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 will briefly set forth the nature of the proposed supplemental indenture and will 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 have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond will 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 will be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA will 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 Agencies 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 judgment of the Trustee do 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 will 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 will 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 following economic and demographic descriptions are furnished for information only. The Bonds do not constitute a general obligation of the State and are special limited obligations of NMFA payable solely from the Trust Estate. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2007E Bonds do not constitute or give rise to a personal liability on the part of the directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

The information presented in this Appendix C relates to certain economic and demographic information relating to the State. Such information is for informational purposes and is presented to provide readers a sense of the economic and demographic composition of the State. Such information is available from the sources listed in the tables and is believed to be reliable. However, the NMFA has not verified and does not guarantee the accuracy of any such information.

Generally

The State, admitted as the forty-seventh state on January 6, 1912, is the fifth largest state, containing approximately 121,593 square miles. 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 percent sunshine year-round. Humidity ranges from 60 percent (mornings) to 30 percent (afternoons). Evenings are crisp and cool in all seasons because of low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of the moisture. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains). The State is an experience in comfortable living with its clean air, blue skies and fair weather.

Governmental Organization

The Executive Branch of State government consists of a Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, Attorney General and Commissioner of Public Lands who are elected to four-year terms beginning the January 1 after their election. An elected Executive Branch Officer may succeed himself or herself in office once. The primary functions of the Executive Branch are currently carried out by the offices of each elected Executive Branch officeholder, in addition to approximately 20 cabinet departments, each headed by a cabinet secretary appointed by the Governor and approved by the Legislature.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected for four-year terms, members of the House for 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, and under certain limited circumstances, extraordinary sessions may be convened by the Legislature. Legislators receive no salary, but do receive per diem and mileage allowances while in session or performing official State business.

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

Economic and Demographic Characteristics

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1,819,046. In the 1990's, the State was the 12th fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515,069. Over the same period of time, the national population grew 13.2 percent.

Most of this population growth is occurring in or near the larger cities. There are four Metropolitan Statistical Areas (MSAs) in the State. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is comprised of Doña Ana County; the Santa Fe MSA is comprised of Santa Fe County; and the Farmington MSA is comprised of San Juan County. The fastest growing counties in the state are Sandoval, Doña Ana, Bernalillo, San Juan, Luna and Lincoln. The following table sets forth information on population growth in New Mexico and nationally over the past decade.

POPULATION
NEW MEXICO AND THE UNITED STATES
1997-2006

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1997	1,774,839	272,646,925	1.3%	1.2%
1998	1,793,484	275,854,104	1.1	1.2
1999	1,808,082	279,040,168	0.8	1.2
2000	1,821,656	282,216,952	0.7	1.1
2001	1,832,783	285,226,284	0.6	1.0
2002	1,855,353	288,125,973	1.2	1.0
2003	1,877,598	290,796,023	1.2	0.9
2004	1,900,620	293,638,158	1.2	1.0
2005	1,925,985	296,507,061	1.3	1.0
2006	1,954,599	299,398,484	1.5	1.0

Source: Population Division, U.S. Census Bureau, December 2006.

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, and mining. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The following table sets forth information on employment by industry over the period 1980-2005.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	1980	1990	2000	2001[1]	2005[1]	Growth 1980-1990	Growth 1990-2000	Growth 2001-2005[1]
Total employment	598,199	767,139	972,954	977,815	1,064,351	28.20%	26.80%	8.80%
Wage and salary employment	513,306	635,725	789,690	801,610	856,406	23.80	24.20	6.80
Proprietors employment	84,893	131,414	183,264	176,205	207,945	54.50	39.70	18.00
Farm proprietors employment	13,400	13,600	14,985	17,470	17,157	1.50	10.20	(1.80)
Nonfarm proprietors employment	71,493	117,814	168,279	158,735	190,788	64.80	42.80	20.20
By Industry								
Farm employment	22,191	19,766	21,760	24,091	24,685	(10.90)	10.10	2.50
Nonfarm employment	576,008	747,373	951,194	953,724	1,039,666	29.80	27.30	9.00
Private employment	428,156	568,085	748,804	748,250	820,099	32.70	31.80	9.60
Agricultural services, forestry, fishing and other	4,358	8,414	13,548	7,019	7,224	93.10	61.00	2.90
Mining	31,152	20,489	19,323	19,469	21,024	(34.20)	(5.70)	7.90
Oil and gas extraction	15,116	14,068	14,425	6,447	6,751	(6.90)	2.50	4.70
Mining and support activities for mining[2]	16,036	6,421	4,898	13,022	14,273	149.70	23.70	9.60
Construction	38,873	40,606	59,895	63,144	73,164	4.50	47.50	15.90
General building contractors	11,933	11,858	16,710	18,050	19,396	(0.60)	40.90	7.50
Heavy construction contractors	8,287	6,729	8,720	10,365	10,171	(18.80)	29.40	(1.90)
Special trade contractors	18,653	22,019	34,465	34,729	43,597	18.00	56.50	25.50
Manufacturing[3]	35,963	47,732	48,788	49,913	46,003	32.70	2.20	(7.80)
Durable goods	21,583	32,500	33,275	32,671	29,113	50.60	2.40	(10.90)
Nondurable goods[4]	14,380	15,232	15,513	17,242	16,890	5.90	1.80	(2.00)
Transportation and public utilities[5]	30,732	34,130	43,350	39,423	37,458	11.10	27.00	(5.00)
Wholesale trade	22,733	27,896	33,751	27,970	28,566	22.60	21.10	2.10
Retail trade[6]	98,075	134,482	172,516	175,525	183,919	37.10	28.30	4.80
Finance, insurance, and real estate[7]	37,945	46,955	62,905	60,113	69,993	23.70	34.00	16.40
Services[8]	128,325	207,381	294,728	308,674	338,935	61.60	42.10	9.80
Government and government enterprises	147,852	179,288	202,390	205,474	219,567	21.30	63.10	6.90
Federal, civilian	29,963	31,621	30,205	28,785	30,099	5.50	(4.50)	4.60
Military	21,794	22,552	17,167	17,106	16,258	3.50	(23.90)	(5.00)
State and local	96,095	125,115	155,018	159,583	173,210	30.20	23.90	8.50
State governmental	42,560	55,722	64,654	65,503	69,786	30.90	16.00	6.50
Local government	53,535	69,393	90,364	94,080	103,424	29.60	30.20	9.90

(1) Prior to 2001, the U.S. Department of Commerce employed the Standard Industrial Classification ("SIC") system for industry specific data covered in its economic research and analysis of non-agricultural wage and salary employment information. In 2001, the U.S. Department of Commerce adopted a revised and expanded industry classification system, the North American Industry Classification System ("NAICS"). Consequently, 2001 and 2005 employment by industry data is not comparable with employment by industry data for the years 2000, 1990 and 1980. NAICS Industry groups and subgroups in the 2001 and 2005 data have been combined or extracted to approximate the SIC Industry groups listed for the years before 2001.

(2) The SIC subgroups, "Metal Mining," "Coal Mining" and "Nonmetallic Minerals, except fuels" were combined to approximate the NAICS category "Mining and Support Activities for Mining."

(3) The NAICS "Information" subcategories, "Publishing industries, except Internet" and "Internet Publishing and broadcasting" and the NAICS "Manufacturing" category have been combined to approximate the former SIC "Manufacturing" group.

(4) The NAICS "Information" subcategories, "Publishing industries, except Internet" and "Internet Publishing and broadcasting" and the NAICS "Manufacturing – Nondurable Goods" category have been combined to approximate the SIC "Manufacturing – Nondurable Goods" subcategory.

(5) The NAICS categories of "Utilities" and "Transportation and Warehousing" and the NAICS "Information" subcategories of "Broadcasting, except Internet" and "Telecommunications" have been combined to approximate the SIC "Transportation and Public Utilities" category.

(6) The NAICS "Accommodation and Food Services" subcategory of "Food Services and Drinking Places" has been added to the NAICS "Retail Trade" category to approximate the SIC "Retail Trade" category.

(7) The NAICS categories of "Finance and Insurance" and "Real Estate and Rental and Leasing" have been combined to approximate the SIC category of "Finance, Insurance and Real Estate."

(8) The NAICS categories of "Professional and Technical Services," "Management of Companies and Enterprises," "Administrative and Waste Services," "Educational Services," "Health Care and Social Assistance," "Arts, Entertainment and Recreation," "Other Services, except Public Administration," and the subcategories, "Accommodation and Food Services – Accommodation," "Information – Motion Picture and Sound Recording Industries," "Information – ISPs, Search Portals, and Data Processing," "Information – Other Information Services" have been combined to approximate the SIC category "Services."

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2007.)

The following tables set forth selected additional economic and demographic data with respect to the State.

EMPLOYMENT AND LABOR FORCE
NEW MEXICO AND THE UNITED STATES
1997-2006

	Civilian Labor Force		Employed		Unemployment Rate		
Year	New Mexico[1]	United States[1]	New Mexico[1]	United States[1]	New Mexico	United States	N.M. as %of U.S. Rate
1997	823	136,297	769	129,558	6.60%	5.00%	133%
1998	836	137,673	784	131,463	6.20	4.50	139
1999	840	139,368	793	133,488	5.60	4.20	133
2000	851	142,583	809	136,891	5.00	4.00	127
2001	862	143,734	819	136,933	4.90	4.70	104
2002	875	144,863	828	136,485	5.50	5.80	95
2003	893	146,510	841	137,736	5.90	6.00	99
2004	912	149,401	860	139,252	5.70	5.50	103
2005	915	149,320	867	141,730	5.30	5.10	104
2006	935	151,428	896	144,427	4.20	4.60	91

(1) Figures rounded to nearest thousand.
(Source: U.S. Department of Labor, Bureau of Labor Statistics, March 2007.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1997-2006

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1997	$34,960,814	$6,907,332,000	4.80%	6.10%
1998	37,045,765	7,415,709,000	6.00	7.40
1999	38,045,599	7,796,137,000	2.70	5.10
2000	40,318,443	8,422,074,000	8.80	8.00
2001	44,138,165	8,716,992,000	9.50	3.50
2002	44,986,517	8,872,871,000	1.90	1.80
2003	46,650,275	9,150,320,000	3.70	3.10
2004	50,707,317	9,716,351,000	8.70	6.20
2005	53,714,363	10,220,942,000	5.90	5.20
2006[1]	57,998,275	10,860,916,880	8.00	6.30

(1) Preliminary estimate.
(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2007.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1997-2006

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	N.M.	U.S.
1997	$19,698	$25,334	78%	3.50%	4.80%
1998	20,656	26,883	77	4.90	6.10
1999	21,042	27,939	75	1.90	3.90
2000	22,133	29,843	74	5.20	6.80
2001	24,083	30,562	79	8.80	2.40
2002	24,247	30,795	79	0.70	0.80
2003	24,846	31,466	79	2.50	2.20
2004	26,679	33,090	81	7.40	5.20
2005	27,889	34,471	81	4.50	4.20
2006(1)	29,673	36,276	82	6.40	5.20

(1) Preliminary estimate.
(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2007.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
1990, 2000, 2001 AND 2005

	New Mexico (Dollars in Thousands)				United States (Dollars in Millions)				Percent Change 2001-2005		Distribution of 2005 Wages and Salaries	
	2005(1)	2001(1)	2000	1990	2005(1)	2001(1)	2000	1990	N.M.	U.S.	N.M.	U.S.
Farm Total	252,352	176,072	179,521	95,849	21,404	17,920	16,781	11,767	43.30%	19.40%	0.90%	0.40%
Non-Farm												
Private												
Agricultural Services, Forestry, Fishing	84,932	72,008	143,971	62,663	17,836	15,968	30,886	15,164	17.90%	11.70%	0.30%	0.30
Mining	924,039	726,676	671,919	507,585	40,605	32,132	31,219	26,655	27.20	26.40	3.30	0.70
Construction	1,864,210	1,481,698	1,306,228	577,016	318,815	271,681	256,807	140,468	25.80	17.30	6.60	5.60
Manufacturing(2)	1,633,154	1,669,853	1,656,465	980,349	763,810	773,184	830,026	561,384	(2.20)	(1.20)	5.80	13.50
Transportation & Public Utilities(3)	1,294,999	1,239,195	1,351,378	884,830	361,463	295,851	313,333	179,390	4.50	22.20	4.60	6.40
Wholesale Trade	952,118	834,834	950,471	552,522	322,972	283,974	332,549	189,402	14.00	13.70	3.40	5.70
Retail Trade(4)	3,020,117	2,564,031	2,434,023	1,316,067	525,241	463,539	449,642	264,791	17.80	13.30	10.70	9.30
Finance, Insurance & Real Estate(5)	1,308,467	1,060,638	1,027,385	543,814	535,578	444,684	431,911	207,758	23.40	20.40	4.60	9.50
Services(6)	8,547,983	7,693,954	5,916,169	2,945,866	1,845,272	1,535,895	1,382,404	644,429	11.10	20.10	30.40	32.60
Total Private	19,635,730	16,283,154	15,458,009	8,370,712	4,674,424	4,116,908	4,058,777	2,229,441	20.60	13.50	69.70	82.60
Government												
Federal, Civilian	1,707,762	1,366,112	1,280,241	917,118	166,905	134,679	135,011	99,598	25.00	23.90	6.10	2.90
Military	678,213	495,168	477,480	440,596	80,074	54,970	50,520	46,332	37.00	45.70	2.40	1.40
State & Local	5,881,523	4,700,434	4,374,109	2,472,762	716,475	615,467	572,880	356,505	25.10	16.40	20.90	12.70
Total Government	8,267,498	6,561,714	6,131,830	3,830,476	963,454	805,116	758,411	502,435	26.00	19.70	29.40	17.00
Non-Farm Total:	27,903,228	22,844,868	21,589,839	12,201,188	5,637,878	4,922,024	4,817,188	2,731,876	22.10	14.50	99.10	99.60
Total	28,155,580	23,020,940	21,769,360	12,297,037	5,659,282	4,939,944	4,833,969	2,743,643	22.30	14.60	100.00	100.00

(1) Prior to 2001, the U.S. Department of Commerce employed the Standard Industrial Classification ("SIC") system for industry specific data covered in its economic research and analysis of non-agricultural wage and salary employment information. In 2001, the U.S. Department of Commerce adopted a revised and expanded industry classification system, the North American Industry Classification System ("NAICS"). Consequently, 2001 and 2005 employment by industry data is not comparable with employment by industry data for the years 2000, 1990 and 1980. NAICS Industry groups and subgroups in the 2001 and 2005 data have been combined or extracted to approximate the SIC Industry groups listed for the years before 2001.

(2) The NAICS "Information" subcategories, "Publishing industries, except Internet" and "Internet Publishing and broadcasting" and the NAICS "Manufacturing" category have been combined to approximate the former SIC "Manufacturing" group.

(3) The NAICS categories of "Utilities" and "Transportation and Warehousing" and the NAICS "Information" subcategories of "Broadcasting, except Internet" and "Telecommunications" have been combined to approximate the SIC "Transportation and Public Utilities" category.

(4) The NAICS "Accommodation and Food Services" subcategory of "Food Services and Drinking Places" has been added to the NAICS "Retail Trade" category to approximate the SIC "Retail Trade" category.

(5) The NAICS categories of "Finance and Insurance" and "Real Estate and Rental and Leasing" have been combined to approximate the SIC category of "Finance, Insurance and Real Estate."

(6) The NAICS categories of "Professional and Technical Services," "Management of Companies and Enterprises," "Administrative and Waste Services," "Educational Services," "Health Care and Social Assistance," "Arts, Entertainment and Recreation," "Other Services, except Public Administration," and the subcategories, "Accommodation and Food Services – Accommodation," "Information – Motion Picture and Sound Recording Industries," "Information – ISPs, Search Portals, and Data Processing," "Information – Other Information Services" have been combined to approximate the SIC category "Services."

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2007.)

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Form of Opinion of Brownstein Hyatt Farber Schreck, P.C.]

New Mexico Finance Authority
207 Shelby Street
Santa Fe, New Mexico 87501

Bank of Albuquerque, N.A.
Trust Division
201 Third Street, Suite 1400
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2007E

We have acted as bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2007E in the aggregate principal amount of $61,945,000 (the "Series 2007E Bonds"). The Series 2007E Bonds are being issued for the purpose of (i) originating or reimbursing the NMFA for moneys used to originate loans to or purchase securities from certain governmental entities ("Governmental Units") that were used to finance certain Projects for such Governmental Units ("Loans"); (ii) paying in full amounts owing under the line of credit established with the Bank of America, N.A. on May 23, 2007; and (iii) paying costs incurred in connection with the issuance of the Series 2007E 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 2007E Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated June 1, 1995, as previously amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Sixty-Eighth Supplemental Indenture of Trust dated as of October 1, 2007 (together with the General Indenture, the "Indenture") between the NMFA and the Bank of Albuquerque, N.A., Albuquerque, New Mexico (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, 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.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, it is our opinion that:

1. The NMFA is a public body politic and corporate, separate and apart from the State, duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 2007E Bonds.

2. The Indenture has been duly authorized, executed and delivered by the NMFA, is valid and binding upon the NMFA and creates a valid lien on the Trust Estate pledged under the Indenture to secure the payment of the principal of and interest on Series 2007E 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 2007E Bonds have been duly and validly authorized, are issued in accordance with law and the Indenture and constitute valid and binding special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a debt or liability of the State, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

4. The interest on the Series 2007E Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item

of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax on certain corporations. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on or ownership of the Series 2007E Bonds.

5. The interest on the Series 2007E Bonds is exempt from income taxes imposed directly thereon by the State.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2007E 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 been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2007E Bonds or any other offering material relating to the Series 2007E Bonds and we express no opinion relating thereto;

(c) our opinion represents our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of result; and

(d) our opinion is limited to the matters expressly set forth herein and we express no opinion concerning any other matters.

This letter is furnished by us as Bond Counsel, is solely for the benefit of the NMFA and may not be relied upon by any other person or entity. No conclusions or statements other than those expressly stated herein are intended nor should they be inferred. We disclaim any obligation to update, revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in the law, or in interpretations thereof, that may hereafter occur, or for any reason whatsoever. It should be noted that we are members of the Bar of the State of New Mexico and this opinion is limited in all respects to matters of New Mexico and federal law. This letter is not to be used, circulated, quoted or otherwise referred to for any other purpose without our express written permission.

Very truly yours,

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2007E Bonds, payment of principal, premium, if any, interest on the Series 2007E Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2007E Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2007E Bonds. The Series 2007E Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2007E Bond certificate will be issued for each maturity of the Series 2007E Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2007E Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007E Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007E 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007E Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2007E Bonds, except in the event that use of the book-entry system for the Series 2007E Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007E Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007E Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007E Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007E Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect 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 will be sent to DTC. If less than all of the Series 2007E Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2007E Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the NMFA 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 2007E Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2007E Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the NMFA or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. 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 or its nominee, the Trustee or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the NMFA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2007E 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 only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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 the NMFA does not have responsibility for distributing such notices to the Beneficial Owners.

The NMFA does not 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 2007E Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2007E Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Series 2007E Bonds.

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.

APPENDIX F

2007E GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS

2007E Governmental Units

As previously stated, a portion of the proceeds of the Series 2007E Bonds are being used to reimburse the NMFA for Loans previously made to the 2007E Governmental Units. The 2007E Governmental Units, the amount of their respective Loans, the agreement reserve amounts and the maturity dates of the Loans are listed in the following table:

Governmental Unit	Original Loan Amount	Agreement Reserve Amount[(1)]	Loan Maturity Date
Santa Rosa, City of	$127,778.00	$12,777.80	05/01/2015
Village of Eagle Nest	200,000.00	–	05/01/2018
Bloomfield, City of	1,727,552.00	127,551.40	05/01/2029
Deming, City of	1,024,005.00	72,004.46	05/01/2027
Sierra County	5,075,223.00	330,539.06	05/01/2032
Gadsden Independent School District	8,900,000.00	–	08/15/2017
Cobre Consolidated School District No. 2	2,800,000.00	–	08/01/2012
Valencia County -Meadow Lake Fire Department	333,334.00	33,333.40	05/01/2018
Village of Taos Ski Valley	865,358.00	86,535.80	05/01/2017
GSD - Coughlin Building	1,500,000.00	–	6/01/2014
Hagerman Municipal Schools	400,000.00	–	8/01/2018
Cuba Independent Schools	580,000.00	–	8/01/2019
Los Lunas Public Schools	7,700,000.00	–	7/01/2020
Bernalillo Public Schools	8,000,000.00	–	08/01/2020
Hatch Valley Public Schools	750,000.00	–	08/01/2015
Las Cruces, City of	27,361,565.00	1,861,564.26	06/01/2032

(1) The NMFA has adopted a policy which does not require an Agreement Reserve Account for certain types of Loans including those that have an "AA" credit rating, Loans secured by a pledge of the fire protection or state law enforcement funds that produce a debt service coverage ratio of two times, and Loans secured by a general obligation pledge of the respective Governmental Unit. Each of the Loans listed that does not have an Agreement Reserve Account falls into one of the aforementioned categories.

(Source: NMFA.)

Agreements Generating Largest Amount of Agreement Revenues

Information concerning the Agreements representing the five largest repayment obligations and their obligors is provided below.

Albuquerque-Bernalillo County Water Utility Authority Loans. In the 2003 Regular Session, the New Mexico Legislature adopted legislation (Laws 2003, Chapter 437, codified as NMSA 1978, Section 72-1-10) creating the Albuquerque-Bernalillo County Water Utility Authority (the "ABCWUA") as a joint agency of the City of Albuquerque, New Mexico (the "City") and Bernalillo County. The ABCWUA is comprised of a board of three City Councilors, three County Commissioners and the Mayor of the City, which has jurisdiction over certain water facilities and properties (the "Water System") and certain sanitary sewer facilities and properties (the "Sewer System").

Pursuant to various loan agreements (the "ABCWUA Loan Agreements") between the ABCWUA and the NMFA totaling $108,552,513, the ABCWUA pledged to the NMFA, on a parity basis with other obligations of ABCWUA, water and sewer systems revenues for the purpose of: acquiring, constructing, extending, enlarging, bettering, repairing, replacing, equipping or otherwise improving the water/sewer system, water, wastewater system including expenses related to: regular system improvements, expansion, maintenance and upgrades to operate a water and wastewater utility pursuant to the basic capital program and diversion of surface water from the San Juan Chama and delivering it for use by current and future users of the system. The NMFA has issued various series of Bonds and used proceeds from those Bonds to provide the funding for the ABCWUA Loan Agreements. In addition, the NMFA plans to issue a series of Subordinate Lien Bonds in December 2007 in the approximate amount of $56 million and loan the proceeds from the sale thereof to the ABCWUA.

State of New Mexico General Services Department. The NMFA issued a series of Bonds and used a portion of the proceeds thereof to purchase bonds of the State of New Mexico General Services Department (the "GSD Bonds"). The General Services Department applied proceeds from the sale of the GSD Bonds to fund building projects in Santa Fe for use by the state government. The GSD Bonds are payable from and secured by a portion of gross receipts tax revenues received by the State of New Mexico and appropriated by the State Legislature or transferred to the State Building Bond Fund. The GSD Bonds currently outstanding in the aggregate principal amount of $55,633,092 and are scheduled to mature in 2036.

City of Las Cruces—Convention and Civic Center Loan. The NMFA is using a portion of the proceeds of the Series 2007 Bonds to fund a loan with the City of Las Cruces (the "Las Cruces Loan"). The City of Las Cruces plans to use proceeds of the Las Cruces Loan to finance the construction of a new Convention and Civic Center in the City of Las Cruces (the "Convention Center"). The Las Cruces Loan will be in the amount of $27,361,565 and is scheduled to mature in 2032. The City of Las Cruces has pledged to the NMFA the City's Lodger's Tax and the Convention Center fee revenues to the repayment of the Loan.

Gallup-McKinley School Loan. The NMFA has made two loans to the Gallup-McKinley School District (the "District") in the amount of $19,309,341 (the "Gallup-McKinley Loans") to finance the acquisition and construction of school buildings within the District. The longest maturity of the Gallup-McKinley Loans is scheduled to mature in 2026 and the Gallup-McKinley Loans are payable from federal impact aid received by the District.

New Mexico State Park and Recreation Bonds. The NMFA has issued Bonds and used proceeds of those Bonds to purchase bonds from the New Mexico State Park and Recreation Department (the "Park Recreation Bonds"). The Park Recreation Bonds are outstanding in the aggregate principal amount of $20,223,428 and are scheduled to mature in 2023. The Park Recreation Bonds are payable from an allocation of the governmental gross receipts tax to the State Park and Recreation Department.

APPENDIX G

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission in connection with the issuance of the Series 2007E Bonds, the NMFA will execute and deliver a Continuing Disclosure Undertaking pursuant to which it will agree to provide the following information:

- to each nationally recognized municipal securities information repository ("NRMSIR") by March 31 of each fiscal year, or the next succeeding business day if March 31 is not a business day (and to the Trustee and to each holder of the Series 2007E Bonds who requests such information):

- annual financial information and operating data concerning the Revenues, such information to be of the type set forth under the table captioned "Historic Subordinate Lien PPRF Revenues – Fiscal Years 2002-2003 Through 2006-07" under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Trust Estate – Subordinate Lien PPRF Revenues" in the Official Statement;

- with respect to any Governmental Unit expected by the NMFA, on the last business day that is at least 45 days prior to the date specified for providing such information to each NRMSIR, to have Loan repayment obligations in the then-current fiscal year constituting more than 20% of the estimated Revenues for the then-current fiscal year (the "20% Test"), and each additional Governmental Unit designated by the NMFA by such business day, information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Revenues, or such shorter period for which such information is available;

- audited financial statements for the NMFA, any Governmental Unit meeting the 20% Test and each additional Governmental Unit designated by the NMFA, or, if audited financial statements are not available by March 31 of each fiscal year, or the next succeeding business day if March 31 is not a business day, unaudited financial statements;

- in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") and to each State information depository, if any, notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking;

- in a timely manner to 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 2007E Bonds, if material:

- principal and interest payment delinquencies;

- non-payment related defaults;

- unscheduled draws on debt service reserves reflecting financial difficulties;

- unscheduled draws on credit enhancements reflecting financial difficulties;

- substitution of credit or liquidity providers, or their failure to perform;

- adverse tax opinions or events affecting the tax-exempt status of the Series 2007E Bonds;

- modification of rights of security holders;

- bond calls;

- defeasances;
- release, substitution, or sale of property securing repayment of the Series 2007E Bonds; and
- 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 2007E Bonds. 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.

The NMFA will provide its annual report to Digital Assurance Certification, L.L.C. ("DAC"), as dissemination agent, to file with each NRMSIR and with the State information depository, if any. The NMFA will provide the notices of material events to DAC to file with each NRMSIR or the MSRB, and with the State information repository, if any.

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APPENDIX H

FORM OF SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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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, hereb unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete paymen 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) th principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, th 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 o the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than an advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at suc times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pa in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovere from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owne 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 herei 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 writte 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 whic 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 notic of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, Nev York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of suc Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidenc the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of th Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instrument being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Payin Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amount and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect t 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, th 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 Issue 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 servic 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 o 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 o [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Attest:

Assistant Secretary

STD-R-7
01/05

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NEW MEXICO FINANCE AUTHORITY • SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2007E

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NEW ISSUE – BOOK-ENTRY ONLY

DAC Bond©

Ratings: Moody's "Aa2"
S & P "AA+"
Fitch "AA"
(See "RATINGS" herein.)

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel to the NMFA, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2008A Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2008A Bonds is exempt from State of New Mexico personal income taxes as described herein. See "TAX MATTERS" regarding certain other tax considerations.

New Mexico FINANCE AUTHORITY

$158,965,000

NEW MEXICO FINANCE AUTHORITY

SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2008A

Dated: Date of Initial Delivery **Due: June 1, as shown on inside cover**

The New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008A are being issued as fully registered bonds in denominations of $5,000 or any integral multiple of $5,000. The Depository Trust Company will act as securities depository of the Series 2008A 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 2008A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2008A Bonds will be made in book-entry form only, and beneficial owners of the Series 2008A Bonds will not receive physical delivery of bond certificates, except as described in this Official Statement. 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 2008A Bonds.

The Series 2008A Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2008A Bonds accrues from the date of initial delivery of the Series 2008A Bonds and is payable on June 1 and December 1 of each year, commencing June 1, 2008. Principal of the Series 2008A Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedule on the inside front cover.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER

The Series 2008A Bonds are subject to redemption prior to maturity.

Proceeds of the Series 2008A Bonds will be used by the NMFA for the purpose of (i) originating loans to or reimbursing the NMFA for moneys used to originate loans to or purchase securities from certain governmental entities that will be or were used to finance certain Projects for such governmental entities; (ii) retiring a borrowing of the NMFA incurred in anticipation of the issuance of the Series 2008A Bonds; and (iii) paying costs incurred in connection with the issuance of the Series 2008A Bonds. The principal of and premium, if any, and interest on the Series 2008A Bonds and additional bonds issued or to be issued are payable solely from and secured solely by the Trust Estate. The NMFA has issued or incurred and expects to issue or incur parity bonds and other obligations pursuant to the Indenture.

The Series 2008A Bonds are special limited obligations of the NMFA, payable, together with additional bonds issued or to be issued, solely from and secured solely by the Trust Estate. The Series 2008A Bonds will not constitute or create a general obligation or other indebtedness of the State of New Mexico, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 2008A Bonds will be construed or interpreted 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 Series 2008A Bonds do not constitute or give rise to personal liability on the part of the members, directors or officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Certain legal matters concerning the legality of the Series 2008A Bonds will be passed on by Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, Bond Counsel to the NMFA. Certain legal matters will be passed upon for the NMFA by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the NMFA, and by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Disclosure Counsel to the NMFA. The General Counsel of the NMFA will deliver a non-litigation certification for the NMFA. The Underwriters are being represented by their counsel, Hogan & Hartson LLP, Denver, Colorado. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with the Series 2008A Bonds. It is expected that a single certificate for each maturity of the Series 2008A Bonds will be delivered to DTC or its agent on or about April 17, 2008. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Series 2008A Bonds.

UBS Investment Bank

George K. Baum & Company **Piper Jaffray & Co.** **RBC Capital Markets**

This Official Statement is dated March 27, 2008 and the information contained herein speaks only as of that date.

$158,965,000
NEW MEXICO FINANCE AUTHORITY
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
SERIES 2008A

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2008	$1,350,000	3.500%	2.000%	64711N AA 3
2009	3,895,000	3.500	2.200	64711N AB 1
2010	4,455,000	3.000	2.500	64711N AC 9
2010	25,000	4.000	2.500	64711N AD 7
2011	855,000	3.000	2.720	64711N AE 5
2011	3,910,000	5.000	2.720	64711N AF 2
2012	1,475,000	3.000	2.950	64711N AG 0
2012	350,000	4.000	2.950	64711N AH 8
2012	3,015,000	5.000	2.950	64711N AJ 4
2013	3,580,000	3.250	3.070	64711N AK 1
2013	1,325,000	4.000	3.070	64711N AL 9
2014	2,500,000	3.500	3.290	64711N AM 7
2014	2,625,000	4.000	3.290	64711N AN 5
2015	4,640,000	3.500	3.470	64711N AP 0
2015	565,000	4.250	3.470	64711N AQ 8
2016	4,320,000	3.750	3.650	64711N AR 6
2016	1,000,000	4.250	3.650	64711N AS 4
2017	2,965,000	4.000	3.820	64711N AT 2
2017	3,050,000	4.500	3.820	64711N AU 9
2018	5,155,000	4.000	3.930	64711N AV 7
2018	1,050,000	4.500	3.930	64711N AW 5
2019	1,345,000	4.000	4.150	64711N AX 3
2019	4,970,000	5.000	4.150(c)	64711N AY 1
2020	1,495,000	4.125	4.260	64711N AZ 8
2020	5,380,000	5.000	4.260(c)	64711N BA 2
2021	6,460,000	5.000	4.380(c)	64711N BB 0
2022	6,305,000	5.000	4.480(c)	64711N BC 8
2023	1,755,000	4.500	4.600	64711N BD 6
2023	4,855,000	5.000	4.600(c)	64711N BE 4
2024	6,780,000	5.000	4.700(c)	64711N BF 1
2025	7,100,000	5.000	4.780(c)	64711N BG 9
2026	7,435,000	5.000	4.850(c)	64711N BH 7
2027	7,810,000	5.000	4.900(c)	64711N BJ 3
2028	1,655,000	4.900	4.950	64711N BK 0
2028	4,335,000	5.000	4.950(c)	64711N BL 8

$23,595,000 5.000% Term Bond due June 1, 2033; price 98.726%, CUSIP Number 64711N BM 6†

$15,585,000 5.000% Term Bond due June 1, 2038; price 98.312%, CUSIP Number 64711N BN 4†

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* Preliminary; subject to change.

† The above referenced CUSIP number(s) have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2008A Bonds. None of the NMFA, the Trustee or the Underwriters is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the Series 2008A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2008A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

(c) Priced to call at par on June 1, 2018.

The information set forth herein has been obtained from the NMFA, DTC and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the NMFA, or in any other information contained herein since the date hereof.

No dealer, broker, salesman or any other person has been authorized by the NMFA or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy nor shall there be any sale of the Series 2008A Bonds by any person in any jurisdiction in which it is unlawful for such offer, solicitation or sale.

All inquiries relating to this Official Statement and the offering contemplated herein should be directed to the Underwriters. Prospective investors may obtain additional information from the Underwriters or the NMFA which they may reasonably require in connection with the decision to purchase any of the Series 2008A Bonds from the Underwriters.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Forward-looking statements are included in the Official Statement under the captions "THE PLAN OF FINANCING—Estimated Sources and Uses of Funds." The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

The yields at which the Series 2008A Bonds are offered to the public may vary from the initial reoffering yields on the inside front cover page of this Official Statement. In connection with this offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect market prices of the Series 2008A Bonds. Such transactions, if commenced, may be discontinued at any time.

The NMFA maintains a website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2008A Bonds.

THE SERIES 2008A BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. THE SERIES 2008A BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NEW MEXICO FINANCE AUTHORITY
207 Shelby Street
Santa Fe, New Mexico 87501
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Facsimile copy: (505) 984-0002

Members
Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Joanna Prukop, Secretary
Craig Reeves, Treasurer
Gary Bland
Ron Curry
Charlie Dorame[*]
Edward Garcia
Paul Gutierrez
Lonnie Marquez[*]
Katherine B. Miller
Fred Mondragon

Chief Executive Officer
William C. Sisneros

NMFA General Counsel
Reynold E. Romero

Issuer Counsel
Virtue Najjar & Brown PC
Santa Fe, New Mexico

Financial Advisor
Western Financial Group, LLC
Lake Oswego, Oregon

Bond Counsel
Brownstein Hyatt Farber Schreck, LLP
Albuquerque, New Mexico

Disclosure Counsel
Ballard Spahr Andrews & Ingersoll, LLP
Salt Lake City, Utah

Trustee, Registrar and Paying Agent
Bank of Albuquerque, N.A.
Albuquerque, New Mexico

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[*] New members appointed in January 2008 by the Governor of the State of New Mexico. Such members are still awaiting confirmation by the Senate of the State of New Mexico. See "THE NEW MEXICO FINANCE AUTHORITY—Governing Body and key Staff Members" herein.

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OFFICIAL STATEMENT

RELATING TO

$158,965,000
NEW MEXICO FINANCE AUTHORITY
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
SERIES 2008A

INTRODUCTION

This Official Statement, which includes the cover page and appendices, provides information in connection with the offer and sale of the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008A (the "Series 2008A Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2008A Bonds, together with additional bonds the NMFA has issued or may issue in parity with them, are collectively referred to in this Official Statement as the "Bonds." Capitalized terms used and not defined in the main body of this Official Statement have the meanings specified in the General Indenture of Trust and Pledge, dated as of June 1, 1995, as previously amended and supplemented (the "General Indenture"), and as further amended and supplemented by the Sixty-Ninth Supplemental Indenture of Trust, dated as of March 1, 2008 (the "Sixty-Ninth Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the NMFA and the Bank of Albuquerque, N.A., Albuquerque, New Mexico, as trustee (the "Trustee"), and are presented under the caption "Definitions" in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE." The General Indenture and all Supplemental Indentures are collectively referred to in this Official Statement as the "Indenture."

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality separate and apart from the State created to coordinate the planning and financing of State and local public projects. For additional information concerning the NMFA, see "NEW MEXICO FINANCE AUTHORITY" and the NMFA's financial statements for the fiscal year ended June 30, 2007 included as APPENDIX A hereto.

Authority and Purpose

The Series 2008A Bonds are being issued under the authority of and pursuant to the laws of the State, 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—The Public Project Revolving Fund Program."

Proceeds from the sale of the Series 2008A Bonds will be used by the NMFA for the purpose of (i) originating loans to or reimbursing the NMFA for moneys used to originate loans to or purchase securities ("Loans") from certain governmental entities ("Governmental Units") that will be or were used to finance certain Projects for such Governmental Units; (ii) retiring a borrowing of the NMFA incurred in anticipation of the issuance of the Series 2008A Bonds; and (iii) paying costs incurred in connection with the issuance of the Series 2008A Bonds. See "THE PLAN OF FINANCING" and "APPENDIX F" for a list of the Governmental Units and the amounts of the loans financed with the Series 2008A Bonds.

Parity Obligations

Bonds with a lien on the Trust Estate in parity with the lien of the Series 2008A Bonds have been issued and may be issued to provide loans to Governmental Units, to reimburse the Public Project Revolving Fund for loans made to Governmental Units, and to purchase securities from Governmental Units. For a description of the parity Bonds currently outstanding (the "Outstanding Parity Bonds"), see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Parity Bonds."

Subordinate Obligations

Obligations with a subordinate lien on the revenues from the NMFA Portion of the Governmental Gross Receipts Tax (as defined below) and Revenues from Additional Pledged Loans released from the lien of the Indenture have been issued and may be issued to provide loans to Governmental Units, to reimburse the Public Project Revolving Fund for loans made to Governmental Units, to purchase securities from Governmental Units and to retire borrowings incurred in anticipation of the issuance of such subordinate obligations. For a description of the subordinate obligations currently outstanding, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Subordinate Lien Bonds."

The Series 2008A Bonds

The Series 2008A Bonds will be dated the date of their initial delivery. Interest on the Series 2008A Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2008. The Series 2008A Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear interest at the rates shown on the inside front cover of this Official Statement. The Series 2008A Bonds are issuable in denominations of $5,000 or integral multiples of $5,000.

Individual purchases will be made in book-entry only form, and purchasers of the Series 2008A Bonds will not receive physical delivery of bond certificates except as more fully described in "APPENDIX E—BOOK-ENTRY ONLY SYSTEM." Payments of principal of and interest on the Series 2008A 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 (as defined below) for subsequent disbursement to the beneficial owners of the Series 2008A Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2008A 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 and Indirect Participants acquire an interest in the Series 2008A Bonds, but (1) all rights of ownership must be exercised through DTC and the book-entry only system as described in APPENDIX E, and (2) except as otherwise provided in the Indenture, 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

The Series 2008A Bonds are subject to redemption prior to maturity. See "THE SERIES 2008A BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2008A Bonds, are special limited obligations of the NMFA secured by and payable solely from the Trust Estate, which includes the Revenues described below and certain funds and accounts created and maintained pursuant to the Indenture. (See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" herein.)

The Bonds do not constitute or create a general obligation or other indebtedness of the State, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE NMFA HAS NO TAXING POWERS. No provision of the Series 2008A Bonds will be construed or interpreted as a donation or lending of the credit of the NMFA, the State, or any Governmental Unit within the meaning of the Constitution of the State. The principal of and interest and premium, if any, on the Series 2008A Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

No Debt Service Reserve Account. The NMFA is not funding an Account in the Debt Service Reserve Fund with respect to the Series 2008A Bonds.

Additional Bonds. The NMFA maintains an ongoing program to provide loans and to purchase securities from Governmental Units and expects to finance certain of those activities with the issuance of Additional Bonds in parity with the Series 2008A Bonds. The NMFA must satisfy certain requirements set forth in the Indenture to issue such Additional Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds." The timing, amount and other details of such Additional Bonds are not known as of the date of this Official Statement.

Continuing Disclosure Undertaking

The NMFA has undertaken for the benefit of the Series 2008A Bond Owners that, so long as the Series 2008A Bonds remain outstanding, the NMFA will provide certain annual financial information, operating data and audited financial statements with respect to the NMFA, and each Governmental Unit expected by the NMFA to have loan repayment obligations in the then-current fiscal year constituting more than twenty percent (20%) of the estimated Revenues in the then-current fiscal year 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 amended. The Continuing Disclosure Undertaking is summarized in "APPENDIX G—CONTINUING DISCLOSURE UNDERTAKING."

In September 2004, the NMFA discovered that for fiscal years 2000-2001, 2001-2002 and 2002-2003, certain information required to be filed under the terms of its continuing disclosure undertakings in effect at that time was not filed. The NMFA has since filed the information and believes that, since October 4, 2004, it has been in compliance with its continuing disclosure undertakings. The NMFA engaged Digital Assurance Certification, L.L.C., as dissemination agent, to assist with continuing disclosure compliance matters. The provisions of the Continuing Disclosure Undertaking may be amended under certain circumstances. See "CONTINUING DISCLOSURE UNDERTAKING."

Tax Considerations

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel to the NMFA, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2008A Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2008A Bonds is exempt from State of New Mexico personal income taxes as described herein. See "TAX MATTERS" regarding certain other tax considerations.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2008A Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel to the NMFA, will deliver its opinion in the form included in APPENDIX D. Certain legal matters will be passed upon for the NMFA by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the NMFA, and by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Disclosure Counsel to the NMFA. The General Counsel of the NMFA will provide a non-litigation certification for the NMFA. The Underwriters are being represented by their counsel, Hogan & Hartson LLP, Denver, Colorado. Western Financial Group, LLC, Lake Oswego, Oregon has acted as financial advisor to the NMFA in connection with its issuance of the Series 2008A Bonds. See "FINANCIAL ADVISOR."

The NMFA's audited financial statements for the fiscal year ended June 30, 2007, included in APPENDIX A, have been audited by Meyners & Company, Certified Public Accountants, Albuquerque, New Mexico. See also "FINANCIAL STATEMENTS."

Offering and Delivery of the Series 2008A Bonds

The Series 2008A Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each maturity of the Series 2008A Bonds will be delivered to DTC or its agent on or about April 17, 2008. The Series 2008A Bonds will be distributed in the initial offering by UBS Securities LLC, George K. Baum & Company, Piper Jaffray & Co., and RBC Capital Markets (collectively, the "Underwriters"), for which UBS Securities LLC is acting as managing underwriter and representative of the Underwriters (in such role, the "Representative").

Other Information

This Official Statement speaks only as of its date, and the information in it is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents in this Official Statement do not purport to be complete, and reference is made to those 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 to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 207 Shelby Street, Santa Fe, New Mexico 87501, Attention: Chief Financial Officer.

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 any purchaser or holder of Series 2008A Bonds.

THE SERIES 2008A BONDS

General

The Series 2008A Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2008A Bonds from such date at the rates presented on the inside front cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), and is payable on June 1 and December 1 of each year, commencing June 1, 2008. The Series 2008A Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2008A Bonds are issuable in denominations of $5,000 or integral multiples of $5,000 (the "Authorized Denominations").

Book-Entry Only System

The Depository Trust Company will act as securities depository for all of the Series 2008A Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount and maturity of each series of the Series 2008A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2008A Bonds will be made in book-entry only form, and beneficial owners of the Series 2008A Bonds will not receive physical delivery of bond certificates, except as described in APPENDIX E. Upon receipt of payments of principal and interest, DTC will remit such payment to DTC participants for subsequent disbursement to the beneficial owners of the Series 2008A Bonds. For a more complete description of the book-entry only system, see "APPENDIX E—BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

Optional Redemption. The Series 2008A Bonds maturing on or after to June 1, 2019 are subject to optional redemption at any time on and after June 1, 2018, 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 General Indenture and at the redemption price of 100% of the principal amount of the Series 2008A Bonds to be redeemed, but without premium.

Mandatory Sinking Fund Redemption. The Series 2008A Bonds maturing on June 1, 2033 are subject to mandatory sinking fund redemption on each of the dates set forth below, at a price equal to one hundred percent (100%) of the principal amount of each Series 2008A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2029	$4,450,000
2030	4,440,000
2031	4,665,000
2032	4,895,000
2033*	5,145,000

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* Final Maturity.

If less than all of the Series 2008A Bonds maturing on June 1, 2033 are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed will be credited toward a part or all of any one or more of any mandatory sinking fund payments for such Series 2008A Bonds, in such order as may be directed by the NMFA.

The Series 2008A Bonds maturing on June 1, 2038 are subject to mandatory sinking fund redemption on each of the dates set forth below, at a price equal to one hundred percent (100%) of the principal amount of each Series 2008A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2034	$4,835,000
2035	3,750,000
2036	3,940,000
2037	1,495,000
2038*	1,565,000

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* Final Maturity.

If less than all of the Series 2008A Bonds maturing on June 1, 2038 are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed will be credited toward a part or all of any one or more of any mandatory sinking fund payments for such Series 2008A Bonds, in such order as may be directed by the NMFA.

<u>Notice of Redemption</u>. In the event any of the Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of 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 redemption date.

In addition, further notice of any redemption of 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 Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Bonds. Failure to give all or any portion of such further notice will not in any manner defeat the effectiveness of a call for redemption.

If at the time of mailing of any notice of redemption there are not on deposit with the Trustee moneys sufficient to redeem all the 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 will 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 Bonds or portions thereof redeemed but who failed to deliver Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed will be conclusively presumed to have been duly given, whether or not the owner of such 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 Bonds.

Partially Redeemed Bonds. In case any Bond is redeemed in part, upon the presentation of such Bond for such partial redemption, the NMFA will execute and the Trustee will 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 Bond or Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Bond. A portion of any 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 of $5,000 and, in selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Bonds by $5,000.

Defeasance

When a Bond has been deemed to be paid under the Indenture, it will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment. Any Bond will be deemed to be paid for all purposes of the Indenture when (1) the principal of and the applicable premium, if any, on such Bond (whether at maturity or prior redemption) plus interest on the Bond to the Bond's due date either have been paid or 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 moneys sufficient to make such payment, and/or 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 (2) 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.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Limited Obligations

The Bonds, including the Series 2008A Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2008A Bonds do not constitute nor create a general obligation or other indebtedness of the State, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE NMFA HAS NO TAXING POWERS. No provision of the Series 2008A Bonds will be construed or interpreted 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 principal of and interest and premium, if any, on the Series 2008A Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

Trust Estate

In the Indenture, the NMFA pledges and assigns the Trust Estate for the equal and ratable payment of the Bonds. The Trust Estate includes (i) Agreement Revenues and amounts in the Agreement Reserve Accounts subject to the uses provided for in the Indenture and described herein, (ii) Additional Pledged Loans, (iii) revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, and (iv) other amounts in certain funds and accounts created and maintained pursuant to the Indenture, all as more fully described below.

Agreement Revenues. 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 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 (the "Agreement Revenues") and (ii) moneys in certain funds and accounts held by the Trustee. Each Governmental Unit executing a Loan Agreement or issuing Securities agrees to pay principal of and interest on its loan promptly from its Agreement Revenues and to continue such payments until its Loan is paid in full. Each Governmental Unit that has entered into a Loan Agreement or has issued Securities has pledged specific Agreement Revenues to the repayment of its Loan. It should be noted that each Governmental Unit that has entered into an Agreement with the NMFA has the ability to incur additional obligations that may be secured on a parity basis with the Agreement Revenues as long as certain conditions are satisfied. See APPENDIX F for a list of the Governmental Units and the allocable portions of the Loans financed with the Series 2008A Bonds. Also, please see APPENDIX F for information relating to the largest repayment obligations. A Governmental Unit is not required to make up any Loan Payment not paid in full by another Governmental Unit or to make up any insufficiency in any other source of revenues.

The following table lists the various types of revenues from which Agreement Revenues are derived based upon scheduled payments in fiscal year 2007-2008. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

Type of Revenue	2007-2008 Amounts	Percentage of Agreement Revenues
Enterprise System Revenues	$12,625,792	24.7%
Gross Receipts Tax	11,555,058	22.6
Local Special Tax	8,489,278	16.6
General Obligation (ad valorem taxes)	7,864,994	15.4
State Gross Receipts Tax	5,085,002	9.9
Governmental Gross Receipts Tax	2,616,717	5.1
Fire Protection Funds	2,579,842	5.0
Special Assessments	250,004	0.5
Law Enforcement Protection Funds	66,155	0.1
Mill Levy	43,073	0.1
Total	$51,175,915	100.0%

(Source: New Mexico Finance Authority.)

The following table lists the ten Agreements that, based on scheduled payments in fiscal year 2007-2008 and assuming no prepayments of the Agreements, are expected to generate the largest Agreement Revenues in fiscal year 2007-2008. These ten Agreements comprise 45.90% of projected Agreement Revenues for fiscal year 2007-2008.

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AGREEMENTS EXPECTED TO GENERATE AGREEMENT REVENUES[1]

Borrower	FY 2007-2008 Debt Service	% of Total Pledged Revenues[1]
Albuquerque Bernalillo County Water Utilities Authority	$6,751,363	13.19%
General Services Department (State Gross Receipts Taxes)	5,961,283	11.65
State Parks and Recreation Department (Governmental Gross Receipts Taxes)	2,451,922	4.79
City of Las Cruces	2,049,093	4.00
Gallup-McKinley County Schools	1,397,763	2.73
Miners Colfax Medical Center	1,269,918	2.48
City of Albuquerque	1,119,510	2.19
Artesia Schools	921,999	1.80
Jicarilla Apache Tribe	889,454	1.74
Taos Municipal Schools	818,781	1.60
Total	$23,631,085	46.18%

(1) Reflects a percentage of total loan agreement revenues, not including Governmental Gross Receipts Taxes. (Source: New Mexico Finance Authority.)

Although Agreement Revenues are received at various times throughout the year, they are held under the Indenture until June 1 of each year to be applied to pay debt service on the Bonds. For more information with respect to Agreement Revenues and Governmental Units, See "APPENDIX F—2008A GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS."

The NMFA may require and has previously required the establishment and funding of an Agreement Reserve Fund in connection with certain Agreements. 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 Agreement.

Additional Pledged Loans. The NMFA may make loans from or purchase securities with available funds in the Public Project Revolving Fund. 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 the NMFA to the payment of the Bonds. See "Flow of Funds" below under this caption.

The Governmental Gross Receipts Tax. Pursuant to Section 7-1-6.38, NMSA 1978, the Public Project Revolving Fund administered by the NMFA is allocated seventy-five percent (75%) (the "NMFA Portion of the Governmental Gross Receipts Tax") of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-4.3, NMSA 1978. The governmental gross receipts tax was enacted into law and first imposed in 1991 at a rate of five percent (5%) on governmental gross receipts. Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State 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 principally engaged in providing health care services, from (i) the sale of tangible personal property other than water from facilities open to the general public; (ii) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public; (iii) refuse collection, refuse disposal or both; (iv) sewage services; (v) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State; and (vi) the renting of parking, docking or tie-down spaces or the granting of permission to park vehicles, tie-down aircraft or dock boats.

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.

Certain receipts are excluded from the governmental gross receipts tax, including (i) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision, (ii) receipts from operation of a cable television system owned or operated by a municipality, (iii) receipts from the sale of livestock, receipts of growers, producers, trappers or nonprofit marketing associations from selling livestock, live poultry, and (iv) receipts from certain activities at a minor league baseball stadium.

In addition, there are certain deductions from the governmental gross receipts tax, including (i) certain receipts from selling tangible personal property to the United States or the State, (ii) receipts from selling tangible personal property to an Indian tribe, nation or pueblo, (iii) receipts from transactions in interstate commerce, (iv) certain receipts 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, and (v) 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 Taxation and Revenue Department 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 Taxation and Revenue Department. 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.

Presented below is information from the New Mexico Taxation and Revenue Department concerning collections of the governmental gross receipts tax for the fiscal years 2002-2003 through 2006-2007.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2002-2003 THROUGH 2006-2007

	Fiscal Year 2002-2003	Fiscal Year 2003-2004	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Fiscal Year 2006-2007
Total Net Receipts	$22,324,134	$26,522,933	$24,593,886	$26,250,123	$28,447,877
NMFA Portion of the Governmental Gross Receipts Tax	$17,181,295	$18,368,369	$18,445,414	$19,689,576	$21,335,908

(Source: State of New Mexico Taxation and Revenue Department.)

The information presented below relates to the ten top payers of the governmental gross receipts tax for fiscal years 2003-2004 through 2005-2006. Such information is for informational purposes and is presented to show trends of the receipt of governmental gross receipts tax. Such information is not publicly available from the State and has instead been obtained from each individual entity and is believed to be reliable. However, the NMFA has not verified and does not guarantee the accuracy of any such information.

TOP PAYERS OF GOVERNMENTAL GROSS RECEIPTS TAXES[1]
FISCAL YEARS 2003-2004 THROUGH 2005-2006

Entity	Fiscal Year 2003-2004 % of Total Net Receipts	Fiscal Year 2004-2005 % of Total Net Receipts	Fiscal Year 2005-2006 % of Total Net Receipts
Albuquerque Bernalillo County Water Utility Authority	22.59%	23.75%	23.63%
City of Albuquerque	9.02	12.26	11.94
City of Santa Fe	8.81	8.79	8.04
City of Las Cruces	4.68	5.18	5.30
University of New Mexico	4.19	5.23	4.57
City of Rio Rancho	3.04	3.56	3.83
City of Farmington	2.50	2.74	2.58
City of Roswell	2.08	2.16	2.12
County of Los Alamos	1.80	1.80	1.86
City of Gallup	1.31	1.61	1.17
Total	60.03%	67.08%	65.05%

(1) Unaudited.
(Sources: Listed entities. No representation regarding the accuracy of such information is made by the NMFA.)

Funds and Accounts

The Indenture creates a Revenue Fund, a Program Fund (with separate accounts for each Agreement or Project), a Bond Fund, a Debt Service Fund (with separate accounts for each Agreement), an Agreement Reserve Fund (with a separate account for each Agreement that has a reserve requirement), and an Expense Fund, all of which are part of the Trust Estate. Amounts on deposit in accounts in the Debt Service Fund and in each Agreement Reserve Account shall only secure repayment of the Loan made under the related Agreement.

Flow of Funds

Loan Payments. All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements and Securities are to be paid directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee prior to each Interest Payment Date, and the Trustee is directed to deposit all such payments immediately upon receiving them, in the following accounts and in the following priority:

First: the Debt Service Fund in an amount required to cause the aggregate amount on deposit in that Fund 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; and

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

On each Interest Payment Date for the Bonds, the Trustee is directed 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, to the extent amounts are on deposit for such purpose. At least once each year, and more frequently if required pursuant to the provisions of a Supplemental Indenture, the Trustee must 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) in certain cases, to pay the Governmental Unit's share of Program Costs for the year. The Trustee is directed to return any excess that the Trustee does not expect to be required for such payments to the related Governmental Unit or to credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement. In certain cases, any excess attributable to the difference in interest rates on the Governmental Unit's Loans and the related Bonds (including the Series 2008A Bonds) will be deposited into the Revenue Fund.

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 directed to transfer from the related Agreement Reserve Account, if any, to that Governmental Unit's Account of the Debt Service Account, 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.

The above provisions, with respect to the flow of funds, do not apply to moneys provided pursuant to the 2000A Loan Agreement. For a description of the flow of funds with respect to the 2000A Loan Agreement, see APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—THE INDENTURE—Flow of Funds—Application of Loan Payments."

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 required to be paid by the NMFA to the Trustee prior to each Interest Payment Date 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 directed 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 Account, 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 directed to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining in the Revenue Fund), the following:

- an amount equal to any deficiency in any account in the Agreement Reserve Fund;

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

- 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 (i) five percent of the proceeds of the Bonds issued to finance such Grant, (ii) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (iii) 0.625 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 directed to transfer the balance on deposit in the Revenue Fund to the NMFA for deposit into the Subordinate Lien Revenue Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Subordinate Lien Bonds." After the moneys have been used for the purposes specified in the Subordinated Indenture (as defined below), the NMFA may use any remaining moneys for Public Project Revolving Fund purposes; redemption of Bonds prior to maturity by depositing the same into the Bond Fund; refinancing, refunding, purchasing or advance refunding of any Bonds; or any other lawful purpose.

The balance so transferred to the Subordinate Lien Revenue Fund is no longer pledged to the payment of debt service on the Bonds.

Debt Service Reserve Fund. The Indenture permits the NMFA to establish a separate Account in the Debt Service Reserve Fund solely for the benefit of the holders of a Series of Bonds. However, the NMFA is not creating a separate Account in the Debt Service Reserve Fund with respect to the Series 2008A Bonds.

Investment Earnings. All income earned from the investment of moneys in the respective Accounts held by the NMFA and the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit exceeds the related Agreement Reserve Requirement), shall be deposited in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement, with all earnings received on the Governmental Unit's Accounts being allocated solely to the benefit of such Governmental Unit.

Application of Loan Prepayments

Covenants Applicable to the Series 2008A Bonds. The NMFA covenants pursuant to the Sixty-Ninth Supplemental Indenture, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to Loans reimbursed or originated with proceeds of the Series 2008A Bonds with debt service payable on Series 2008A Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2008A Bonds with revenues received from Loan Payments on all outstanding Loans, to take any one or more of the following actions separately or in combination, within 365 days following the receipt of a Prepayment of a Loan financed with proceeds of Series 2008A Bonds:

For Prepayments funded with proceeds of bonds or another financing transaction the interest on which is intended by the Governmental Unit to be exempt from inclusion in gross income under the Internal Revenue Code (a "Tax-Exempt Financing"), the NMFA must either (i) to the extent practicable, originate one or more new Loans in an aggregate principal amount equal to or greater than the amount of the portion of the Prepayment to be applied, and with a final maturity date and debt service requirements approximating, to the extent practicable, the final maturity date and debt service requirements for the portion of the Loan pursuant to which the Prepayment was made (or a pro rata portion thereof if a portion of the Prepayment is to be used to originate a new Loan or Loans), or (ii) call for optional redemption Series 2008A Bonds that are subject to redemption in an aggregate principal amount equal to or greater than the amount of the Prepayment (or a pro rata portion thereof if a portion of the Prepayment is to be applied), and with a final maturity date and debt service requirements approximating the final maturity date and debt service requirements of the Loan pursuant to which the Prepayment was made (or a pro rata portion thereof if a portion of the Prepayment is to be applied). See "THE 2008A BONDS—Redemption—Optional Redemption by the NMFA."

For Prepayments funded from sources other than a Tax-Exempt Financing, the NMFA must elect either of the options described in the previous paragraph, or must defease Series 2008A Bonds, in Authorized Denominations, to their first optional redemption date as described under the caption "THE 2008A BONDS—Redemption—Optional Redemption by the NMFA," in an amount approximating the Prepayment received (or a pro rata portion thereof if a portion of the Prepayment is to be applied). The principal amount and maturity date of Series 2008A Bonds to be defeased must correspond to the principal amount and due date of the Principal Component of such Prepayment.

The NMFA will recalculate the respective Loan Payments due under any Loan Agreement in the case of a partial Prepayment of Loan Payments under such Loan Agreement in a manner consistent with the actions taken.

Historical Prepayments. In the past five fiscal years, the NMFA received Prepayments in the numbers and aggregate principal amounts presented in the following table. Because prepayment of some Loans by Governmental Units is optional for certain Governmental Unit and because the Loan Payments that Governmental Units may prepay vary greatly in amount, the occurrence and aggregate principal amount of Prepayments in past fiscal years are not an indication of Prepayments to be received by the NMFA in future fiscal years.

Fiscal Year	Number of Prepayments	Aggregate Principal Amount
2003-2004	12	$10,303,000
2004-2005	12	6,096,000
2005-2006	8	2,681,000
2006-2007	9	9,145,000
2007-2008	11	2,262,116

Additional Bonds

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) The NMFA must deliver to the Trustee a Cash Flow Statement (as defined in the Indenture), taking into account the issuance of the Additional Bonds or other indebtedness, bonds or notes. A "Cash Flow Statement" incorporates a variety of items including revenues, debt service, loan prepayments and discount factors for certain types of Loans and is more particularly described in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE."

(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 under the Indenture 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 to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default has occurred and is continuing under the Indenture, except that the foregoing will 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 Agencies to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

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 will be created or incurred without the prior written consent of the Owners of one hundred percent (100%) of the Outstanding Bonds.

Outstanding Parity Bonds

The following table presents the series of Public Project Revolving Fund Revenue Bonds that were outstanding under the Indenture as of March 1, 2008:

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of March 1, 2008[2]
1999A	$13,135,000	$7,100,000
1999B	3,025,000	1,235,000
1999C	2,265,000	765,000
1999D	4,875,000	2,260,000
2000A	4,715,000	825,000
2000B	7,670,000	705,000
2000C	28,850,000	1,640,000
2002A	55,610,000	23,000,000
2003A	39,945,000	23,721,000
2003B	25,370,000	21,470,000
2004A-1	28,410,000	21,540,000
2004A-2	14,990,000	13,315,000
2004B-1	48,135,000	40,170,000
2004B-2	1,405,000	1,185,000
2004C	168,890,000	151,540,000
2005A	19,015,000	16,595,000
2005B	13,500,000	13,225,000
2006B	38,260,000	37,605,000
2006D	56,400,000	52,645,000
2007E	61,945,000	61,945,000
Total Outstanding	$636,410,000	$492,486,000

(1) The official statements for the various series of bonds beginning with the Series 2002A Bonds are available at the internet site http://www.munios.com and the official statements for the various series of bonds issued prior to that time are available upon request from the NMFA.

(2) Bonds mature on June 1.

(Source: Western Financial Group, LLC.)

See "ANNUAL DEBT SERVICE REQUIREMENTS" for Debt Service Requirements on the outstanding Bonds and aggregate payments under Agreements relating to the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" for a listing of the Governmental Units with Loan repayment obligations, based on scheduled payments in fiscal year 2007-2008 and assuming no prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2007-2008.

Outstanding Subordinate Lien Bonds

Pursuant to a Subordinated General Indenture of Trust and Pledge between the NMFA and Bank of Albuquerque, N.A., as trustee, dated as of March 1, 2005 (the "Subordinated Indenture"), the NMFA may incur obligations that have a lien on the revenues from the NMFA Portion of the Governmental Gross Receipts Tax and the revenues from Additional Pledged Loans (collectively, the "Subordinate Lien Revenues") that is subordinate to the lien of the Indenture on those revenues.

Pursuant to the Subordinated Indenture, the NMFA has issued various series of bonds (the "Subordinate Lien Bonds"). The following table sets forth the various series of Subordinate Lien Bonds, the original aggregate principal amount and the aggregate principal amount of Subordinate Lien Bonds outstanding as of March 1, 2008.

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of March 1, 2008[(2)]
2005C[(3)]	$ 50,395,000	$ 50,395,000
Taxable 2005D[(3)]	8,660,000	2,525,000
2005E	23,630,000	23,630,000
2005F	21,950,000	21,215,000
2006A	49,545,000	49,490,000
2006C	39,860,000	39,095,000
2007A	34,010,000	33,695,000
2007B	38,475,000	38,475,000
2007C	131,860,000	131,860,000
Total	$ 398,385,000	$ 390,380,000

(1) The official statements for the various series of bonds are available at the Internet site http://www.munios.com.
(2) Bonds mature on June 15.
(3) The Series 2005C and Series 2005D Bonds were issued to refinance bonds issued in 2001, 2002 and 2003 to finance a new Metropolitan Courthouse Complex located in downtown Albuquerque (the "Metro Court"). It should be noted that revenues that provide the source of repayment for the Series 2005C and the Series 2005D Bonds have recently declined. In addition, indictments were recently handed down against various parties that are accused of engaging in a scheme of kickbacks in connection with the construction of the Metro Court. The NMFA has not conducted a comprehensive investigation of the alleged kickback scheme that is the subject of the indictments. However, the NMFA is not aware of any relationship between the indictments and the decline in the revenues that provide the source of repayment for the Series 2005C and Series 2005D Bonds.

(Source: Western Financial Group, LLC.)

See "ANNUAL DEBT SERVICE REQUIREMENTS" for Debt Service Requirements on the Outstanding Bonds and aggregate payments under Agreements.

The NMFA may issue additional bonds pursuant to the Subordinate Lien Indenture from time to time to satisfy the financing needs of governmental entities in the State of New Mexico.

The Series 2008A Bonds have a lien on the Subordinate Lien Revenues senior to the lien securing the outstanding Subordinate Lien Bonds.

Supplemental Indentures and Amendments to 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 with the prior written confirmation from the Rating Agencies that such amendment will not result in the rating on the Bonds and the PPRF Secured Obligations, following such amendment, to be lower than the rating on the Bonds and the PPRF Secured Obligations immediately prior to such amendment. See "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—Supplemental Indentures."

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 Agreement, Additional Pledged Loan documents and any existing Security Documents with the prior written confirmation from the Rating Agencies that such amendment will not result in the rating on the Bonds following such amendment to be lower than the rating on the Bonds immediately prior to such amendment; or make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

THE PLAN OF FINANCING

Purposes of the Series 2008A Bonds

Proceeds of the Series 2008A Bonds will be used by the NMFA for the purposes of (i) originating loans to or reimbursing the NMFA for moneys used to originate loans to, or purchase securities from, the 2008A Governmental Units that will be or were used to finance certain Projects for such 2008A Governmental Units; (ii) retiring a borrowing of the NMFA incurred in anticipation of the issuance of the Series 2008A Bonds; and (iii) paying costs incurred in connection with the issuance of the Series 2008A Bonds. See APPENDIX F for a list of the 2008A Governmental Units and the amount of the Loans financed with the Series 2008A Bonds.

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2008A Bonds.

Sources of Funds

Principal Amount	$158,965,000.00
Net Reoffering Premium	2,473,140.25
Total Sources:	$161,438,140.25

Uses of Funds

Reimbursement of Loans[1]	$73,880,578.05
Deposit to Program Accounts	84,278,852.35
Agreement Reserve Accounts[2]	2,140,362.50
Costs of Issuance[3]	1,138,347.35
Total Uses	$161,438,140.25

(1) Includes reimbursement of the PPRF of amounts used to make loans and the repayment of an interim borrowing to Bank of America, N.A. in the amount of $31,581,292.43.

(2) Represents amount set aside as a reserve for a particular loan that is being funded with a portion of the proceeds of the Series 2008A Bonds. Such reserve account only secures the particular loan to which it relates and is not available to be drawn upon in connection with the Series 2008A Bonds.

(3) Includes legal and accounting fees, financial advisory fees, printing and electronic posting costs, rating fees, trustee fees, underwriters' discount and other miscellaneous costs. Costs of issuance relating to a certain Loan are being allocated to the PPRF Reimbursement. See "UNDERWRITING."

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2008A Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

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DEBT SERVICE FOR THE BONDS

Fiscal Year	Series 2008A Bonds Principal[1]	Interest[2]	Total	Outstanding Parity Bonds[3]	Total Debt Service on Parity and Series 2008A Bonds
2008	$1,350,000	$894,236	$2,244,236	$48,358,980	$50,603,216
2009	3,895,000	7,269,226	11,164,226	53,518,218	64,682,444
2010	4,480,000	7,132,901	11,612,901	52,095,021	63,707,922
2011	4,765,000	6,998,251	11,763,251	51,085,677	62,848,928
2012	4,840,000	6,777,101	11,617,101	52,852,360	64,469,461
2013	4,905,000	6,568,101	11,473,101	50,520,523	61,993,624
2014	5,125,000	6,398,751	11,523,751	47,181,503	58,705,254
2015	5,205,000	6,206,251	11,411,251	46,167,661	57,578,912
2016	5,320,000	6,019,839	11,339,839	42,955,025	54,294,863
2017	6,015,000	5,815,339	11,830,339	32,170,102	44,000,441
2018	6,205,000	5,559,489	11,764,489	30,631,710	42,396,199
2019	6,315,000	5,306,039	11,621,039	27,799,646	39,420,685
2020	6,875,000	5,003,739	11,878,739	26,068,840	37,947,578
2021	6,460,000	4,673,070	11,133,070	24,836,737	35,969,807
2022	6,305,000	4,350,070	10,655,070	21,572,043	32,227,113
2023	6,610,000	4,034,820	10,644,820	17,632,330	28,277,150
2024	6,780,000	3,713,095	10,493,095	16,169,452	26,662,547
2025	7,100,000	3,374,095	10,474,095	10,530,333	21,004,428
2026	7,435,000	3,019,095	10,454,095	9,914,789	20,368,884
2027	7,810,000	2,647,345	10,457,345	8,727,863	19,185,208
2028	5,990,000	2,256,845	8,246,845	7,078,113	15,324,958
2029	4,450,000	1,959,000	6,409,000	7,085,188	13,494,188
2030	4,440,000	1,736,500	6,176,500	6,768,519	12,945,019
2031	4,665,000	1,514,500	6,179,500	6,779,363	12,958,863
2032	4,895,000	1,281,250	6,176,250	6,762,650	12,938,900
2033	5,145,000	1,036,500	6,181,500	4,584,050	10,765,550
2034	4,835,000	779,250	5,614,250	4,550,250	10,164,500
2035	3,750,000	537,500	4,287,500	4,553,750	8,841,250
2036	3,940,000	350,000	4,290,000	4,562,250	8,852,250
2037	1,495,000	153,000	1,648,000	–	1,648,000
2038	1,565,000	78,250	1,643,250	–	1,643,250
Total	$158,965,000	$113,443,449	$272,408,449	$723,512,940	$995,921,389

(1) Payable on June 1 of each year.
(2) Payable on June 1 and December 1 of each year, commencing June 1, 2008.
(3) Includes principal and interest.
Note: Totals may not add due to rounding.
(Source: Western Financial Group, LLC.)

The following table shows estimated available Revenues pledged to the payment of the Bonds, total debt service requirements for the Series 2008A Bonds and all other outstanding Bonds and the resulting estimated annual coverage ratios. Revenues for current and future fiscal years are based on fiscal year 2006-2007 collections of the NMFA Portion of the Governmental Gross Receipts Tax and scheduled payments under the Agreements and Additional Pledged Loans, and do not reflect any future Prepayments or delinquencies. The estimated annual coverage ratios are based in part on assumptions that may not be realized. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Revenues—The Governmental Gross Receipts Tax," "—The Agreements and the Agreement Pledged Revenues" and "—Additional Pledged Loans" for descriptions of the Revenues presented in the table under the headings "Governmental Gross Receipts Tax" and "Aggregate Pledged Borrower Payments." See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" and "INVESTMENT CONSIDERATIONS" for a list of some factors affecting Revenues.

ESTIMATED REVENUES, ANNUAL DEBT SERVICE REQUIREMENTS
AND PROJECTED COVERAGE RATIOS

June 30 Fiscal Year	Governmental Gross Receipts Tax[(1)]	Aggregate Pledged Borrower Payments[(2)(3)]	Estimated Total Revenues[(3)]	Total Debt Service Requirements[(3)]	Estimated Annual Coverage Ratios[(4)]
2008	$21,335,908	$51,175,915	$72,511,823	$50,603,216	1.43x
2009	21,335,908	66,172,649	87,508,557	64,682,444	1.35x
2010	21,335,908	65,714,787	87,050,695	63,707,922	1.37x
2011	21,335,908	64,994,482	86,330,390	62,848,928	1.37x
2012	21,335,908	66,560,635	87,896,543	64,469,461	1.36x
2013	21,335,908	65,206,589	86,542,497	61,993,624	1.40x
2014	21,335,908	61,561,494	82,897,402	58,705,254	1.41x
2015	21,335,908	60,738,779	82,074,687	57,578,912	1.43x
2016	21,335,908	56,347,671	77,683,579	54,294,863	1.43x
2017	21,335,908	47,136,055	68,471,963	44,000,441	1.56x
2018	21,335,908	45,031,923	66,367,831	42,396,199	1.57x
2019	21,335,908	41,787,743	63,123,651	39,420,685	1.60x
2020	21,335,908	40,723,628	62,059,536	37,947,578	1.64x
2021	21,335,908	38,162,010	59,497,918	35,969,807	1.65x
2022	21,335,908	34,686,446	56,022,354	32,227,113	1.74x
2023	21,335,908	29,394,770	50,730,678	28,277,150	1.79x
2024	21,335,908	27,710,213	49,046,121	26,662,547	1.84x
2025	21,335,908	21,718,378	43,054,286	21,004,428	2.05x
2026	21,335,908	20,841,137	42,177,045	20,368,884	2.07x
2027	21,335,908	19,914,341	41,250,249	19,185,208	2.15x
2028	21,335,908	15,426,474	36,762,382	15,324,958	2.40x
2029	21,335,908	13,566,478	34,902,386	13,494,188	2.59x
2030	21,335,908	12,994,028	34,329,936	12,945,019	2.65x
2031	21,335,908	13,009,800	34,345,708	12,958,863	2.65x
2032	21,335,908	12,977,801	34,313,709	12,938,900	2.65x
2033	21,335,908	10,791,727	32,127,635	10,765,550	2.98x
2034	21,335,908	10,184,588	31,520,496	10,164,500	3.10x
2035	21,335,908	8,860,050	30,195,958	8,841,250	3.42x
2036	21,335,908	8,865,563	30,201,471	8,852,250	3.41x
2037	21,335,908	1,658,356	22,994,264	1,648,000	13.95x
2038	21,335,908	1,657,555	22,993,463	1,643,250	13.99x
		$1,035,572,063	$1,696,985,211	$995,921,389	

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(1) Reflects NMFA Portion of the Governmental Gross Receipts Tax collections from July 1, 2006 through June 30, 2007.

(2) Includes scheduled payments under Agreements and outstanding Additional Pledged Loans and does not reflect the prepayment of any such Agreements that may occur while Bonds are Outstanding.

(3) Amounts are rounded to the nearest dollar.

(4) Calculated using the fiscal year 2006-2007 NMFA Portion of the Governmental Gross Receipts Tax assuming that no Additional Bonds will be issued under the Indenture, and are subject to change.

(Sources: NMFA and Western Financial Group LLC.)

NEW MEXICO FINANCE AUTHORITY

General Information

The NMFA is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality of the State. The NMFA was created in 1992 pursuant to the Act 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. Pursuant to the Act, the NMFA and its corporate existence will continue until terminated by law, provided that no such law will 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 comprised of 12 members who also constitute the NMFA's board of directors and currently employs 35 persons, including a Chief Executive Officer. The Chief Executive Officer directs the business and affairs of the NMFA, subject to the policies, control and direction of the NMFA.

Powers

In addition to the power to issue bonds and other obligations to finance specific programs and projects, 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:

(a) 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;

(b) 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;

(c) to accept, administer, hold and use all funds made available to the NMFA from any sources;

(d) to borrow money and to issue bonds and provide for the rights of holders of the bonds;

(e) to establish and maintain reserve and sinking fund accounts to insure against and have funds available for maintenance of other debt service accounts;

(f) to invest and reinvest its funds and to take and hold property as security for the investment of such funds;

(g) subject to any agreement with bondholders to: (1) renegotiate any loan, lease or agreement; (2) consent to any modification of the terms of any loan, lease or agreement; and, (3) purchase bonds, which may upon purchase be canceled; and

(h) to do any and all things necessary or convenient to carry out its purposes and exercise the powers given and granted in the Act.

The NMFA has no authority to impose or collect taxes.

Organization and Governance

The NMFA is composed of 12 members who serve as the governing body of the NMFA. Seven of the members are ex officio members designated in the Act and five members are appointed by the Governor with the advice and consent of the State Senate. One of the appointed members must be the chief financial officer of a state higher educational institution. The remaining four appointed members must be residents of the State. The seven ex officio members include four 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), one is a State agency official (the State Investment Officer), and two are chief executive directors of state-wide associations (the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties). The appointed members serve at the pleasure of the Governor and the appointed members serve four-year terms. Vacancies for the appointed members are filled by appointment of the Governor for the remainder of any unexpired term. Any appointed member is eligible for reappointment.

The governing body of the NMFA exercises and oversees the exercise of the powers of the NMFA. The governing body of the NMFA satisfies those responsibilities through monthly meetings and through the standing committees that the governing body has established. Those committees are advisory and have no authority to act on behalf of the governing body. Each committee reviews and makes recommendations to the governing body concerning matters assigned to it by the governing body.

The Executive Committee, which is chaired by the Chairman of the NMFA, Stephen R. Flance, provides oversight and direction relating to the operations of the NMFA. Other committees include the Audit Committee, chaired by Katherine B. Miller; the Finance/Loan Committee, chaired by Stephen R. Flance; the Economic Development Committee, chaired by Joanna Prukop; the Investment Committee, chaired by Craig Reeves; and the Contracts Committee, the chairmanship of which is pending appointment due to the expiration of the term of the previous chair. The committees typically meet monthly.

The governing body has also established written policies concerning the exercise of the powers of the NMFA. The written policies serve as ongoing directions to staff and consultants with respect to standards to be applied in the conduct of the business of the NMFA.

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Governing Body and Key Staff Members

Current members of the NMFA, and their respective occupations and term expiration dates, are presented below:

Name	Occupation	Term Expires
Gary Bland(1)	State Investment Officer, State Investment Council	not applicable
Ron Curry(1)	Secretary, Environment Department, State of New Mexico	not applicable
Charlie Dorame(3)	Governor, Pueblo of Tesuque	03/01/09
Stephen R. Flance(2) (Chairman)	Owner/CEO, The Flance Company Santa Fe, New Mexico	12/31/09
William Fulginiti(1) (Vice-Chairman)	Executive Director, New Mexico Municipal League	not applicable
Edward Garcia(2)	President, Garcia Honda Albuquerque, New Mexico	01/01/09
Paul Gutierrez(1)	Executive Director, New Mexico Association of Counties	not applicable
Lonnie Marquez(3)	Vice President for Administration and Finance, New Mexico Institute of Mining and Technology	03/01/09
Katherine B. Miller(1)	Secretary, Department of Finance and Administration, State of New Mexico	not applicable
Fred Mondragon(1)	Secretary, Economic Development Department, State of New Mexico	not applicable
Joanna Prukop(1) (Secretary)	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Craig Reeves(2) (Treasurer)	President, First National Bank of New Mexico Clayton, New Mexico	01/01/12

(1) *Ex officio* member. An *ex officio* member may designate an alternative member. Alternate members may attend meetings and vote on all matters considered by the NMFA.
(2) Appointed by the Governor of the State and serves at the pleasure of the Governor.
(3) Appointed by the Governor of the State in January 2008. Such individuals are awaiting confirmation from the Senate of the State of New Mexico and will continue to serve until the date listed if no confirmation is received. If the Senate of the State of New Mexico confirms those individuals during its next session (scheduled to commence in January 2009), the terms of such individuals will expire on January 1, 2012.

Presented below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2008A Bonds and the administration of the NMFA's financing programs.

William C. Sisneros, Chief Executive Officer. Mr. Sisneros serves as the Chief Executive Officer of the NMFA. Mr. Sisneros was appointed as the principal administrative officer in June 2004. Prior to that, Mr. Sisneros was President of WCS Consultants and Chief Executive Officer of Jenkeel, Ltd., a New Mexico corporation doing business as The Club at El Gancho. As a businessman and consultant, Mr. Sisneros provided services to public and private sector clients specializing in management and organization development and land development process consulting. He graduated from the University of Colorado at Boulder with a Master's Degree in Public

Administration. In addition, Mr. Sisneros served as City Manager of Santa Fe, New Mexico; Town Manager of Taos, New Mexico; Assistant City Manager of Boulder, Colorado; and Administrative Assistant in Englewood, Colorado. In Santa Fe, Mr. Sisneros served on the Executive Board of St. Vincent Hospital, as President of the Santa Fe Chamber of Commerce, as Chairman of the Industrial Park for Santa Fe Economic Development Inc., on the Board of Directors of Open Hands, New Mexico CARES, and New Mexico First each of which are New Mexico nonprofit corporations.

John T. Duff, Chief Financial Officer. Mr. Duff joined the NMFA as Chief Investment Officer in February, 2006 and became Chief Operating Officer in 2007 where he served in that capacity until January, 2008 when he was appointed Chief Financial Officer. Mr. Duff has more than 22 years experience in investment management, financial management, and public accounting. He has held positions as COO and CFO of publicly held corporations and served as the Partner-In-Charge of an office of a major international CPA firm. Mr. Duff served as an investment consultant with two major investment firms. Mr. Duff has a Bachelor of Arts degree in economics from Oberlin College and a Master of Business Administration in accounting and finance from Miami University.

Marquita Russel, Chief of Programs. Ms. Russel joined the NMFA in September 2000. Ms. Russel has 20 years of experience in the financial services industry, in both marketing and financial analysis. Prior to joining the NMFA, Ms. Russel spent 10 years at the Illinois Development Finance Authority, where she held the positions of Marketing Director and Senior Program Administrator. During that time, Ms. Russel closed more than $1 billion of transactions, ranging from $5,000 microloans to $175 million tax-exempt hospital bonds. Ms. Russel earned her Bachelor of Science degree from Marquette University, Milwaukee, Wisconsin.

Jeremy Turner, Chief Financial Advisor. Mr. Turner joined the NMFA in July 2000 as a financial analyst and was appointed Chief Financial Advisor in September 2005. Mr. Turner has been responsible for over $300 million in financings for the NMFA. Mr. Turner earned a Bachelor of Science in Agricultural Economics/Agricultural Business and a Master of Business Administration from New Mexico State University.

Reynold E. Romero, General Counsel. Mr. Romero joined the NMFA in April 2007 as General Counsel. Prior to joining the NMFA, Mr. Romero served as General Counsel for the New Mexico Department of Transportation (NMDOT) for over three years and previously served as Deputy General Counsel and Assistant General Counsel for NMDOT. Mr. Romero has over 28 years of legal practice in transportation law, including eminent domain, property law, and procurement. Mr. Romero handled complex litigation and negotiated complex transactions for the NMDOT such as the purchase of the rail line from BNSF for the commuter rail project in New Mexico. Mr. Romero received his Juris Doctorate from the University of Denver College of Law.

Scott W. Stovall, Chief Investment Officer. Mr. Stovall joined the NMFA in June, 2007. Mr. Stovall has 18 years of experience in public finance and investment management. Mr. Stovall has held positions as New Mexico Deputy State Treasurer, State Cash Manager, and New Mexico State Board of Finance Director. While at the State Treasurer's office, Mr. Stovall was responsible for the investment management of over $5 billion in general fund, local government funds and bond proceeds and was instrumental in starting the state's bond proceeds investment pool. Mr. Stovall also served a three year term as a member on the Government Finance Officers Association Governmental Debt Management Committee.

The NMFA staff provides a full range of services to its borrowers and other parties benefiting from or otherwise interested in the NMFA's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the NMFA's programs, accounting, program marketing and development services, application assistance to borrowers, coordination and assistance with other funding sources, coordination with taxing and regulatory authorities, and coordination with various legislative authorities.

Legislative Oversight

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, among other things: (i) meets on a regular basis to receive and review reports from the NMFA; (ii) monitors and provides assistance and advice on the public project financing program of the NMFA; (iii) oversees and monitors State and local government capital planning and financing; (iv) provides advice and assistance to the NMFA on planning, setting priorities for and financing of State and local capital projects; (v) undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and (vi) reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the State legislature (the "Legislature"), and makes available the report and proposed legislation.

The Public Project Revolving Fund Program

General. The Act created the Public Project Revolving Fund (the "PPRF") Program of the NMFA in 1992 to pay the reasonably necessary costs of originating and servicing loans, grants or securities funded by the PPRF and to make loans or grants and to purchase or sell securities to assist qualified entities in financing the acquisition, construction, improvement, alteration or reconstruction of assets of a long-term capital nature, including land; buildings; water rights; water, sewerage and waste disposal systems; streets; airports; municipal utilities; parking facilities; and machinery, furniture and equipment. Public projects financed through the PPRF in amounts in excess of $1 million per project require specific authorization by the Legislature. As of December 31, 2007, the NMFA had made 670 PPRF loans totaling approximately $1.3 billion. To implement the PPRF Program, the NMFA has been granted the following specific powers:

(a) to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA;

(b) to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (1) a loan to a qualified entity, (2) a purchase or sale of securities individually or on a pooled basis, or (3) the performance of its duties and execution of any of its powers under the Act;

(c) to purchase, hold or sell securities at prices and in a manner the NMFA considers advisable, giving due consideration to the financial capability of the qualified entity, and sell securities acquired or held by it at prices without relation to cost and in a manner the NMFA considers advisable;

(d) to prescribe the form of application or procedure required of a qualified entity for a loan or purchase of its securities, fix the terms and conditions of the loan or purchase and enter into agreements with qualified entities with respect to loans or purchases;

(e) 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, whether or not the loan is made or the securities purchased;

(f) to fix and establish terms and provisions with respect to: (1) a purchase of securities by the NMFA, including date and maturities of the securities; (2) redemption or payment before maturity; and (3) any other matters that in connection with the purchase are necessary, desirable or advisable in the judgment of the NMFA;

(g) to the extent permitted under its contracts with the holders of bonds of the NMFA, consent to modification of the rate of interest, time and payment of installment of principal or interest, security or any other term of a bond, contract or agreement of any kind to which the NMFA is a party;

(h) 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

(i) to acquire fee simple, leasehold, mortgagor's or mortgagee's interests in real and personal property and to sell, mortgage, convey or lease that property for NMFA purposes; and

(j) in the event of a default by a qualifying entity, enforce its rights by suit or mandamus or use all of the available remedies under State law.

Contingent Liquidity Account. In an effort to pursue its policy of maintaining a sufficient cash balance to meet the borrowing needs of eligible entities and improving the fund and cash balances of the Public Project Revolving Fund program, the NMFA established a contingency account (the "Contingent Liquidity Account"). Although it will not be pledged to the Series 2008A Bonds, or any other NMFA bonds, the Contingent Liquidity Account is intended to enhance the NMFA's ability to meet the cash-flow needs of the PPRF program. Funds from the Contingent Liquidity Account may be used to pay debt service on NMFA bonds; however, such use is within the sole discretion of the NMFA and such funds may also be used for other purposes, including but not limited to SWAP termination payments (to date the NMFA has not entered into any counterparty agreements related to the PPRF), loan originations, or to address other purposes as determined by the NMFA. The Contingent Liquidity Account is funded to an amount of $25,000,000. Upon approval of the NMFA, the Contingent Liquidity Account may receive annual increases thereafter of an amount approximately equal to 25% of the Governmental Gross Receipts Tax funds received by the NMFA at the end of the fiscal year. In future years, the NMFA plans to annually evaluate the level of the Contingent Liquidity Account to determine the amount, if any, of subsequent deposits.

Temporary Borrowing. The NMFA entered into an arrangement with Bank of America, N.A. (the "Short-term Lender") for the Short-term Lender to provide to the NMFA an amount up to $100,000,000 to reimburse the NMFA for Loans made to eligible entities that are incurred prior to the issuance of a Series of Bonds. Once the amounts are advanced, the NMFA has up to 180 days to repay the advancement. The short-term borrowings are secured by proceeds of Bonds that are anticipated to be issued subsequent to the advances. The NMFA is entering into such an arrangement to assist it with its cash flows. Such short-term borrowings are not secured by the Trust Estate.

Other Programs and Projects

The NMFA also participates in or administers other programs designed to provide financing to local governmental entities and state agencies for public projects. Such programs are not secured by the Trust Estate but are secured by other sources of revenues. The following table sets forth the different types of programs and the amount of bonds outstanding under such programs.

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Program	Project	Original Principal Amount	Amount Currently Outstanding	Scheduled Final Maturity
Worker's Compensation	Administrative Building	$4,310,000	$2,540,000	9/1/2016
Cigarette Tax	University of New Mexico Health Sciences Building	39,035,000	25,225,000	4/1/2019
Cigarette Tax	University of New Mexico Health Sciences Building	10,000,000	8,915,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	2,375,000	5/15/2026
Transportation	Highways	700,000,000	700,000,000	6/15/2024
Transportation	Highways	237,950,000	162,330,000	6/15/2014
Transportation	Highways	200,000,000	200,000,000	6/15/2026
Transportation	Highways	150,000,000	150,000,000	12/15/2026
Transportation	Highways	40,085,000	35,510,000	12/15/2026
Transportation	Highways	220,000,000	220,000,000	12/15/2026
Transportation	Highways	50,400,000	50,400,000	12/15/2026

(Source: NMFA.)

LITIGATION

To the knowledge of 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 2008A 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 2008A Bonds or in any way contesting or affecting the validity or enforceability of the Series 2008A Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. The NMFA will deliver a non-litigation certification as to the foregoing prior to the issuance of the Series 2008A Bonds.

UNDERWRITING

The Underwriters have agreed to purchase the Series 2008A Bonds from the NMFA pursuant to a Bond Purchase Agreement dated March 27, 2008 (the "Bond Purchase Agreement"), at an aggregate price of $160,738,536.30 (being the aggregate principal amount of the Series 2008A Bonds plus a net reoffering premium of $2,473,140.25, and less an Underwriters' discount of $699,603.95). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2008A 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 2008A 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

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2008A Bonds for interest thereon to be excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2008A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2008A Bonds. The NMFA and the Governmental Units have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2008A Bonds from gross income for Federal income tax purposes.

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, interest on the Series 2008A Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2008A Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, the interest on the Series 2008A Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Interest on the Series 2008A Bonds owned by corporations will, however, be taken into account in determining the alternative minimum tax imposed by Section 55 of the Code on 75 percent of the excess of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction).

In rendering its opinion, Bond Counsel will rely on, and will assume the accuracy of, certain representations and certifications, and compliance with certain covenants of the NMFA and the Governmental Units. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the NMFA and the Governmental Units. In addition, Bond Counsel has not been engaged, and will not undertake, to monitor the NMFA's and the Governmental Units' compliance with the covenants or to inform any person as to whether the covenants are being complied with; nor has Bond Counsel undertaken to determine or to inform any person as to whether any actions taken or not taken, or events occurring or not occurring, after the date of the issuance of the Series 2008A Bonds may affect the federal tax-exempt status of the interest on the Series 2008A Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of certain of the Series 2008A Bonds (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Series 2008A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Series 2008A Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Bond Counsel is also of the opinion that the difference between the principal amount of certain of the Series 2008A Bonds (collectively, the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Series 2008A Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2008A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate tax payer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2008A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax exempt obligations.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2008A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2008A Bonds. Prospective purchasers of the Series 2008A Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2008A Bonds may affect the tax status of interest on the Series 2008A Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2008A Bonds from gross income for Federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Series 2008A Bonds, or the interest thereon, if any action is taken with respect to the Series 2008A Bonds or the proceeds thereof upon the advice or approval of bond counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Series 2008A Bonds is excluded from gross income for Federal income tax purposes, a Series 2008A Bondholder's Federal, State or local tax liability may otherwise be affected by the ownership or disposition of the Series 2008A Bonds. The nature and extent of these other tax consequences will depend upon the Series 2008A Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2008A Bonds should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2008A Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2008A Bonds, (iii) interest on the Series 2008A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Series 2008A Bonds, may be subject to Federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2008A Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Unless separately engaged, Bond Counsel is not obligated to defend the NMFA, the Governmental Units or the Series 2008A Bondholders regarding the tax-exempt status of the Series 2008A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the NMFA, the Governmental Units and their respective appointed counsel, including the Series 2008A Bondholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of the IRS positions with which the NMFA or the Governmental Unites legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2008A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2008A Bonds, and may cause the NMFA, the Governmental Units or the Series 2008A Bondholders to incur significant expense.

Bond Counsel is also of the opinion that interest on the Series 2008A Bonds is exempt from State of New Mexico personal income taxes as described herein.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as "APPENDIX D—FORM OF OPINION OF BOND COUNSEL."

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Series 2008A Bonds. Prospective purchasers or owners should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability, inclusion of Social Security or other retirement payments in taxable income and the state and local tax rules in New Mexico and other states.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2008A Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel to the NMFA, will deliver its opinion in substantially the form included in APPENDIX D. Certain legal matters will be passed upon for the NMFA by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the NMFA. Certain legal matters will be passed upon for the NMFA by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Disclosure Counsel to the NMFA. General Counsel to the NMFA will deliver a non-litigation certification for the NMFA. The Underwriters are being represented by their counsel, Hogan & Hartson LLP, Denver, Colorado. The counsel involved in this transaction have not participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA contained in this Official Statement.

FINANCIAL ADVISOR

The NMFA has retained Western Financial Group, LLC, as financial advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2008A Bonds. Western Financial Group, 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, 2007, included in APPENDIX A of this Official Statement, have been audited by Meyners & Company, LLP, certified public accountants, Albuquerque, New Mexico, as set forth in their report thereon dated September 19, 2007. Meyners & Company, LLP has consented to the use of its name and audited financial reports of the NMFA in this Official Statement.

CONTINUING DISCLOSURE UNDERTAKING

The NMFA reserves the right to modify from time to time the Continuing Disclosure Undertaking, including 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 Rule 15c2-12 of the Securities and Exchange Commission (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 2008A Bonds and will 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 will not be an event of default with respect to the Series 2008A Bonds.

Continuing disclosure undertakings previously entered into by the NMFA with respect to certain of the Bonds called for it to file certain annual financial information and operating data and audited financial statements for the NMFA and any Governmental Unit meeting the objective criteria described in those undertakings with each NRMSIR no later than March 31 of each fiscal year or the next succeeding business day if March 31 is not a business day. In September 2004, the NMFA discovered that for fiscal years 2000-2001 and 2001-2002 only the audited financial statements of the NMFA were filed with the NRMSIRs. For fiscal year 2002-2003 annual financial information and operating data and audited financial statements for the NMFA were filed with each NRMSIR, but the audited financial statements for the Governmental Units meeting the objective criteria were not filed. On October 1, 2004, the NMFA notified the MSRB of its failure to file the annual financial information and operating data and the audited financial statements for the Governmental Units meeting the objective criteria. The

NMFA filed annual financial information and operating data and the audited financial statements for the City of Albuquerque, New Mexico and the Energy, Minerals and Natural Resources Department of the State of New Mexico on October 4, 2004. The NMFA believes that, since October 4, 2004, it has been in compliance with its continuing disclosure undertakings. See "APPENDIX G—CONTINUING DISCLOSURE UNDERTAKING" herein.

None of the Securities represent annual Loan repayment obligations exceeding 20% of estimated Revenues in the first full year immediately following issuance of the Series 2008A Bonds. See APPENDIX F for a discussion of Governmental Units with the largest outstanding principal loan balances.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Group ("S&P") and Fitch Ratings ("Fitch") have assigned municipal bond ratings of "Aa2," "AA+" and "AA," respectively, to the Series 2008A Bonds. An explanation of the significance of such ratings may be obtained from Moody's, S&P and Fitch.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2008A 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 2008A Bonds may have an adverse effect on the market price of the Series 2008A Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2008A Bonds any proposed revision or withdrawal of the ratings on the Series 2008A Bonds, or to oppose any such proposed revision or withdrawal. The NMFA undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings or other actions by a rating agency may have an adverse effect on the market price of the Series 2008A Bonds.

INVESTMENT CONSIDERATIONS

Availability of Revenues

The amount of Revenues actually received by the NMFA may be affected by several factors. Among other things, the amount of Governmental Gross Receipts Taxes that will be collected and distributed to the NMFA is subject to fluctuation based on the activities that generate those taxes. There can be no guarantee that the NMFA's Portion of the Governmental Gross Receipts Taxes collected in the future will be consistent with historical collection trends. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Governmental Gross Receipts Tax."

Pursuant to Section 7-9-4.3, NMSA 1978, revisions to laws of the State affecting, among other things, tax rates, taxed activities and distributions of Governmental Gross Receipts Taxes could be adopted in the future by the State legislature. There is no assurance that any future revisions to State laws will not adversely affect, among other things, tax rates, activities now subject to the governmental gross receipts tax or distribution of governmental gross receipts tax revenues to the NMFA. However, the State has pledged to and agreed with holders of any bonds or notes issued under the Act that the State will not limit or alter the rights vested by the Act in the NMFA to fulfill the terms of any agreements made with the holders thereof or in any way impair the rights and remedies of those holders until the bonds or notes 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.

As previously stated, the Series 2008A Bonds are also payable from Agreement Revenues. Agreement Revenues are derived from a variety of different sources including enterprise system revenues, property taxes and specific taxes. Those sources of Agreement Revenues may be adversely affected by a variety of factors including, but not limited to, general economic conditions, the demand and cost of certain services and governmental actions. There can be no guarantee that Agreement Revenues will be consistent with historical receipts.

ADDITIONAL INFORMATION

This Official Statement speaks only as of its date, and the information in this Official Statement is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained in this Official Statement 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 to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 207 Shelby Street, Santa Fe, New Mexico 87501, Attention: Chief Executive Officer.

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated as such, 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 2008A Bonds.

NEW MEXICO FINANCE AUTHORITY

By /s/ Stephen R. Flance
Chairman

By /s/ William C. Sisneros
Chief Executive Officer

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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NEW MEXICO
FINANCE AUTHORITY

Financial Statements
for the Year Ended
June 30, 2007,
and Independent
Auditors' Report

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Year Ended June 30, 2007

Governing Board

Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Gary Bland, Member
John A. Carey, Member
Paul Gutierrez, Member
Ron Curry, Member
Ed Garcia, Member
Fred Mondragon, Member
Katherine Miller, Member
Joanna Prukop, Member
Craig Reeves, Member
Jennifer Taylor, Member

Chief Executive Officer
William C. Sisneros

Chief Operating Officer
John Duff

Chief Financial Officer
Joseph Gosline

MEYNERS +
COMPANY, LLC
Certified Public Accountants/
Consultants to Business

500 Marquette NW, Suite 800
Albuquerque, NM 87102
P 505/842-8290
F 505/842-1568
E cpa@meyners.com

INDEPENDENT AUDITORS' REPORT

New Mexico Finance Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Mexico Finance Authority (Authority), a component unit of the State of New Mexico, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Authority's non-major governmental funds, presented as supplementary information in the accompanying combining fund financial statements, as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2007, and the respective changes in the financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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New Mexico Finance Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Authority as of and for the year ended June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2007, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, presented on pages 4 through 15, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and combining and individual fund financial statements of the Authority. The supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements, including the Agency Funds - Schedule of Changes in Assets and Liabilities. In addition, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by the U.S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Meyners + Company, LLC

September 19, 2007

The New Mexico Finance Authority's (Authority) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position (ability to address future year challenges), identify any material deviations from the financial plan, and identify any fund issues of concern.

The Management's Discussion and Analysis (MD&A) is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the transmittal letter at the front of this report and the Authority's financial statements and notes which follow this section.

Financial Highlights

- The Authority's government-wide net assets increased by $11,665,335 in fiscal year 2007 from 2006.
- The Authority's total revenues increased by $31,187,930 in fiscal year 2007 from 2006.
- The total cost of all Authority programs was $94,213,879, an increase of $24,050,842 over 2006.

Authority Highlights

The New Mexico Finance Authority, created in 1992, assists qualified entities in financing capital equipment and infrastructure projects at any stage of completion, from pre-planning through construction, by providing low-cost funds and technical assistance. It does so through its six main financing sources: Public Project Revolving Fund (PPRF), Water and Wastewater Grant Fund (W/WWGF), the Drinking Water Revolving Loan Fund (DWRLF), the Primary Care Capital Fund (PCCF), the Water Planning Fund, and State Buildings and Automation Project Financing. The Water Trust Fund is administered by the Authority and the Authority provides staff support to the Water Trust Board.

The Authority's core program, the PPRF loan program, has provided financing for a variety of infrastructure and equipment projects. In FY2007, the PPRF program made approximately 93 loans totaling approximately $211.3 million, compared to 72 loans totaling approximately $177.4 million in FY2006.

In cooperation with the New Mexico Environment Department (NMED), the Authority administers the DWRLF program, a federally funded loan program to provide local authorities with low-cost financing and technical assistance in the construction, renovation or expansion of necessary drinking water facilities. In FY2007, the DWRLF made three loans totaling $3.73 million compared to one loan totaling $6.56 million in FY2006. The FY2007 binding commitments numbered six, approximating $23.8 million, compared to four totaling approximately $14.2 million, in FY2006.

Authority Highlights - continued

The PCCF program helps qualified non-profit primary care clinics in medically indigent and underserved areas by providing low-cost financing for capital equipment and infrastructure projects. Since the inception of the program through June 30, 2007, the Authority Board has approved 15 loans totaling $8.05 million. In FY 2007, the PCCF program made one loan totaling $300,000.

During FY2007, the Authority issued $130.3 million in bonds to provide reimbursement to the Public Projects Revolving Loan Fund and to refund the State Building GRT bonds issued in 2002.

The Authority's grant program, the Water/Waste Water Grant Fund Program, was created in 1999 to help qualified disadvantaged entities fund critical water and wastewater projects. In FY2007, seven grants closed for a total of $4,281,000, compared to 15 grants totaling $4,182,000 in FY2006.

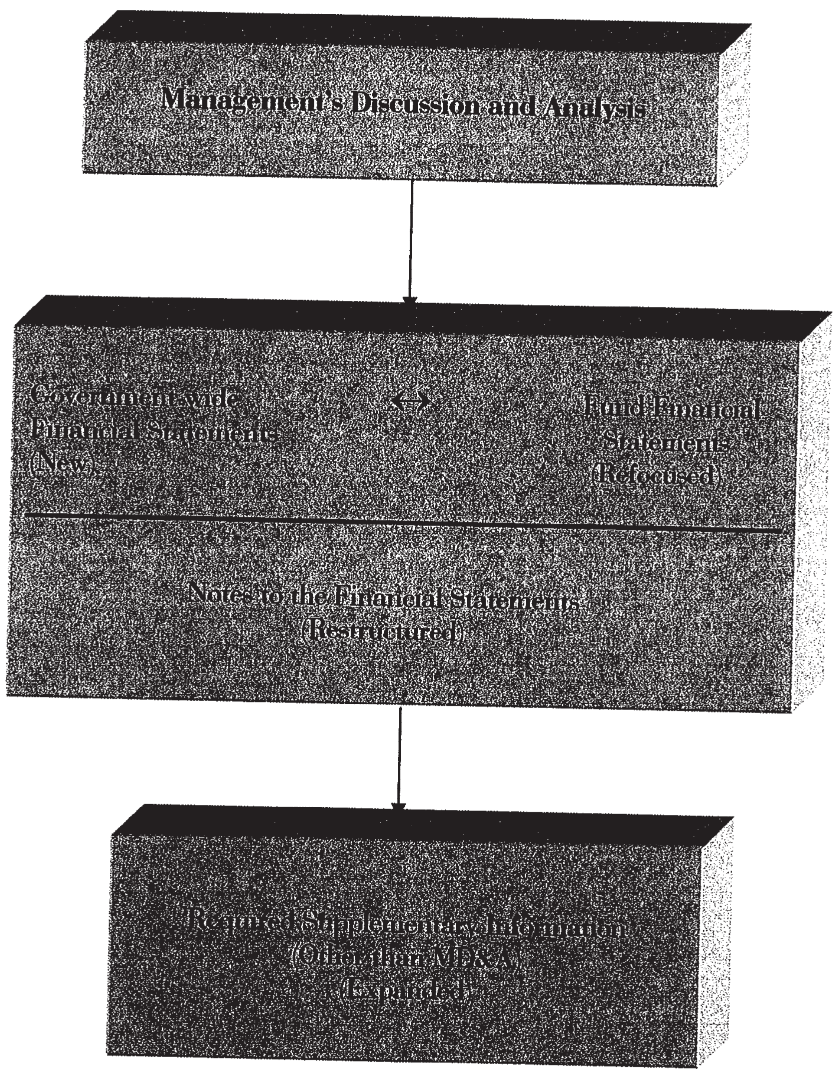
The 2001 Legislature passed the Water Project Finance Act to provide a financing mechanism to promote water use efficiency, water resource conservation, and protection, fair distribution and the allocation of water to all users. To this end, the Act created the Water Trust Fund and the Water Project Fund to provide the necessary financial framework, and created a 15-member Water Trust Board. The Water Trust Fund is created in the State Treasurer's office to be invested by the State Investment Officer in a manner similar to land grant permanent funds. Money in the Water Trust Fund may not be expended for any purpose, but an annual distribution is made to the Water Project Fund.

The Water Project Fund is created in the Authority, which provides staff support to the Water Trust Board and makes loans or grants to qualified entities for projects prioritized by the Board, approved by the Legislature and on terms and conditions established by the Water Trust Board. The Authority is authorized to recover from the fund the costs of administering the fund and originating loans and grants. In FY 2003, House Bill 88, as amended, appropriated $22.5 million for identified regional projects, as well as an appropriation for future use to the Water Project Fund in FY2004. In FY2004, the Water Trust Board reviewed 28 applications for funding. Beginning with FY2005, funding comes from severance tax.

Using This Annual Report

With the implementation of GASB #34, the presentation of the financial statements is significantly different from the previous general-purpose financial statements. The primary focus in State government's financial statements for the last twenty years or so, (summarized fund type information) has been discarded with implementation of GASB #34. The new focus is on both the Authority (government-wide) and the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison and enhance accountability. Although the Authority is one of several agencies within the State of New Mexico Government, the primary Government focus in this financial report is the Authority and not the State of New Mexico as a whole. The following is a graphic presentation of the new accounting model:

Using This Annual Report - continued



Management's Discussion and Analysis

MD&A should provide an objective and easily readable analysis of the Authority's financial activities based on currently known facts, decisions or conditions. It should provide an analysis of the Authority's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it should provide an analysis of significant changes that occur in funds and significant budget variances.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Fiduciary activities whose resources are not available to finance the government's programs are excluded from the government-wide statements.

GASB #34 requires that infrastructure assets (roads, bridges, traffic signals, etc.) be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either depreciate these assets over their estimated useful life or develop a system of asset management designed to maintain the service delivery potential. The Authority does not own a material interest in any infrastructure assets and, therefore, is not required to implement this portion of GASB #34.

Government-Wide Financial Statements - continued

The government-wide financial statements of the Authority are divided into two categories:

- Governmental Activities - All of the Authority's stand-alone bond financings and grant programs are included in the governmental activities. State dedicated revenues and grant appropriations finance most of these activities. The funds included in Governmental Activities for the Authority are the Metro Court Financing, State Building Program Financing, State Building Purchase Financing, University of New Mexico (UNM) Health Sciences Financing, Water Project Financing, Water/Wastewater Grant Fund, Economic Development Financing, Emergency Drought Relief Grant Fund, Water Planning Fund, Workers Compensation Building Financing, State Capital Improvement Financing, Equipment COP Financings and the Insurance Department Financings.

- Business-type Activities - The Authority's revolving fund programs and operating fund are included in the business-type activities. The funds included in the business-type activities are the Public Projects Revolving Fund, Federal Drinking Water Loan Revolving Fund, Primary Care Loan Revolving Fund, Behavioral Health Clinic Financing, GRIP Administrative Fund, Child Care Revolving Loan Fund, Local Road Fund, Cigarette Tax Revenue Bond Fund, New Mexico Tax Credits Fund, Energy Efficiency Fund and General Operating Fund.

Fund Financial Statements

Fund financial statements consist of a series of statements that focus on information about the major governmental and proprietary funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (enterprise funds) are prepared using the economic resources measurement focus and the accrual basis of accounting.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

Fund Financial Statements - continued

Governmental Fund Types:

Most of the Authority's services are included in governmental funds, which focus on (a) how cash and other financial assets that can be readily converted to cash flow in and out, and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view and help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.

- Special Revenue Funds - The Special Revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. The Authority's funds classified as Special Revenue funds are the UNM Cancer Center Bond Fund, the Water/Wastewater Grant Fund, the Water Planning Fund, the Emergency Drought Relief Fund, the Water Projects Fund (accounted for within the Water Trust Fund) and the Economic Development Fund.

- Debt Service Funds - The Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs. The funds classified as Debt Service funds are the UNM Health Sciences Fund, the Metro Court Financing Fund, the Workers Compensation Building Financing Fund, the State Capitol Improvement Financing Fund and the Equipment Certificate of Participation (COP) Funds.

Proprietary Fund Types:

- Enterprise Funds - Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services, and the activity is a) financed with debt that is solely secured by a pledge of the net revenues, b) has third party requirements that the costs of providing services including capital costs be recovered with fees and charges, or c) has a pricing policy designed for the fees and charges to recover similar costs. The fund classified as Proprietary or Enterprise funds are the General Operating Fund, Public Projects Revolving Fund, Drinking Water State Revolving Loan Fund, Primary Care Capital Fund, GRIP Administrative Fund, Child Care Revolving Loan Fund, Cigarette Tax Revenue Bond Fund, Local Road Fund, New Mexico Tax Credits Fund, Energy Efficiency Fund and Behavioral Health Clinic Fund.

Notes to the Financial Statements

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

Budgetary Comparisons

The Authority does not have any legally adopted budgets and, therefore, does not present any budgetary statements.

Required Supplementary Information (Other than MD&A)

In addition to the basic statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees.

Financial Analysis of the Authority as a Whole

Net Assets: Table A-1 summarizes the Authority's net assets for the fiscal year ending June 30, 2007. FY2007 net assets for Governmental Activities and Business-type Activities were $(75,078,101) and $193,154,850, respectively. Total Authority net assets for fiscal year 2007 are $118,076,749. However, most of those net assets are restricted as to the purposes for which they can be used.

Table A-1
The Authority's Net Assets

		Governmental Activities		Business-Type Activities		Total	
		2007	2006	2007	2006	2007	2006
Current and other assets	$	45,024,418	53,624,471	84,608,587	32,697,069	129,633,005	86,321,540
Capital and non-current assets		2,396,886	3,608,898	955,034,773	862,702,716	957,431,659	866,311,614
Total assets	$	47,421,304	57,233,369	1,039,643,360	895,399,785	1,087,064,664	952,633,154
Current liabilities	$	8,187,482	11,947,088	154,767,837	143,670,717	162,955,319	155,617,805
Long-term liabilities		114,311,923	118,756,977	691,720,673	571,846,958	806,032,596	690,603,935
Total liabilities		122,499,405	130,704,065	846,488,510	715,517,675	968,987,915	846,221,740
Net Assets:							
Invested in capital assets		145,503	232,249	292,268	360,882	437,771	593,131
Restricted		(75,223,604)	(73,702,945)	187,200,507	176,161,533	111,976,903	102,458,588
Unrestricted		-	-	5,662,075	3,359,695	5,662,075	3,359,695
Total net assets		(75,078,101)	(73,470,696)	193,154,850	179,882,110	118,076,749	106,411,414
Total liabilities and net assets	$	47,421,304	57,233,369	1,039,643,360	895,399,785	1,087,064,664	952,633,154

Changes in Net Assets: The Authority's change in net assets for fiscal year 2007 was an increase of $11,665,335 (Table A-2). A significant portion, twenty-five percent (25%), of the Authority's revenue comes from Tax Revenue. Six percent (6%) comes from other operating grants and contributions, and thirteen percent (13%) from interest and investment income. Twenty-six percent (26%) comes from state general fund appropriations, and charges for services and other revenue comprise thirty percent (30%) of total revenue.

Table A-2
Changes in the Department's Net Assets

	Governmental Activities 2007	Governmental Activities 2006	Business-Type Activities 2007	Business-Type Activities 2006	Total 2007	Total 2006
Revenues:						
Program	**6,041,563**	845,680	**33,949,508**	24,051,276	**39,991,071**	24,896,956
General	**23,207,646**	21,676,344	**42,680,497**	28,031,916	**65,888,143**	49,708,260
Total revenues	**29,249,209**	22,522,024	**76,630,005**	52,083,192	**105,879,214**	74,605,216
Expenses	**29,628,373**	35,036,050	**64,585,506**	35,040,919	**94,213,879**	70,076,969
Net revenues (loss) before transfers and reversions	**(379,164)**	(12,514,026)	**12,044,499**	17,042,273	**11,665,335**	4,528,247
Transfers and reversions	**(1,228,241)**	21,495	**1,228,241**	(21,495)	**-**	-
(Decrease) increase in net assets	**(1,607,405)**	(12,492,531)	**13,272,740**	17,020,778	**11,665,335**	4,528,247
Net assets, beginning of year	**(73,470,696)**	(60,978,165)	**179,882,110**	162,861,332	**106,411,414**	101,883,167
Net assets, end of year $	**(75,078,101)**	(73,470,696)	**193,154,850**	179,882,110	**118,076,749**	106,411,414

The decline in governmental net assets is the result of certain grant funds (water wastewater grant fund, emergency drought relief, water project fund) "winding down". There are no additional funds being appropriated to these programs and, as grant recipients draw down funds on their grants, there is an on-going decline in the assets (cash). Business-type (enterprise) activities continue to grow in terms of net assets because of the expansion of the PPRF program and the continual growth in the loan portfolio.

Governmental-Type Activities

The Authority's total expenditures for governmental-type activities during the fiscal year 2007 were $29,628,373. The highest area of expenditures, $18,978,452, sixty-four percent (64%), was in the area of grant expense. As noted above, expenditures decreased due to the winding down of certain grant funds. The primary reason for greater revenues in the current year is the increase in State General Fund Appropriations and remaining grant fund draws for the Water Project Fund.

The second highest area of expenditures within the Authority is in the category of debt service.

Business Type Activities

The Authority's total expenditures for business-type activities during the fiscal year were $64,585,506. The majority of business-type expenditures, $29,430,731, forty-six percent (46%), was in the area of debt service. As noted above, expenditures and revenues increased due to the expansion of the PPRF program and continued growth in the loan portfolio.

Business Type Activities - continued

Within the operating cost category, salaries and benefits comprised four percent (4%) of total expenditures, and all other operating costs such as professional services, repairs and maintenance, travel, supplies, etc., were six percent (6%) of total expenditures.

Capital Assets and Debt Administration

At the end of fiscal year 2007, the Authority had invested a total of $292,268 net of depreciation in business-type activities and $145,503 in capital assets for government-type activities. During FY2007, capital outlay expenditures totaled $28,984. This amount represents purchases for technical upgrades, office equipment and leasehold improvements. More detailed information about the Authority's capital assets is presented in Note 7 to the financial statements.

GASB #34 requires the recording and depreciation of infrastructure assets such as roads, bridges, traffic signals, etc. The Authority does not own any infrastructure assets.

Long-Term Debt

The Authority's long-term debt is all outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2007, the total amount outstanding was $810.2 million (excluding the $1.520 billion in GRIP bonds which are administered by but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 8 to the financial statements.

During the fiscal year, the Authority issued $130.3 million in PPRF debt, primarily to directly fund loans, reimburse the PPRF loan fund for loans already made or to advance refund certain earlier bond issues.

Bond Ratings

The Authority's insured bond ratings are as follows:

Moody's	Aaa
Standard & Poor's	AAA
Fitch	AAA

The Authority's uninsured bond ratings are:

Moody's	Aa2
Standard & Poor's	AA
Fitch	AA

Bond Ratings - continued

The Authority received bond ratings increases from both Moody's and Standard and Poor's during FY2006.

Economic Factors and Next Year's Budgets and Rates

The FY2007 budget accommodates the Authority's administration of eight programs paid from different sources of revenue:

- General operations of the Authority, funded from administration fees and cigarette tax revenue;
- Administration of the Water Trust Board, funded from the Water Project Fund:
- Administration of the Water Trust Board;
- Water and Wastewater Grant Fund (W/WWGF) program operations, funded from the W/WWGF;
- Drinking Water Revolving Loan Fund (DWRLF) program operations, funded from the federal capitalization grant;
- PPRF Loan Servicing, funded from the PPRF;
- The Water and Wastewater Planning Fund (WPF), funded from the WPF;
- The Economic Development Fund, funded from administration fees and cigarette tax revenue.

The Authority's primary operating budget for FY2007 was $6,649,027, compared to the FY2006 budget of $6,179,829, a 7.6% increase. This was due to the addition of new programs, increased staffing levels, the addition of office space and major upgrades in both computer hardware and software.

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

New Mexico Finance Authority (NMFA)
207 Shelby Street
Santa Fe, New Mexico 87505

FINANCIAL STATEMENTS

AS OF JUNE 30, 2007

		Governmental Activities	Business-type Activities	Total
ASSETS:				
Cash and equivalents:				
Unrestricted	$	20,243,985	20,101,488	40,345,473
Restricted		20,819,276	209,977,807	230,797,083
Receivables:				
Tax revenue		800,580	6,130,908	6,931,488
Interest		7,634	5,526,729	5,534,363
Grant and other		731,312	6,301,546	7,032,858
Due from other funds (Note 5) [Internal Balances]		-	1,139,242	1,139,242
Administrative fees receivable		55	130,206	130,261
Loans receivable, net of allowance (Note 3)		2,421,576	687,422,802	689,844,378
Securities (Note 4)		-	10,609,203	10,609,203
Restricted asset - escrow		-	83,593,073	83,593,073
Capital Assets, net of depreciation (Note 7)		145,503	292,268	437,771
Deferred costs, net of accumulated amortization		2,251,383	8,367,006	10,618,389
Other assets		-	51,082	51,082
TOTAL ASSETS	$	47,421,304	1,039,643,360	1,087,064,664
LIABILITIES:				
Accounts payable and accrued liabilities	$	145,326	905,360	1,050,686
Accrued payroll		9,816	69,287	79,103
Compensated absences (Note 13)		-	192,088	192,088
Accrued interest		667,838	2,179,331	2,847,169
Debt service payable		23,703	43,601,688	43,625,391
Notes payable (Note 9)		1,855,346	-	1,855,346
Line of Credit (Note 10)		-	31,338,974	31,338,974
Funds held for others		-	74,937,419	74,937,419
Due to other state agencies (Note 5)		-	1,739,664	1,739,664
Due to other funds [Internal Balances]		1,139,242	-	1,139,242
Bonds payable, current, net (Note 8)		6,051,000	31,143,000	37,194,000
Bonds payable, non-current, net of bond discount/premium (Note 8)		112,607,134	660,381,699	772,988,833
TOTAL LIABILITIES		122,499,405	846,488,510	968,987,915
NET ASSETS:				
Invested in capital assets		145,503	292,268	437,771
Restricted for:				
Debt service		(110,576,933)	-	(110,576,933)
Program funds		35,353,329	187,200,507	222,553,836
Unrestricted		-	5,662,075	5,662,075
TOTAL NET ASSETS		(75,078,101)	193,154,850	118,076,749
TOTAL LIABILITIES AND NET ASSETS	$	47,421,304	1,039,643,360	1,087,064,664

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

		Governmental Activities	Business-type Activities	Total
EXPENSES:				
Capital financing	$	29,628,373	64,585,506	94,213,879
PROGRAM REVENUES:				
Charges for services		-	27,412,010	27,412,010
Operating grants and contributions		6,041,563	6,537,498	12,579,061
NET PROGRAM EXPENSES		(23,586,810)	(30,635,998)	(54,222,808)
GENERAL REVENUES:				
Governmental gross receipts and gross receipts taxes		-	34,033,375	34,033,375
Investment earnings		2,715,241	8,647,122	11,362,363
State General Fund Appropriations		20,492,405	-	20,492,405
TOTAL GENERAL REVENUES		23,207,646	42,680,497	65,888,143
TRANSFERS		(1,228,241)	1,228,241	-
CHANGE IN NET ASSETS		(1,607,405)	13,272,740	11,665,335
NET ASSETS, BEGINNING OF FISCAL YEAR		(73,470,696)	179,882,110	106,411,414
NET ASSETS, END OF FISCAL YEAR	$	(75,078,101)	193,154,850	118,076,749

See Notes to Financial Statements.

AS OF JUNE 30, 2007

		Economic Development Fund	State Building Program Cigarette Tax Fund	State Office Building Financing Fund	UNM Health Sciences Fund	Water Project Fund	Water and Wastewater Project Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:									
Unrestricted:									
Cash and cash equivalents	$	3,411,361	5,925,291	6,143,689	46,012	971,241	1,349,666	2,396,725	20,243,985
Receivables:									
Tax receivable		-	172,871	590,000	-	-	-	37,710	800,581
Interest		-	-	-	-	-	-	7,634	7,634
Other receivables		-	-	-	731,312	56	-	-	731,368
Loans receivable		1,724,445	-	-	-	190,131	-	507,000	2,421,576
		5,135,806	6,098,162	6,733,689	777,324	1,161,428	1,349,666	2,949,069	24,205,144
Restricted:									
Cash and cash equivalents held for others by trustee:									
Debt service		-	-	-	-	-	-	644,085	644,085
Bond reserve		-	220,940	-	1,283,486	-	-	-	1,504,426
Investments		-	-	-	-	6,472,367	12,198,398	-	18,670,765
TOTAL ASSETS	$	5,135,806	6,319,102	6,733,689	2,060,810	7,633,795	13,548,064	3,593,154	45,024,420
LIABILITIES:									
Accounts payable	$	4,345	-	-	-	63,359	2,633	84,807	155,144
Debt service payable		-	-	-	-	-	-	23,703	23,703
Notes payable		-	1,855,346	-	-	-	-	-	1,855,346
Due to other funds		1,103,063	-	-	-	23,864	7,202	5,113	1,139,242
TOTAL LIABILITIES		1,107,408	1,855,346	-	-	87,223	9,835	113,623	3,173,435
FUND BALANCES:									
Reserved for debt service		-	-	6,733,689	2,060,810	-	-	714,554	9,509,053
Unreserved:									
Special revenue funds		4,028,398	4,463,756	-	-	7,546,572	13,538,229	2,764,977	32,341,932
TOTAL FUND BALANCES		4,028,398	4,463,756	6,733,689	2,060,810	7,546,572	13,538,229	3,479,531	41,850,985
TOTAL LIABILITIES AND FUND BALANCES	$	5,135,806	6,319,102	6,733,689	2,060,810	7,633,795	13,548,064	3,593,154	45,024,420

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	$	41,850,985
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
The cost of capital assets is		257,677
Accumulated depreciation is		(112,174)
Total capital assets, net of depreciation		145,503
Bond issuance costs are included in the current period and, therefore, not capitalized as assets in the funds, amortized over the life of the respective bond. Deferred costs, net, are		2,251,383
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term and other liabilities at year end consist of:		
Bonds payable, net of premium of $ 2,071,134		(118,658,134)
Accrued interest payable		(667,838)
Total long-term and other liabilities		(119,325,972)
Net assets of governmental activities (Statement of Net Assets)	$	(75,078,101)

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

	Economic Development Fund	State Building Program Cigarette Tax Fund	State Office Building Financing Fund	UNM Health Sciences Fund	Water Project Fund	Water and Wastewater Project Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:								
Grant revenue	$ -	-	-	-	6,041,563	-	-	6,041,563
Interest on loans	235,806	-	-	-	-	-	37,298	273,104
Interest on investments	-	213,206	385,213	125,075	565,569	1,013,343	139,731	2,442,137
Other revenue	-	-	-	-	282	-	-	282
TOTAL REVENUES	235,806	213,206	385,213	125,075	6,607,414	1,013,343	177,029	8,757,086
EXPENDITURES:								
Current:								
Administrative fee	-	-	43,275	152,756	-	-	15,894	211,925
Professional services	117,887	6,731	-	44,930	151,650	3,304	13,964	338,466
Salaries and fringe benefits	174,599	-	-	-	187,768	83,261	50,790	496,418
In-state travel	8,222	-	-	-	4,993	934	2,199	16,348
Out-of-state travel	6,949	-	-	-	-	-	-	6,949
Maintenance and repairs	1,448	-	-	-	1,371	769	493	4,081
Operating costs	49,800	-	-	-	40,894	23,800	14,473	128,967
Grant expenses	-	-	-	-	10,064,455	8,875,508	38,489	18,978,452
Capital outlay	12,000	-	-	-	9,187	3,192	4,605	28,984
Debt service - principal	-	-	1,380,000	4,445,000	-	-	1,107,000	6,932,000
Debt service - interest	-	-	1,436,475	1,200,135	-	-	1,446,560	4,083,170
TOTAL EXPENDITURES	370,905	6,731	2,859,750	5,842,821	10,460,318	8,990,768	2,694,467	31,225,760
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(135,099)	206,475	(2,474,537)	(5,717,746)	(3,852,904)	(7,977,425)	(2,517,438)	(22,468,674)
OTHER FINANCING SOURCES (USES):								
State General Fund appropriations	4,900,000	714,128	6,090,000	6,835,217	-	-	1,953,059	20,492,404
Transfers (to) from other funds	-	120,238	(4,240,086)	489,381	(1,039)	-	2,403,265	(1,228,241)
Transfers (to) other state agencies	-	(94,150)	(2,019,029)	(1,806,503)	-	-	(848,752)	(4,768,434)
NET OTHER FINANCING SOURCES (USES)	4,900,000	740,216	(169,115)	5,518,095	(1,039)	-	3,507,572	14,495,729
NET CHANGE IN FUND BALANCES	4,764,901	946,691	(2,643,652)	(199,651)	(3,853,943)	(7,977,425)	990,134	(7,972,945)
FUND BALANCES, June 30, 2006	(736,503)	3,517,065	9,377,341	2,260,461	11,400,515	21,515,654	2,489,397	49,823,930
FUND BALANCES, June 30, 2007	$ 4,028,398	4,463,756	6,733,689	2,060,810	7,546,572	13,538,229	3,479,531	41,850,985

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	$	(7,972,945)
Amounts reported for governmental activities in the Statement of Activities are different because:		
In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The decrease (increase) in the liabilities for the fiscal year was:		
Governmental Funds report principal payments on debt service as expenditures. However, in the Statement of Activities, these payments are reported as a reduction of the liability. In the current period, these principal payment amounts were		6,932,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the Governmental Funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the net result of two factors: accrued interest on bonds and notes payable. The decrease in the liability for the fiscal year was:		39,709

YEAR ENDED JUNE 30, 2007

Change from prior year in amortization of bond issuance costs:		
Deferred issuance costs FY06 (p. 17 PY)	$ 2,869,649	
Deferred issuance costs FY07 (p. 17 CY)	2,251,383	
		(618,266)
Change from prior year in amorization of bond premium/discount:		
Amortization of bond premium/discount FY06 (p. 65 PY)	2,169,977	
Amortization of bond premium/discount FY07 (p. 70 CY)	2,071,134	
		98,843
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:		
Capital outlay	28,984	
Depreciation expense	(46,860)	
Excess of depreciation expense over capital outlay		(17,876)
Decrease in capital assets		(68,870)
Change in net assets of governmental activities (Statement of Activities)		$ (1,607,405)

AS OF JUNE 30, 2007

		Operating Fund	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund	GRIP Administrative Fund	Primary Care Capital Fund
ASSETS:						
Current:						
Cash and cash equivalents	$	446,105	10,013,692	6,060,246	1,538,067	-
Receivables:						
Tax revenue		-	6,107,009	3,460	-	20,439
Interest		-	5,433,651	91,241	-	-
Grant and other		-	3,085,197	2,158,931	1,057,418	-
Due from other state agencies		-	-	-	-	-
Due from other funds		1,777,305	-	-	-	-
Administrative fees receivable		-	-	10,205	119,833	-
Total current assets		2,223,410	24,639,549	8,324,083	2,715,318	20,439
Loans receivable, net of allowance		-	661,146,524	21,571,511	-	4,303,779
Securities		-	10,609,203	-	-	-
Restricted assets - cash and cash equivalents		-	192,139,790	11,403,224	-	3,279,427
Escrow		-	83,593,073	-	-	-
Depreciable property and equipment, net		85,713	116,838	20,995	58,853	1,223
Deferred charges		-	8,367,006	-	-	-
Other assets		51,082	-	-	-	-
TOTAL ASSETS	$	2,360,205	980,611,983	41,319,813	2,774,171	7,604,868
LIABILITIES:						
Accounts payable and other liabilities	$	23,685	722,853	150,575	5,618	256
Accrued payroll, fringe benefits and compensated absences		210,736	34,590	6,528	6,464	868
Accrued interest payable		-	2,157,520	-	-	-
Debt service payable		-	43,335,916	198,752	-	59,800
Funds held for others		-	74,268,792	395,550	-	22,312
Due to other state agencies		34,757	-	1,704,907	-	-
Due to other funds		-	285,703	28,050	25,597	42,350
Line of Credit			31,338,974			
Bonds payable, current, net		-	31,018,000	-	-	-
Bonds payable, noncurrent, net		-	658,131,699	-	-	-
TOTAL LIABILITIES		269,178	841,294,047	2,484,362	37,679	125,586
NET ASSETS:						
Invested in capital assets		85,713	116,838	20,995	58,853	1,223
Restricted for:						
Program funds		-	139,201,098	38,814,456	-	7,478,059
Unrestricted		2,005,314	-	-	2,677,639	-
TOTAL NET ASSETS		2,091,027	139,317,936	38,835,451	2,736,492	7,479,282
TOTAL LIABILITIES AND NET ASSETS	$	2,360,205	980,611,983	41,319,813	2,774,171	7,604,868

See Notes to Financial Statements.

Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
122,025	-	1,921,353	-	-	-	20,101,488
-	-	-	-	-	-	6,130,908
1,837	-	-	-	-	-	5,526,729
-	-	-	-	-	-	6,301,546
-	-	-	-	-	-	-
-	-	-	-	-	-	1,777,305
168	-	-	-	-	-	130,206
124,030	-	1,921,353	-	-	-	39,968,182
400,988	-	-	-	-	-	687,422,802
-	-	-	-	-	-	10,609,203
16,499	264,457	-	2,874,410	-	-	209,977,807
-	-	-	-	-	-	83,593,073
2,197	1,574	1,369	-	2,455	1,051	292,268
-	-	-	-	-	-	8,367,006
-	-	-	-	-	-	51,082
543,714	266,031	1,922,722	2,874,410	2,455	1,051	1,040,281,423
721	310	540	-	660	142	905,360
494	199	772	-	724	-	261,375
-	-	-	21,811	-	-	2,179,331
7,220	-	-	-	-	-	43,601,688
765	250,000	-	-	-	-	74,937,419
-	-	-	-	-	-	1,739,664
8,626	71,538	1,429	-	164,531	10,239	638,063
						31,338,974
-	-	-	125,000	-	-	31,143,000
-	-	-	2,250,000	-	-	660,381,699
17,826	322,047	2,741	2,396,811	165,915	10,381	847,126,573
2,197	1,574	1,369	-	2,455	1,051	292,268
523,691	(57,590)	1,036,012	215,162	-	(10,381)	187,200,507
-	-	882,600	262,437	(165,915)	-	5,662,075
525,888	(56,016)	1,919,981	477,599	(163,460)	(9,330)	193,154,850
543,714	266,031	1,922,722	2,874,410	2,455	1,051	1,040,281,423

YEAR ENDED JUNE 30, 2007

		Operating Fund	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund	GRIP Administrative Fund	Primary Care Capital Fund
OPERATING REVENUES:						
Tax revenue	$	-	34,033,375	-	-	-
Federal grant revenue		-	-	6,537,498	-	-
Administrative fees		1,522,755	-	34,397	2,359,916	-
Interest on loans		-	23,156,489	323,506	-	-
Interest on investments		58,082	7,329,051	763,246	83,683	208,344
TOTAL OPERATING REVENUES		1,580,837	64,518,915	7,658,647	2,443,599	208,344
OPERATING EXPENSES:						
Grant expense		-	258,678	-	-	-
Bond issuance costs		-	450,454	-	-	-
Administrative fees		-	137,250	-	-	-
Professional services		96,079	1,616,730	49,116	192,046	92,287
Salaries and fringe benefits		455,823	1,211,554	219,040	307,810	28,698
In-state travel		3,085	24,259	4,998	11,001	280
Out of state travel		2,564	7,822	6,572	13,610	-
Utilities		-	-	-	-	4
Maintenance and repairs		3,437	10,238	5,324	2,890	262
Supplies		29,722	100	3,243	5,759	244
Operating costs		96,323	271,606	119,244	116,495	6,088
Depreciation		21,924	22,785	12,239	17,352	167
Debt service - interest expense		-	29,294,129	-	-	-
TOTAL OPERATING EXPENSES		708,957	33,305,105	419,776	666,963	128,030
OPERATING INCOME (LOSS)		871,880	31,213,810	7,238,871	1,776,636	80,314
NON-OPERATING REVENUES (EXPENSES):						
Miscellaneous revenue		-	-	-	-	-
TOTAL NON-INTEREST EARNINGS (EXPENSE) BEFORE TRANSFERS		871,880	31,213,810	7,238,871	1,776,636	80,314
TRANSFERS:						
Transfers in (out)		(392,988)	1,348,480	-	(990,500)	-
Transfers from (to) other state agencies		-	(2,386,518)	(3,008,527)	-	-
Transfers (to) local governments		-	(23,562,228)	-	-	-
TOTAL TRANSFERS		(392,988)	(24,600,266)	(3,008,527)	(990,500)	-
INCREASE (DECREASE) IN NET ASSETS		478,892	6,613,544	4,230,344	786,136	80,314
TOTAL NET ASSETS, June 30, 2006		1,612,135	132,704,392	34,605,107	1,950,356	7,398,968
TOTAL NET ASSETS, June 30, 2007	$	2,091,027	139,317,936	38,835,451	2,736,492	7,479,282

Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
-	-	-	-	-	-	34,033,375
-	-	-	-	-	-	6,537,498
1,246	-	-	-	-	-	3,918,314
13,701	-	-	-	-	-	23,493,696
5,359	11,902	48,811	138,644	-	-	67,982,883
20,306	11,902	48,811	138,644	-	-	135,965,766
-	-	-	-	-	-	258,678
-	-	-	-	-	-	450,454
-	-	-	-	-	-	137,250
35,948	11,406	2,252	184	79,143	1,788	2,176,979
12,141	6,045	5,648	-	65,381	4,852	2,316,992
442	272	204	-	1,746	22	46,309
-	56	258	-	-	-	30,382
2	2	-	-	13	-	21
32	-	106	-	512	76	22,877
486	223	-	-	-	-	39,777
7,250	3,091	3,295	-	16,332	2,425	642,149
333	167	167	-	333	167	75,634
-	-	-	136,602	-	-	29,430,731
56,634	21,262	11,930	136,786	163,460	9,330	35,628,233
(36,328)	(9,360)	36,881	1,858	(163,460)	(9,330)	100,337,533
-	-	-	-	-	-	-
(36,328)	(9,360)	36,881	1,858	(163,460)	(9,330)	100,337,533
49,445	-	1,000,500	213,304	-	-	1,228,241
-	-	-	-	-	-	(5,395,045)
-	-	-	-	-	-	(23,562,228)
49,445	-	1,000,500	213,304	-	-	(27,729,032)
13,117	(9,360)	1,037,381	215,162	(163,460)	(9,330)	72,608,501
512,771	(46,656)	882,600	262,437	-	-	120,546,349
525,888	(56,016)	1,919,981	477,599	(163,460)	(9,330)	193,154,850

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

		Operating Fund	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund	GRIP Administrative Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash paid for employee services	$	(772,536)	(6,439,964)	(217,384)	(308,176)
Cash paid to vendors for services		(172,402)	(4,103,658)	(189,293)	(334,385)
Bond issuance costs		-	(450,454)	-	-
Interest expense paid		-	(26,001,106)	-	-
Grants awarded		-	(258,678)	-	-
Tax revenue		-	34,033,375	-	-
Cash received from federal government for revolving loans		-	-	9,198,984	-
Interest income received		58,082	30,485,540	1,086,752	83,683
Administrative fees received		1,522,755	-	34,397	1,255,583
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		635,899	27,265,055	9,913,456	696,705
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITES:					
Operating transfers, net		(392,988)	1,348,480	-	(990,500)
Cash paid to subrecipients for services		-	(25,948,746)	(3,008,527)	-
Cash provided (used) by funds held for others		-	7,103,532	(1,212,200)	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES		(392,988)	(17,496,734)	(4,220,727)	(990,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Securities		-	1,096,174	-	-
Escrow		-	(23,427,062)	-	-
Loans funded		-	(158,925,077)	(6,145,636)	-
Loan payments received		-	49,591,504	1,903,706	-
Bonds issued		-	130,270,000	-	-
Payment of bonds		-	(46,379,000)	-	-
Debt service		-	9,232,653	42,349	-
Line of credit		-	31,338,974	-	-
Capital asset purchases		(26,252)	(62,129)	(5,760)	(18,427)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(26,252)	(7,263,963)	(4,205,341)	(18,427)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		216,659	2,504,358	1,487,388	(312,222)
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, June 30, 2006		229,446	199,649,124	15,976,082	1,850,289
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, June 30, 2007	$	446,105	202,153,482	17,463,470	1,538,067
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES - OPERATING INCOME:	$	478,892	6,613,544	4,230,344	786,136
Adjustments to operating income:					
Depreciation and amortization		21,924	22,785	12,239	17,352
Net capital assets expensed in 2007		40,027	37,072	16,046	23,606
Net transfers		392,988	24,600,266	3,008,527	990,500
(Increase) decrease in prepaids and receivables		(316,713)	(7,143,775)	1,629,326	(1,104,334)
Increase (decrease) in payables and other accrued liabilities		18,781	3,135,163	1,016,974	(16,555)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	$	635,899	27,265,055	9,913,456	696,705

Primary Care Capital Fund	Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits Fund	Energy Efficiency Fund	Total
(27,830)	(11,647)	(5,846)	(4,876)	-	(64,657)	(4,710)	(7,857,626)
(57,481)	(34,736)	(14,932)	(3,908)	(184)	(96,556)	-	(5,007,535)
-	-	-	-	-	-	-	(450,454)
-	-	-	-	(137,750)	-	-	(26,138,856)
-	-	-	-	-	-	-	(258,678)
-	-	-	-	-	-	-	34,033,375
-	-	-	-	-	-	-	9,198,984
205,813	17,055	11,902	48,811	138,644	-	-	32,136,282
-	1,246	22,782	-	-	164,531	6,192	3,007,486
120,502	(28,082)	13,906	40,027	710	3,318	1,482	38,662,978
-	49,445	-	1,000,500	213,304	-	-	1,228,241
-	-	-	-	-	-	-	(28,957,273)
4,363	37	-	-	-	-	-	5,895,732
4,363	49,482	-	1,000,500	213,304	-	-	(21,833,300)
-	-	-	-	-	-	-	1,096,174
-	-	-	-	-	-	-	(23,427,062)
(300,000)	-	-	-	-	-	-	(165,370,713)
537,636	30,382	-	-	-	-	-	52,063,228
-	-	-	-	-	-	-	130,270,000
-	-	-	-	(125,000)	-	-	(46,504,000)
24,930	-	-	-	-	-	-	9,299,932
-	-	-	-	-	-	-	31,338,974
(1,655)	(3,061)	(2,006)	(1,800)	-	(3,318)	(1,482)	(125,890)
260,911	27,321	(2,006)	(1,800)	(125,000)	(3,318)	(1,482)	(11,359,357)
385,776	48,721	11,900	1,038,727	89,014	-	-	5,470,321
2,893,651	89,803	252,557	882,626	2,785,396	-	-	224,608,974
3,279,427	138,524	264,457	1,921,353	2,874,410	-	-	230,079,295
80,314	13,117	(9,360)	1,037,381	215,162	(163,460)	(9,330)	13,272,740
167	333	167	167	-	333	167	75,634
265	531	265	264	-	530	264	118,870
-	(49,445)	-	(1,000,500)	(213,304)	-	-	27,729,032
(2,530)	(2,005)	-	-	-	-	-	(6,940,031)
42,286	9,387	22,834	2,715	(1,148)	165,915	10,381	4,406,733
120,502	(28,082)	13,906	40,027	710	3,318	1,482	38,662,978

See Notes to Financial Statements.

AS OF JUNE 30, 2007

		Agency Funds
ASSETS:		
Cash at Trustee:		
Program funds	$	589,393,873
Expense funds		5,145,512
Bond reserve funds		41,365,202
TOTAL ASSETS	$	635,904,587
LIABILITIES:		
Accounts payable	$	1,659,650
Debt service payable		588,374,034
Funds held for the New Mexico Department of Transportation		45,870,903
TOTAL LIABILITIES	$	635,904,587

See Notes to Financial Statements.

NATURE OF ORGANIZATION

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico 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, appoints to the Authority Board, 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 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 Standards Board (GASB) Statement No. 39. 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 its ability to issue tax-exempt debt.

NATURE OF ORGANIZATION - continued

The financial reporting entity as defined by GASB No. 39 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government". The Authority is, however, considered to be a discretely presented component unit of the State of New Mexico. The Authority does not have any component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standard Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

The Authority has implemented the provisions of GASB No. 34. As a part of this statement, there is a reporting requirement regarding the local government's infrastructure (roads, bridges, etc.) The Authority does not own any infrastructure assets and, therefore, is unaffected by this requirement.

♦ ***Basic Financial Statements***

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The new reporting model focus is on either the Authority as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis by column, and is reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Government-wide and Fund Financial Statements*

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units, if any. For the most part, the effect of interfund activity has been removed from these statements. ***Governmental activities***, which normally are supported by taxes and intergovernmental revenues, are reported separately from ***business-type activities***, which rely to a significant extent on fees and charges for support. Likewise, the ***primary government*** is reported separately from certain legally separate ***component units*** for which the primary government is financially accountable.

The government-wide statement of activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Authority includes only one function (infrastructure financing). Inter-fund balances have been eliminated in the government-wide financial statements within government funds and enterprise funds. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipt taxes, grants and appropriations. On an accrual basis, revenue from gross receipts taxes is recognized when the underlying transaction has occurred. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. ***Direct expenses*** are those that are clearly identifiable with a specific function or segment. ***Program revenues*** include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as ***general revenues.***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statement. Major individual enterprise funds are reported as separate columns in the fund financial statements.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Government-wide and Fund Financial Statements - continued*

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Authority's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

The Government-wide financial statements are prepared using the economic resources measurement focus and the accrued basis of accounting. The fund financial statements should be presented using the current financial resources measurement focus and the modified accrual basis of accounting.

♦ *Basis of Presentation - Fund Accounting*

The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

The following fund types and account groups are used by the Authority:

> ***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) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ ***Basis of Presentation - Fund Accounting - continued***

Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. All government funds are non-reverting.

The Authority reports the following major governmental funds:

- Economic Development Fund
- State Building Program Cigarette Tax Fund
- State Office Building Financing Fund
- UNM Health Sciences Fund
- Water Project Fund
- Water and Wastewater Project Grant Fund

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specific purposes.

Special Revenue Fund - State Building Program-Cigarette Tax. This fund 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 were 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 the amount of 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 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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Special Revenue Funds - continued

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.

<u>Special Revenue Fund - Water and Wastewater Project Grant Fund</u>. This grant fund is to use the net proceeds of the sale of bonds, pursuant to the provisions of Section 6-21-6.1, NMSA, 1978 Compilation, for the purposes of water and wastewater projects and payable from the public project revolving fund. Money in the water and wastewater project grant fund is appropriated to the Authority to make grants to qualified entities for water and wastewater public projects pursuant to special authorization by law for each project, and to pay administrative costs of the water and wastewater project grant program. Any unexpended or unencumbered balances remaining at the end of the fiscal year shall not revert to the State's general fund.

<u>Special Revenue Fund - Water Project Fund</u>. This fund was created with the passage of Senate Bill 169 during the 2001 Legislative Session. The purpose of this fund is to provide for water use efficiency, resource conservation and protection and fair distribution and allocation of water. The Water Project Fund was created in the Authority and consists of distributions made from the Water Trust Fund and payments of principal and interest on loans approved for water projects. The fund also consists of any other money appropriated, distributed or otherwise allocated to the fund for the purpose of supporting water projects pursuant to the provisions of the Water Projects Finance Act.

<u>Special Revenue Fund - Water and Wastewater Planning Grant Fund</u>. The 2002 New Mexico Legislature authorized the Authority to establish the new Water and Wastewater Planning Grant fund. This fund will provide grant money to qualified entities on a sliding scale for the creation of planning documents such as preliminary engineering reports, feasibility studies and master plans. Each grant must not exceed $25,000 and must be repaid if the project in the planning document eventually receives funding. The initial capitalization of $1 million was provided from the 2002A PPRF revenue bonds issued on July 2, 2002.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Special Revenue Funds - continued

Special Revenue Fund - Emergency Drought Water Program. Executive Order 02-19 declared a statewide drought disaster due to the severe statewide drought conditions. The Water Trust Board has been designated as the coordinator of all assistance requests from public water systems during the drought. Based on initial requests, the Water Trust Board may direct a strike team to investigate the water problem. Strike team members include State Engineer's personnel and other technical personnel as deemed necessary. The strike team will assess the situation and provide the Water Trust Board with an action plan to immediately alleviate the problem through the next legislative session. If the action plan implementation is beyond local control and requires the resources of the State, the Water Trust Board will recommend the project to the Governor for disaster funding. Each emergency disaster declaration by the Governor will release $750,000 in funding to alleviate the emergency conditions.

Special Revenue Fund - Economic Development. This fund was created with the passage of Senate Bill 932 - Statewide Economic Development Finance Act (SWEDFA) during the 2003 legislative session. The purpose of this fund is to provide a comprehensive package of financing tools to stimulate economic development projects and fill the gap between public and private financing.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

Debt Service Fund - Metro Court Financing Fund. The Laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. The bonds were issued on August 1, 2001. The pledged revenues for the project consist of a portion of the docketing fees and costs collected by 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. There was an additional bond issuance in September 2002 (2002A).

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Debt Service Funds - continued

Debt Service Fund - Workers' Compensation Financing Fund. This fund 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 the 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 power agreement to accomplish this purpose. A total of $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 irrevocable 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 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, any surplus bond proceeds and interest will be used for the project.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ *Basis of Presentation - Fund Accounting - continued*

Debt Service Funds - continued

Debt Service Fund - State Capitol Improvement Financing Fund. The Laws of 1997, Chapter 178, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $10,155,000 for the purpose of repairing, remodeling, constructing and equipping a state building located adjacent to the State Capitol in Santa Fe known as the New Mexico State Library, and for relocation-associated renovations in the State Capitol. A total of $510,000 of revenue bonds were issued on May 17, 1999 and $8,805,000 of revenue bonds were issued on June 1, 1999, for a total outstanding of $9,315,000. Monthly, all income and distributions creditable to the capitol buildings repair fund shall be distributed by the State Treasurer to the Authority, and are appropriated to the Authority to be pledged irrevocable for the payment of the bonds.

Debt Service Fund - Equipment Loan Fund. 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, the Authority issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A, the proceeds of which were loaned to 18 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. 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 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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Debt Service Funds - continued

Debt Service Fund - State Office Building Financing Fund. The Laws of 2001, Chapters 166 and 199, authorized the Authority to issue revenue bonds for the financing of acquisition, construction, equipping and otherwise improving land and buildings for the General Services Department of the State of New Mexico. The initial project consists of 1) purchasing the National Education Association Building on South Capitol Street in Santa Fe, New Mexico, 2) paying the costs of planning, designing, constructing and furnishing a new office building with integrated parking at the West Capitol Complex on Cerrillos Road in Santa Fe, New Mexico, and 3) purchasing land adjacent to the District Five Office of the New Mexico State Highway and Transportation Department on Cerrillos Road in Santa Fe, New Mexico. In addition, to the extent proceeds of the Bonds are not used for the projects listed in the preceding sentence, the Project may include the acquisition of the Public Employees Retirement Association Building on Paseo de Peralta in Santa Fe, New Mexico. The General Services Department of the State is responsible for obtaining any required approvals to proceed with the project and to negotiate the purchases of a portion of the project and to pursue the completion of the project. The Director of the Property Control Division of the General Services Department has certified that the project is needed and can be completed within a reasonable time. Planning and negotiations have begun by the Property Control Division to complete the project.

Debt Service Fund - UNM Health Sciences Fund. Chapters 341, Laws of New Mexico 2003 (the Authorizing Act) authorized the State of New Mexico to distribute amounts equal to 1) 14.37% of the net receipts of a cigarette excise tax to the Authority on behalf and for the benefit of the University of New Mexico Health Sciences Center, and 2) 15.79% of the net Cigarette Tax receipts collected each month for bond credit enhancement purposes. The Authorizing Act also permitted the Authority to issue Cigarette Tax revenue bonds in an amount not to exceed $60,000,000 for the purpose of designing, constructing, equipping and furnishing additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Proprietary Fund Types - The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The Authority does not apply FASB pronouncements issued after November 30, 1989, to its proprietary funds or business-type activity accounting. The only proprietary fund types the Authority has are enterprise funds.

Enterprise Funds - Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services, and the activity is a) financed with debt that is solely secured by a pledge of the net revenues, b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or c) has a pricing policy designed for the fees and charges to recover similar costs. The enterprise funds are as follows:

Enterprise Fund - Operating Fund. The operating fund of the Authority accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Enterprise Fund - Public Projects Revolving Fund. This 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 75% 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 35% shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the water and wastewater project grant fund, 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 be approved by the Legislature.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Enterprise Funds - continued

Enterprise Fund - New Mexico Drinking Water State Revolving Loan Fund. The New Mexico Drinking Water State Revolving Loan Fund Act (Act) created 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 of 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.

Enterprise Fund - 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 under-served 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

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Enterprise Funds - continued

Enterprise Fund - Primary Care Capital Fund - continued. for assistance to the Department and administration of the Primary Care Capital Fund.

Enterprise Fund - GRIP Administrative Fund. The purpose of this fund is to record the administrative expenditures and fee revenue related to the New Mexico Department of Transportation (NMDOT) Series 2004A, B and C bond issues completed by the Authority on behalf of the NMDOT. Pursuant to a memorandum of understanding between the Authority and the NMDOT, the Authority is to receive an annual fee of 25 basis points on the outstanding debt on the 2004A Bonds for issuing the NMDOT debt, managing the outstanding debt portfolio and investing the proceeds until drawn down by the NMDOT.

Enterprise Fund - Child Care Revolving Loan Fund. Created by the 2003 Legislature, the Child Care Revolving Loan Fund partners the Authority with the New Mexico Children, Youth and Families Department to provide low-cost financing to licensed child care providers. The program received $250,000 in funding from an allocation of federal funds during fiscal year 2004.

Enterprise Fund - Behavioral Health Capital Fund. This fund was created with the passage of Senate Bill 248 in the 2004 legislative session. The purpose of this fund is to support the physical improvement, repair, safety and maintenance of licensed child care facilities throughout New Mexico by providing long-term, low interest funding through a revolving loan fund, so as to ensure availability of healthy and safe teaching environments.

Enterprise Fund - Cigarette Tax Revenue Bond – Behavioral Health Capital Fund (BHCF). The BHCF was set up to provide funding for capital projects to non-profit providers to increase health care services to sick and indigent patients. The 2004 Legislature created this fund to provide low cost financing to non-profit behavioral health clinics for their capital equipment and infrastructure projects. The Authority was authorized to issue up to $2,500,000 in bonds, secured by a portion of the net cigarette tax receipts collected by the State and distributed to the Authority. A private placement of $2,500,000 in bonds was issued during fiscal year 2006.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ Basis of Presentation - Fund Accounting - continued

Enterprise Funds - continued

Enterprise Fund – Local Transportation Infrastructure Fund (Local Road Fund). This fund was created to provide local government not eligible for Federal funding, whose needs have not been met by the existing Local Government Road Fund, with grants and low cost financial assistance for transportation projects. The program is jointly administered by the Authority and the NMDOT. The NMDOT determines feasibility and priority of recommended projects and the Authority makes loans and grants to the recommended projects. Grants are capped at 25 percent of the project cost.

Enterprise Fund – New Market Tax Credits Fund. During FY 2007 a team comprised of staff from the Authority, the New Mexico Economic Development Department and the City of Albuquerque successfully submitted an application for the federal New Market Tax Credits. The Authority has requested an allocation of $150,000,000. The status of these allocations is generally made in October and it is anticipated that the program would go through a "ramp up" period during the remainder of FY 2008. The fund was created to accumulate costs associated with the application process and other program start-up costs. Ultimately, this program will be accounted for and operated as an LLC separate and distinct from the Authority.

Enterprise Fund – Energy Efficiency Fund. This fund was established as an innovative financing mechanism for state agencies, universities and public schools to fund and implement renovations to existing facilities that will promote renewable energy and other energy efficiency improvements to these facilities. This fund will be jointly administered by the Authority and the Department of Energy, Minerals and Natural Resources. The Authority will issue PPRF bonds that are backed by State GRT and sized to the cash flow energy savings generated from the projects. This program is in a start-up phase and as yet, has not issued any bonds.

The Authority's fiduciary funds are agency funds. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The Authority's agency fund is used to account for cash at trustee related to certain bond issues that the Authority completed on behalf of the NMDOT (see Note 14).

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Measurement Focus and Basis of Accounting*

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes, grants and appropriations. On an accrual basis, revenue from gross receipts taxes is recognized when the underlying transaction has occurred. Revenue from grants and appropriations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Governmental fund types follow the modified accrual basis of accounting for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period). For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Interest earned is accrued currently by the appropriate funds. Contributions, gross receipts tax and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures, other than vacation, compensatory, and sick pay, are recorded when they are incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources. Interest expense is recognized when paid. Total interest expense incurred during the year ended June 30, 2007, was $35,559,546.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

Measurement Focus and Basis of Accounting - continued

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are charges to customers for interest and fees. Operating expenses for enterprise funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted net assets are available for expenses, unrestricted funds are applied first.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, Wells Fargo and with banks acting as bond trustees. Cash in the various programs on deposit with the State Treasurer is invested by the New Mexico State Treasurer in the "overnight" repurchase program.

For pooled funds on deposit with the New Mexico State Treasurer, interest is credited to the various programs based on the program's average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50%. Separate financial statements of the State Treasurer indicate collateral, categories of risk and market value of purchased investments which may differ from the cash deposited by the Authority. Funds held by the banks and the Authority acting as trustees are invested in money market accounts that invest in United States Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. Repurchase agreements are collateralized at 102% in accordance with the Authority's internal policy.

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 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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Securities*

The Authority has purchased State of New Mexico Department of Energy, Minerals and Natural Resources, Jemez Springs, and New Mexico Interstate Stream Commission bonds that are recorded at cost, which approximates market value.

♦ *Loans*

Loans are stated at their principal amount. Interest on loans is accrued 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. There are no material loans past due for more than 90 days at the end of the fiscal year, which would be required to be placed on non-accrual status.

♦ *Allowance for Loan Losses*

The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors, including collateral value, past loan loss experience, current facts and economic conditions. The allowance is based on management's estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and any necessary adjustments are reported in income in the period they become known. At June 30, 2007, it was management's opinion that all governmental fund receivables, as well as outstanding receivables from the Drinking Water State Revolving Fund, Primary Care Capital Fund and Behavioral Health Capital Fund, were fully collectible and, therefore, no allowance was provided for at June 30, 2007. The Authority has not experienced any losses on its loan portfolio.

♦ *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 "expense fund" account is used to cover professional expenses incurred during the bond offering process.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ Budgets and Budgetary Accounting

The Authority prepares a budget for the operations fund and for the DWRLF. These budgets are approved by the Authority's board but are not legally binding, and therefore are not presented in the financial statements. These budgets may also be amended by the Authority's board. The budgets are prepared on a non-GAAP basis. The differences between the budgetary basis and GAAP basis are that capital outlay expenditures are included as a budgetary expenditure and depreciation expense is not a budgetary expenditure.

♦ Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays exceeding $5,000 that significantly extend the useful life of an asset are capitalized. Computer software is included in furniture and equipment. In addition, furniture and equipment with lives of three years or less, and repairs and maintenance that do not extend the useful lives of premises and equipment are expensed as incurred. The Authority does not have any internally developed software.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on estimated useful lives ranging from three to seven years.

♦ 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.

♦ Compensated Absences

Full-time employees are entitled to fifteen days vacation leave with ten years or less employment with the Authority. Employees with more than ten years receive twenty days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid vacation leave as of the date of termination.

Full-time employees are entitled to twelve days of sick leave each fiscal year. When employees terminate, they are compensated at twenty-five (25%) of their current hourly rate of accumulated unpaid sick leave up to 300 hours. Part-time employees accrue vacation leave and sick leave on a prorated basis based on the number of hours they work. Accrued compensated absences are recorded and liquidated in the operating fund.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ ***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.

♦ ***Bond Discounts, Premiums and Issuance Costs***

In governmental fund types, bond discounts, premiums and issuance costs are recognized in the period incurred. 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 straight line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs.

♦ ***Fund Equity***

Reserves represent those portions of fund equity appropriated or legally segregated for a specific future use. Debt service fund balances are reserved based on the language in the trust agreements, which require the bond proceeds be used for the specific purposes of the fund. Special revenue funds are reserved based on the statutory or bond trust restrictions.

♦ ***Net Assets***

The government-wide and business type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investment in capital assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority has no capital asset related debt.

Restricted assets are liquid assets that have third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.

Unrestricted assets represent liquid assets.

♦ ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ ***Interfund and Interagency Transactions***

Interfund and interagency transactions 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other transfers are recorded as operating transfers in (out) to other state agency under the other financing sources (uses) category.

2. *CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE*

Funds held for others and short-term investments are held at the trustees in the names of the applicable government entity and the Authority. The repurchase agreements are overnight only. The following is a reconciliation of cash and cash equivalents to the financial statements.

		Book Balance	Bank Balance
Government-wide statement of net assets:			
State Treasurer Local Government Investment Pool	$	108,307,967	108,307,967
The Primary Care Capital Fund held at the State Treasurer's Office		3,197,026	3,197,633
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts		24,646,795	24,646,795
Bank of Albuquerque trust accounts		134,270,636	134,270,636
Reserve on Bond Payable held in Bank of America		274,027	274,027
Wells Fargo operating accounts		446,105	476,236
		271,142,556	271,173,294
Agency Fund:			
Money market accounts invested in Bank of Albuquerque		635,904,587	635,904,587
	$	907,047,143	907,077,881

2. *CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE - continued*

The New Mexico State Treasurer's Office is responsible for ensuring that all accounts held by any bank for all State governmental entities have collateral at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Authority.

The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States, are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contribution entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested.

Participation in the local government investment pool is voluntary. The investments are valued at fair value based on quoted market prices as of the valuation date.

The Authority's State Treasurer funds are contained in the New Mexico *GROW* LGIP, and at June 30, 2007 are AAAm rated and valued at $108,307,967, with a 38-day WAM.

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 sources of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts that 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.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its collateral securities that are in the possession of an outside party. The Authority's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the Authority's name.

2. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE - continued

Credit Risk. The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10F NMSA 1978, 6-10-10 NMSA 1978.

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer.

Interest Rate Risk. Interest rate risk is the risk that interest rate fluctuations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the value of securities held in a collateral portfolio will decline if market interest rates rise. In this event, the financial institution is required to provide additional collateral necessary to comply with New Mexico State Statute. Therefore, funds are not susceptible to interest rate risk as they are all fully collateralized.

3. LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES

Loan receivable balances consist of the following at June 30, 2007:

Enterprise funds:	
Public Projects Revolving Loan Fund, net of allowance of $667,848	$ 661,146,524
Drinking Water State Revolving Loan Fund	21,571,511
Primary Care Capital Fund	4,303,779
Behavioral Health Capital Fund	400,988
	687,422,802
Governmental funds:	
Smart Money Loans	1,724,445
C.O.P.S.	507,000
Water Trust Board Loan/Grants	190,131
	2,421,576
	$ 689,844,378

3. ***LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued***

♦ ***Public Projects Revolving Loan Fund***

The Public Projects Revolving Loan Fund loans receivable balance at June 30, 2007 is $661,146,524, net of an allowance for loan loss of $667,848, and consists of loans made to various entities.

Terms for the Public Projects Revolving Loans 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, 2007 to June 30, 2008	$	43,234,506	23,599,723	66,834,229
July 1, 2008 to maturity		618,579,866	213,195,458	831,775,324
	$	661,814,372	236,795,181	898,609,553

♦ ***Drinking Water State Revolving Loan Fund***

Terms for the Drinking Water State Revolving loans vary with interest rates ranging from 0% to 3%. 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, 2007 to June 30, 2008	$	1,070,634	332,186	1,402,820
July 1, 2008 to maturity		20,500,877	2,560,714	23,061,591
	$	21,571,511	2,892,900	24,464,411

No allowance for uncollectible loans has been established as the loans are secured by applicable sources of pledged receivables.

3. *LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued*

♦ *Primary Care Capital Fund*

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, 2007 to June 30, 2008	$	473,223	137,636	610,859
July 1, 2008 to maturity		3,830,556	557,716	4,388,272
	$	4,303,779	695,352	4,999,130

No allowance for uncollectible loans has been established as the loans are secured by applicable sources of pledged receivables.

♦ *Behavioral Health Capital Fund*

The Behavioral Health Capital loan has an interest rate of 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, 2007 to June 30, 2008	$	31,296	11,027	42,323
July 1, 2008 to maturity		369,692	58,398	428,090
	$	400,988	69,425	470,413

No allowance for uncollectible loans has been established as the loan is secured by applicable sources of pledged receivables.

3. *LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued*

♦ ***"SMART" Money Loans***

The "SMART" Money Loan Participation Program brings the Authority and "SMART Partner Banks" together as partners to share risk while lowering the overall cost of borrowing for the business by the Authority offering below-market rates on its portion of the loan to a New Mexico business. The Authority participates in 49% of the total loan amount. Interest rates range from 5% to 8%.

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, 2007 to June 30, 2008	$	-	-	-
July 1, 2008 to maturity		1,724,445	-	1,724,445
	$	1,724,445	-	1,724,445

No allowance for uncollectible loans has been established at this time. The loans are secured by commercial real estate mortgages.

♦ ***C.O.P.S.***

The C.O.P.S. loans vary, with interest rates ranging from 4.75% to 6.618%. 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, 2007 to June 30, 2008	$	96,000	30,000	126,000
July 1, 2008 to maturity		411,000	92,859	503,859
	$	507,000	122,859	629,859

No allowance for uncollectible loans has been established as the loan is secured by applicable sources of pledged receivables.

3. *LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued*

- ***Water Trust Board Loan/Grants***

The Water Trust Board established a loan element whereby grantees are required to repay 10% of the total amount they receive. Interest rates vary, based on the borrower's ability to repay, but range from 4% to 5%.

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, 2007 to June 30, 2008	$	13,020	-	13,020
July 1, 2008 to maturity		177,111	-	177,111
	$	190,131	-	190,131

Allowance has not yet been established as these loans were established late in fiscal year 2007 and repayments have not been made. An appropriate allowance will be made in fiscal year 2008.

4. *SECURITIES*

At June 30, 2007, securities for the Public Project Revolving Fund (PPRF) consisted of $10,354,290 of Department of Energy, Minerals, and Natural Resources Bonds (Series 1995A, 1995B, 1996A, 1996B, 1997A, 1997B, 1998A, 1998B and 2003B); and $254,913 of Interstate Stream Commission Bonds (Series 1998). The Department of Energy, Minerals, and Natural Resources Bonds have interest rates ranging from 3% to 5.6%, with final maturity on May 1, 2018. The Jemez Springs Bonds have interest rates ranging from 4.20% to 5.45%, with a final maturity on May 1, 2008. The New Mexico Interstate Stream Commission Bonds have interest rates ranging from 5.92% to 6.19%, with final maturity on May 1, 2008. The securities are carried at cost, which approximates market value.

4. *SECURITIES - continued*

The following is a summary of future principal and interest to be collected based on contractual maturity of the securities after year-end:

		Principal	Interest	Total	Weighted Average Maturity (Years)
July 1, 2007 to June 30, 2008	$	1,136,658	501,020	1,637,678	1.0 years
July 1, 2008 to maturity		9,472,545	2,883,281	11,854,806	8.9 years
	$	10,609,203	3,384,301	13,492,484	

Credit Risk. The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10F NMSA 1978, 6-10-10 NMSA 1978.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, The Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in The Authority's name. The Authority's investments in securities listed above are not collateralized.

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer.

5. DUE FROM AND DUE TO OTHER FUNDS AND TRANSFERS

These amounts represent interfund receivables and payables arising from interfund transactions within the Authority. These balances are netted as part of the reconciliation to the government-wide columnar presentation.

Interfund receivables and payables as of June 30, 2007 consist of the following:

			Due To:		
				Enterprise Funds	
			PPRF 200s	Operating Fund 101	Total
Due From:					
Governmental Funds:					
Metro Court	304	$	-	-	-
Water and Wastewater Grant	307		-	7,202	7,202
Water Project Fund	309		-	23,864	23,864
Emergency Drought Relief	312		-	-	-
Water Planning Grant	313		-	5,113	5,113
Economic Development	314		-	1,103,063	1,103,063
Total Governmental Funds			-	1,139,242	1,139,242
Enteprise Funds:					
GRIP Fund	104	$	-	25,597	25,597
Drinking Water	500		-	28,050	28,050
Child Care	319		-	71,538	71,538
Behavioral Health	311		-	8,626	8,626
Local Road Fund	504		-	1,429	1,429
Primary Care	501		-	42,350	42,350
NM Tax Credit	600		-	164,531	164,531
Energy Efficiency	601		-	10,239	10,239
PPRF	200s		-	285,703	285,703
Total Enterprise Funds			-	638,063	638,063
		$	-	1,777,305	1,777,305

5. *DUE FROM AND DUE TO OTHER FUNDS AND TRANSFERS - continued*

Transfers between funds for the year ended June 30, 2007 are as follows:

		Transfers Out: UNM Health Sciences 103/105	Metro Court 304	State Building 100	Water and Wastewater Project 307	Water Project Fund 309	Other	Total
Transfers In:								
Governmental Funds:								
UNM Health Sciences	103/105	$ -	-	-	-	-	7,151,932	7,151,932
Metro Court	304	-	-	-	-	-	2,403,004	2,403,004
State Building	100	-	-	-	-	-	6,417,627	6,417,627
Emergency Drought Relief	312	-	-	-	-	1,220	-	1,220
Water Planning Grant	313	-	-	-	-	-	-	-
Equipment Loan Fund	400s	-	-	-	-	-	-	-
Other		6,662,550	-	6,297,388	-	-	779	12,960,717
Total Governmental Funds		6,662,550	-	6,297,388	-	1,220	15,973,342	28,934,500

		Operating Fund 101	GRIP Admin 104	Drinking Water 500	Cigarette Tax Revenue 321	PPRF 200s	Other	Total
Transfers In:								
Enterprise Funds:								
Operating Fund	101	-	-	-	-	-	5,106,464	5,106,464
GRIP Admin.	104	10,000	-	-	-	-	-	10,000
Drinking Water	500	-	-	6,713,687	-	-	-	6,713,687
Behavioral Health	311	-	-	-	49,445	-	-	49,445
Local Road Fund	504	-	1,000,500	-	-	-	-	1,000,500
Cigarette Tax Revenue	321	-	-	-	-	-	262,750	262,750
PPRF	200s	-	-	-	-	-	14,327,709	14,327,709
Other		5,489,452	-	-	-	12,979,230	-	18,468,682
Total Enterprise Funds:		5,499,452	1,000,500	6,713,687	49,445	12,979,230	19,696,923	45,939,237
Total Governmental and Enterprise Funds		$ 12,162,002	1,000,500	13,011,075	49,445	12,980,450	35,670,265	74,873,737

Transfers in and out of the governmental funds are legilsatively appropriated revenues to pay debt service.

Enterprise fund transfers in and out are primarily movement of loan proceeds out to the borrowers to pay for program and construction costs.

$1,228,241 was transferred from the Governmental Funds to the Enterprise Funds for fiscal year ending 2007.

The following Enterprise Fund owed the following amount to other state agencies at June 30, 2007:

The Drinking Water Revolving Loan Fund owed $1,704,907 to the Environment Department for technical set-asides.

6. *OPERATING TRANSFERS*

Governmental Funds Operating Transfers from (to) Other State Agencies

State Agency	Agency Fund Number	Economic Development Fund	State Building Program Cigarette Tax Fund	State Office Building Financing Fund	UNM Health Sciences Fund	Other Governmental Funds	Total
Dept. of Finance & Administration	34100	$ 4,900,000	714,128	6,090,000	6,835,217	1,953,059	20,492,404
University of New Mexico	95100	-	-	-	(1,806,503)	-	(1,806,503)
New Mexico Department of Labor	63100	-	-	-	-	(848,752)	(848,752)
New Mexico State University	95200	-	-	(2,019,029)	-	-	(2,019,029)
University of NM Law Library	95100	-	(94,150)	-	-	-	(94,150)
		4,900,000	619,978	4,070,971	5,028,714	1,104,307	15,723,970

Enterprise Funds Operating Transfers from (to) Other State Agencies

State Agency	Agency Fund Number	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund
Bernalillo Metropolitan Court	24400	$ (330,211)	-
NM Environment Department	66700	-	(3,008,527)
NM Department of Health	66500	(2,056,307)	-
		(2,386,518)	(3,008,527)

The Authority received $20,492,404 in New Mexico state general fund appropriations from the Department of Finance and Administration.

6. *OPERATING TRANSFERS - continued*

The following debt service funds made the following transfers to other state agencies during the year ended June 30, 2007:

The UNM Health Sciences 2004A transferred $1,806,503 for revenue rebate to UNM from cigarette tax collections.

The Workers' Compensation Series 1996 transferred $848,752 for revenue rebate to Workers' Compensation.

The State Building GRT Purchase Fund transferred $2,019,029 in program fund requests to project draw requests, debt service payments and final debt service payment for NMSU building.

The following special revenue fund made the following transfer to other state agencies during the year ended June 30, 2007:

The State Building Program Cigarette Tax Fund transferred $94,150 for the UNM Law Library debt service.

The following enterprise funds made the following transfers to other state agencies during the year ended June 30, 2007:

The PPRF Series 2005 C & D Metro Court Refunding transferred $330,211 for project draw requests to Metro Court.

The Drinking Water Revolving Fund transferred $3,008,527 to the New Mexico Environment Department for billings.

The PPRF Series 2006 D Fund transferred $23,562,228 for project draw requests.

The PPRF Direct Cash Loans transferred $2,056,307 for revenue rebate to Department of Health Primary and Secondary Accounts.

7. *CAPITAL ASSETS*

A summary of changes in capital assets follows:

Business-type Activities		Balance June 30, 2006	Additions	Adjustments/ Deletions	Balance June 30, 2007
Depreciable assets:					
Furniture and fixtures at historical cost	$	157,526	-	(59,360)	98,166
Computer hardware and software		359,324	103,545	(74,167)	388,702
Machinery and equipment		25,563	-	(795)	24,768
Leasehold improvements		10,557	17,545	(1,170)	26,932
		552,970	121,090	(135,492)	538,568
Accumulated depreciation:					
Furniture and fixtures		(134,196)	(13,785)	3,922	(144,059)
Computer hardware and software		(48,788)	(54,585)	15,530	(87,843)
Machinery and equipment		(6,024)	(3,478)	990	(8,512)
Leasehold improvements		(3,080)	(3,786)	980	(5,886)
		(192,088)	(75,634)	21,422	(246,300)
Net total	$	360,882	45,456	(114,070)	292,268

Depreciation expense was $21,924 in the Operating Fund, $22,785 in the Public Project Revolving Fund, $12,239 in the Drinking Water Revolving Loan Fund, $17,352 in the GRIP Administrative Fund, $167 in the Primary Care Fund, $333 in the Behavioral Health Capital Fund, $167 in the Child Care Revolving Loan Fund, $167 in the Local Road Fund, $333 in the Tax Credits Fund and $167 in the Energy Efficiency Fund for the year ended June 30, 2007.

7. *CAPITAL ASSETS - continued*

Governmental Activities		Balance June 30, 2006	Additions	Adjustments/ Deletions	Balance June 30, 2007
Depreciable assets:					
Furniture and fixtures at historical cost	$	157,670	-	(57,034)	100,636
Computer hardware and software		116,875	24,867	(22,368)	119,374
Machinery and equipment		24,880	-	(531)	24,349
Leasehold improvements		10,470	4,117	(1,269)	13.318
		309,895	28,984	(81,202)	257,677
Accumulated depreciation:					
Furniture and fixtures		(45,628)	(18,301)	4,808	(59,121)
Computer hardware and software		(21,849)	(21,709)	5,704	(37,854)
Machinery and equipment		(7,313)	(4,428)	1,163	(10,578)
Leasehold improvements		(2,856)	(2,422)	657	(4,621)
Accumulated depreciation		(77,646)	(46,860)	12,332	(112,174)
Net total	$	232,249	(17,876)	(68,870)	145,503

8. *BONDS PAYABLE*

Bonds outstanding as of June 30, 2007, for the Authority's enterprise funds consist of the following:

Public Project Revolving Funds (PPRF)

PPRF Series 1997A. 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 1997A Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1998 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 investments securities.

PPRF Series 1999A, 1999B, 1999C and 1999D. On January 1, 1999, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1999A and 1999B (tax exempt) and Series 1999 and 1999D (taxable), in the aggregate principal amounts of $13,135,000, $3,025,000, $2,265,000 and $4,875,000, respectively. The Series 1999 Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1999 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1999 bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources and the New Mexico Interstate Stream Commission's 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.

PPRF Series 2000A. On January 1, 2000, the Authority issued its Public Project Revolving Fund, Series 2000A Bonds, in the aggregate principal amount of $4,715,000 to finance a loan to Valencia County, New Mexico, to construct, purchase, furnish and equip an adult correctional facility for the County and to finance the cost of issuance of the Series 2000A Bonds.

PPRF Series 2000B and C. On September 1, 2000, the Authority issued $7,670,000 of Public Project Revolving Fund, Series 2000B and $28,850,000 Series 2000C Bonds. The Series 2000B and C bonds were issued to reimburse the Public Project Revolving Fund for loans made by the Authority to various Governmental Units and to reimburse the Authority for and to finance the costs of issuance of the Series 2000B and C Bonds.

8. BONDS PAYABLE - continued

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2002A. On July 2, 2002, the Authority issued $55,610,000 of Public Project Revolving Fund, Series 2002A Bonds. The Series 2002A Bonds were issued to reimburse the Public Project Revolving Fund for loans made by the Authority to various governmental units and to reimburse the Authority for and to finance the costs of issuance of the Series 2002A Bonds.

PPRF Series 2003A. On April 3, 2003, the Authority issued $39,945,000 of Public Project Revolving Fund, Series 2003A Bonds. The Series 2003A Bonds were issued to reimburse the Public Project Revolving Fund for loans made by the Authority to various governmental units and to reimburse the Authority for and to finance the costs of issuance of the Series 2003A Bonds.

PPRF Series 2003B. On June 5, 2003, the Authority issued $25,370,000 of Public Project Revolving Fund, Series 2003B Bonds. The Series 2003B Bonds were issued to 1) refund the Authority's outstanding Public Project Revolving Fund Revenue Bonds, Series 1995A, maturing on and after June 1, 2006, and Public Project Revolving Fund Revenue Bonds, Series 1996A, maturing on and after June 1, 2007; and 2) finance the costs of issuance of the Series 2003B Bonds and the refunding of the Series 1995A and 1996A Bonds.

PPRF Series 2004A. On January 28, 2004, the Authority issued $43,400,000 of Public Project Revolving Fund, Series 2004A Bonds. The Series 2004A Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the Authority to certain governmental entities for the purpose of financing public projects; and 2) finance the costs of issuance of the Series 2004A Bonds.

PPRF Series 2004B. On June 9, 2004, the Authority issued $49,540,000 of Public Project Revolving Fund, Series 2004B Revenue Bonds. The Series 2004B Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the Authority to certain governmental entities for the purpose of financing public projects; and 2) finance the costs of issuance of the Series 2004B Bonds.

8. *BONDS PAYABLE - continued*

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2004C. On October 1, 2004, the Authority issued $168,890,000 of Public Project Revolving Fund Series 2004C Revenue Bonds. The Series 2004C Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the Authority to certain governmental entities for the purpose of financing public projects, 2) fund the loan to the Albuquerque Bernalillo County Water Utility Authority, and 3) finance the costs of issuance of the Series 2004C Bonds.

PPRF Series 2005A and B. On August 1, 2005, the Authority issued $19,015,000 of Public Project Revolving Fund Series 2005A Revenue Bonds and $13,500,000 of Public Project Revolving Fund Series 2005B Refunding Revenue Bonds. The Series 2005A and B Bonds were issued to 1) advance refund certain outstanding Public Project Revolving Fund Bonds, 2) reimburse the Public Project Revolving Fund for loans made by the Authority to governmental entities for the purpose of funding public projects, and 3) finance the costs of issuance of the Series 2005A and B Bonds.

PPRF Series 2005C and D. On April 5, 2005, the Authority issued $50,395,000 of Subordinate Lien Public Project Series 2005C and $8,660,000 of Taxable Subordinate Lien Public Project Series 2005D Revolving Fund Refunding Revenue Bonds. The Series 2005C and D Bonds were issued to 1) purchase the Authority's Court Facilities Fee Refunding Revenue Bonds, and 2) finance the costs of issuance of the Series 2005C and D Bonds.

PPRF Series 2005E. On August 30, 2005, the Authority issued $23,630,000 of Subordinate Lien Public Project Revolving Fund Series 2005E Revenue Bonds. The Series 2005E Bonds were issued to 1) purchase the Authority's Subordinate Lien Cigarette Tax Revenue Bonds (UNM Health Sciences Center Project), Series 2005, and 2) finance the costs of issuance of the Series 2005E Bonds.

PPRF Series 2005F. On December 7, 2005, the Authority issued $21,950,000 of Subordinate Lien Public Project Revolving Fund Series 2005 F Revenue Bonds. The 2005 F Series Bonds were issued to 1) directly fund, or to reimburse the Public Projects Revolving Fund for, loans made by the NMFA to certain governmental entities for the purpose of financing public projects, 2) purchase a Reserve Instrument, and 3) pay the cost of issuance of the Series 2005 F Bonds.

8. *BONDS PAYABLE - continued*

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2006A. On March 28, 2006, the Authority issued $49,545,000 of Subordinate Lien Public Project Revolving Fund Series 2006 A Revenue Bonds. The 2006 A Series Bonds were issued to 1) originating loans or reimbursing the NMFA for moneys used to originate loans to, or purchase securities from, certain governmental entities that will be or were used to finance certain projects for such governmental units, 2) purchase a reserve surety bond for deposit to the debt service reserve account established for the Series 2006 A Bonds, and 3) pay costs incurred in connection with the issuance of the Series 2006 A Bonds.

PPRF Series 2006B. On June 27, 2006, the Authority issued $38,260,000 of Senior Lien Public Project Revolving Fund Series 2006 B Revenue Bonds. The 2006 B Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for or to originate loans made or to be made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units and, 2) pay costs incurred in connection with the issuance of the Series 2006 B Bonds.

PPRF Series 2006C. On November 7, 2006, the Authority issued $39,860,000 of Subordinate Lien Public Project Revolving Fund Series 2006 C Revenue Bonds. The 2006 C Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, including a $21,650,229 loan to the Jicarilla Apache Tribal Utility Authority; 2) purchasing a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2006 C Bonds; and 3) paying costs incurred with the issuance of the Series 2006 C Bonds.

PPRF Series 2006D. On September 6, 2006, the Authority issued $54,600,000 of Senior Lien Public Project Revolving Fund Series 2006 D Revenue Bonds. The 2006 D Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, 2) purchase contemporaneously with the issuance of the Series 2006 D Bonds the NMFA State Building Tax Revenue Bonds, Series 2006 A (PERA Building Acquisition) (the "2006A Bonds") to finance the acquisition and improvement of a public building for use by the State with proceeds of the 2006 A Bonds, 3) purchase contemporaneously with the issuance of the Series 2006 D Bonds the NMFA State Building Tax Revenue bonds Series 2006 B (Refunding Project) (the "2006 B Bonds") to refund the outstanding NMFA State Office Building Bonds Series 2002 A

8. *BONDS PAYABLE - continued*

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2006D - continued.
with proceeds of the Series 2006 B Bonds, and 4) pay costs incurred in connection with the issuance of the Series 2006 D Bonds.

PPRF Series 2007A. On February 27, 2007, the Authority issued $34,010,000 of Subordinate Lien Public Project Revolving Fund Series 2007 A Revenue Bonds. The 2007 A Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by NMFA to certain governmental entities for the purpose of funding public projects for such governmental units; 2) purchasing a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 A Bonds; 3) paying accrued interest; and 4) paying costs incurred with the issuance of the Series 2007 A Bonds.

Bonds outstanding as of June 30, 2007, to be paid out of the Authority's debt service funds consist of the following:

Workers' Compensation Financing Fund. 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.

State Capitol Improvement Financing Fund. On May 11, 1999, the Authority issued $9,315,000 of New Mexico Finance Authority State Capitol Building Improvement Revenue Bonds, Taxable Series 1999. The bonds were issued for the purpose of repairing, remodeling, constructing and equipping the New Mexico State Library and for relocation associated renovations in the State Capitol.

8. *BONDS PAYABLE - continued*

Metro Court Financing Fund. The Laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. On August 1, 2001, the Authority issued $21,600,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001A (Tax Exempt), and $11,400,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001B (Taxable). The Series 2001A Bonds were issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2001A Bonds. The taxable Series 2001B Bonds were issued by the Authority for the purpose of financing the acquisition of land for, and the design, construction, furnishing and equipping of a parking facility adjacent to the new Bernalillo County Metropolitan Court and to finance the costs of issuance of the taxable Series 2001B Bonds.

On September 1, 2002, the Authority issued $24,900,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2002 (Tax Exempt). The Series 2002 Bonds were issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2002 Bonds. The Series 2002 Bonds were issued pursuant to the bond resolution with a lien on the Pledged Court Facilities revenues on parity, with the liens thereon of the $21,600,000 Authority Court Facilities Fee Revenue Bonds, Series 2001A, and the $11,400,000 Authority Taxable Court Facilities Fee Revenue Bonds, Series 2001B.

Equipment Loan Fund. 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 that 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.

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 18 governmental entities in the state. On August 29,1995, the Authority issued $2,904,000 aggregate principal amount of its Pooled 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

8. *BONDS PAYABLE - continued*

Equipment Loan Fund - continued.
principal amount of its Pooled Equipment Program Certificates of Participation, Series 1996A. The net proceeds were loaned to 13 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 19965B. The net proceeds were loaned to various governmental entities in the state. Interest rates on the equipment loans range from 4.5% to 6.3%.

State Office Building Financing Fund. The Laws of 2001, Chapters 166 and 199, authorized the Authority to issued revenue bonds for the General Services Department (GSD) of the State of New Mexico. The State Office Building Tax Revenue Bonds, Series 2002A, were issued on December 15, 2001, for purpose of financing the costs of acquiring, constructing, equipping and otherwise improving land and buildings for the GSD. The Series 2002A Bonds are payable from and secured only by amounts on deposit in the Authority's State Office Building Fund, which consists of money appropriated and transferred to the Fund from the net receipts attributable to the gross receipts tax of the State in the amount of $500,000 per month.

UNM Health Sciences Fund. Cigarette Tax Series 2004A Revenue Bonds. On April 1, 2004, the Authority issued $39,035,000 of Cigarette Tax Series 2004A Revenue Bonds (UNM Health Services Center Project). The Series 2004A Bonds were issued to 1) finance a portion of the costs of the design, construction, equipping and furnishing of additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico; and 2) finance the costs of issuance of the Series 2004A bonds.

UNM Health Sciences 2004B. On September 22, 2004, the Authority issued $10,000,000 of Cigarette Tax Revenue Series 2004B Revenue Bonds. The Series 2004B Bonds were issued to 1) finance a portion of the costs of the design, construction, equipping and furnishing of additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico; and 2) finance the costs of issuance of the Series 2004B Bonds.

Bonds outstanding are direct obligations of the Authority for which its full faith and credit are pledged and are payable from pledged tax revenues of various entities.

8. *BONDS PAYABLE - continued*

Bonds payable and related premium/discount balances consist of the following at June 30, 2007:

		Amount	Interest Rate	Final Maturity
Enterprise Funds:				
PPRF 1997A	$	-	4.25 - 5.00	6/1/2007
PPRF 1999A, B, C and D		11,360,000	3.30 - 6.30	6/1/2018
PPRF 2000A		1,055,000	4.10 - 5.30	6/1/2009
PPRF 2000B and C		9,950,000	4.35 - 5.60	6/1/2009
PPRF 2002A		23,170,000	2.00 - 5.00	6/1/2026
PPRF 2003A		23,799,000	2.00 - 4.75	6/1/2025
PPRF 2003B		21,470,000	2.00 - 5.00	6/1/2021
PPRF 2004A		34,925,000	1.125 - 5.00	6/1/2031
PPRF 2004B		41,355,000	3.00 - 5.125	6/1/2033
PPRF 2004C		151,540,000	2.50 - 5.00	6/1/2024
PPRF 2005C and D		52,920,000	3.05 - 5.00	6/15/2025
PPRF 2005A		16,595,000	3.00 – 4.25	6/1/2025
PPRF 2005B		13,225,000	3.00 – 4.25	6/1/2020
PPRF 2005E		23,630,000	4.00 - 5.00	6/15/2025
PPRF 2005F		21,215,000	4.00 - 5.00	6/15/2025
PPRF 2006A		49,490,000	4.00 - 5.00	6/15/2035
PPRF 2006B		37,605,000	4.00 - 5.00	6/1/2036
PPRF 2006C		39,095,000	4.00 - 5.00	6/15/2027
PPRF 2006D		52,645,000	4.00 - 5.00	6/1/2036
PPRF 2007A		33,695,000	4.00 - 5.00	6/15/2027
CIG TAX 2006 – Behavioral Health		2,375,000	5.51	5/1/2026
		661,114,000		
Bond premium and discount, net on enterprise funds		30,410,699		
Total	$	691,524,699		

8. *BONDS PAYABLE – continued*

		Amount	Interest Rate	Final Maturity
To be paid out of Debt Service Funds:				
UNM Health Sciences	$	25,225,000	2.00 - 5.00	4/1/2019
UNM Health Sciences 2004B		8,915,000	2.10 - 5.50	4/1/2019
Workers' Compensation Financing Fund		2,750,000	5.00 - 5.60	3/1/2017
Metro Court		45,765,000	5.50 - 5.80	6/15/2011
State Capitol Improvement Financing Fund		5,955,000	7.00	6/1/2021
State Building Purchase Fund		27,470,000	4.00 - 5.00	11/1/2006
COP-Equipment Loan Fund Series 95A, 95B		208,000	4.05 - 5.40	10/1/2016
COP-Equipment Loan Fund Series 96A		62,000	3.85 - 5.20	4/1/2016
COP-Equipment Loan Fund Series 96B		237,000	4.50 - 5.70	4/1/2012
Cigarette Tax Revenue Bond		-	3.95 - 5.25	6/1/2006
		116,587,000		
Bond premium and discount, net on Debt Service Funds		2,071,134		
Total	$	118,658,134		

The requirements to amortize the bonds payable and the related premium/discount outstanding are as follows:

		Principal	Interest	Total
2008	$	37,194,000	36,808,177	74,002,177
2009		48,245,000	35,351,346	83,596,346
2010		42,345,000	33,291,533	75,636,533
2011		86,238,000	31,474,520	117,712,520
2012		45,262,000	29,379,803	74,641,803
2013 - 2017		217,599,000	105,880,381	323,479,381
2018 - 2022		159,981,000	58,167,272	218,148,272
2023 - 2027		89,427,000	23,580,020	113,007,020
2028 - 2032		27,440,000	10,200,556	37,640,556
2033 - 2037		23,970,000	2,862,050	26,832,050
Total	$	777,701,000	366,995,658	1,144,696,658

8. *BONDS PAYABLE - continued*

The bonds payable activity for the year is as follows:

		Balance, July 1, 2006	Additions	Deletions	Balance, June 30, 2007
Enterprise Funds	$	577,348,000	130,270,000	(46,504,000)	661,114,000
Debt Service Funds		123,519,000	-	(6,932,000)	116,587,000
Total	$	700,867,000	130,270,000	(53,436,000)	777,701,000

The amount of bonds payable due within one year is $37,194,000.

The following bonds were issued by the Authority in an agency capacity and are not included in the Authority's financial statements (see Note 14):

State Transportation Series 2004A Revenue Bonds. On May 20, 2004, the Authority issued $700,000,000 of State Transportation, Series 2004A, Revenue Bonds. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2004B Revenue Bonds. On May 20, 2004, the Authority issued $237,950,000 of State Transportation, Series 2004B, Refunding Revenue Bonds. The Series 2004B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the Authority and the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2004C Revenue Bonds. On May 20, 2004, the Authority issued $200,000,000 of State Transportation, Series 2004C, Refunding Revenue Bonds. The Series 2004C Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the Authority and the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

8. *BONDS PAYABLE - continued*

State Transportation Series 2006A Revenue Bonds. On September 19, 2006, the Authority issued $150,000,000 of State Transportation, Series 2006A Revenue Bonds. The Series 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2006B Revenue Bonds. On September 19, 2006, the Authority issued $39,005,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The Series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2006C Revenue Bonds. On September 19, 2006, the Authority issued $220,000,000 of State Transportation, Series 2006C Revenue Bonds. The Series 2006C bonds were issued as adjustable rate securities and were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2006D Revenue Bonds. On September 19, 2006, the Authority issued $50,680,000 of State Transportation, Series 2006D Revenue Bonds. The Series 2006D Bonds were issued to provide funds for an escrow account required to be maintained by the New Mexico Department of Transportation pursuant to a Joint Use Agreement between the New Mexico Department of Transportation and the BNSF Railway Company. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not on the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

9. *NOTE PAYABLE*

In November 2002, the Authority issued the 2002A Bond. Part of the 2002A Bond proceeds were given to UNM for their Law Library, and the remaining portion of $2,000,000 was loaned to UNM. To offset this loan receivable, the Authority was issued a note payable in conjunction with the 2002A Debt Service requirement. The terms of this note are outlined below:

$2,000,000 variable interest rate (3.820% at June 30, 2007), note due in annual installments of $150,557 (currently), including interest, through May 2015. Note is offset by cigarette tax proceeds received from the State of New Mexico.	$	1,855,346
		1,855,346
Less current maturities		150,557
	$	1,704,789

Long-term debt maturities on note payable to PPRF Fund as of June 30, 2007, are as follows:

Years ending June 30:

2008	$	150,557
2009		156,941
2010		163,848
2011		171,223
2012		179,102
2013 - 2017		1,033,675
	$	1,855,346

10. LINE OF CREDIT

The Authority maintains an unsecured credit facility which provides for a borrowing limit of up to $100,000,000. The terms of the credit facility require payment in full or renewal by May 31, 2009. Interest is due monthly on the outstanding balance, and accrues at the BBA LIBOR rate plus basis points (3.628% at June 30, 2007). Basis points are calculated quarterly based on the ratio of funded debt to operating cash flow. Additional borrowings must be made at a minimum amount of $5,000,000. The Authority shall pay the unused commitment fee on a quarterly basis beginning June 30, 2007, at a rate between 6 to 9 basis points pursuant to the line of credit agreement. At June 30, 2007, $31,338,974 had been borrowed on this line, providing for an unused commitment of $68,661,026.

	Balance, July 1, 2006	Additions	Deletions	Balance, June 30, 2007	Short-term Portion
Line of Credit	$ -	31,338,974	-	31,338,974	31,338,974

11. OPERATING LEASE COMMITMENT

The Authority is committed under various lease agreements for office space and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2007 amounted to approximately $277,000.

Future minimum lease payments for these leases are as follows:

Years ending June 30:	
2008	$ 299,121
2009	307,598
2010	319,902
2011 and thereafter	-
	$ 926,621

12. RETIREMENT PLAN

The Authority 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 Revenue 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%

12. *RETIREMENT PLAN - continued*

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 contributions for this retirement plan were $301,983, $263,313 and $204,975 for the years ended June 30, 2007, 2006 and 2005, respectively. Substantially all full time employees participate in this plan.

Presented below is the June 30, 2007, Statement of Fiduciary Net Assets and Statements of Change in Net Assets:

Statement of Fiduciary Net Assets

Assets:		
Cash	$	-
Self-directed accounts (cash and investments)		1,667,625
Guaranteed Account		10,520
Participant loan receivable		32,721
Total assets	$	1,710,866
Net assets:		
Pension plan participants' benefits	$	1,710,866

Statement of Changes in Net Assets

Additions:		
Investment earnings	$	241,715
Employer contributions		301,982
Rollover contributions		42,447
Employee contributions		104,087
Total additions		690,231
Deductions:		
Distributions to participants		128,600
Investment expenses		12,493
Total deductions		141,093

12. *RETIREMENT PLAN - continued*

Change in net assets	$	549,138
Net assets - beginning		1,161,748
Net assets - ending	$	1,710,886

During the year ended June 30, 2005, the Authority adopted a retirement plan in accordance with an "eligible deferred compensation plan" pursuant to Section 457 of the Internal Revenue Code for its Executive Director and its Chief Operating Officer. The Authority contributes nine percent of compensation to the plan. The contributions are made regardless of the number of hours worked or the employment status on the last day of the plan year. Employer contributions are limited by IRS Code Section 457(e)(15)(A). The employee is fully vested at all times. Employer contributions for the year ended June 30, 2007 were $21,664.

13. *COMPENSATED ABSENCES*

During the year ended June 30, 2007, the following changes occurred in the compensated absences liabilities:

	Balance, July 1, 2006	Additions	Deletions	Balance, June 30, 2007
$	162,277	190,065	160,254	192,088

The portion of compensated absences due after one year is not material and, therefore, not presented separately. Compensated absences are liquidated from the operating fund. There are no compensated absences for the governmental funds.

14. *AGENCY TRANSACTIONS*

Bond Issues

The Authority, on behalf of the New Mexico Department of Transportation (NMDOT), issued $700,000,000 State Transportation Revenue Bonds (Senior Lien), Series 2004A in May 2004. The gross proceeds to the Authority were $738,787,815, including $43,556,815 of an original issue premium. The cost of issuance including underwriter fees was $6,368,367. The Bonds are special, limited obligations of the NMDOT, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and the NMDOT has determined to be necessary or desirable.

NMDOT is responsible for the Authority's issuance costs and must annually pay the Authority twenty-five basis points on the outstanding principal balance. Principal of the bonds is payable as follows on June 15. Interest with rates ranging from 3.8% to 5.25% per annum is payable semi-annually on June 15 and December 15 through the year 2024.

The Authority, on behalf of the NMDOT, issued $237,950,000 and $200,000,000 (Authority) State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B and Series 2004C in May 2004. The gross proceeds to the Authority for both issuances were $451,069,205, including $16,347,187 of an original issue premium. The cost of issuance including underwriter fees was $4,228,696. Following is the detail of the Series 2004B and Series 2004C bonds issued.

The $237,950,000 Series 2004B Bonds are special, limited obligations of the NMDOT, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds are being issued through the Authority at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding bonds of the Authority and the Commission.

The NMDOT is responsible for the Authority issuance costs. Principal of the bonds is payable as follows on June 15. Interest with rates ranging from 2% to 5% per annum is payable semi-annually on June 15 and December 15 through the year 2014.

14. *AGENCY TRANSACTIONS - continued*

Bond Issues - continued

The Series 2004C Bonds are special, limited obligations of the NMDOT payable, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees required by law to be paid into the Highway Infrastructure Fund. The lien on the bonds on such revenues is subordinate to the lien thereon securing other bonds issued concurrently with the 2004C Bonds or which may hereafter be issued through the Authority. The bonds are being issued through the Authority at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding debt.

The Authority is responsible for its issuance costs. Principal of the Bonds is payable as follows on June 15 with interest payable semi-annually on June 15 and December 15 through the year 2023. Interest is fixed at 3.393% based on a swap agreement in place at June 30, 2004.

For the year ended June 30, 2007, the Authority recorded $2,313,000 in administrative fees related to the three bonds in the GRIP Administrative Fund (Proprietary Fund).

At June 30, 2007, the Authority had $231,353,435 in cash at trustee related to these three bonds offset by accounts payable, debt service payable and funds held for the New Mexico Department of Transportation. The Authority has recorded these amounts in an agency fund.

Refunding

The Authority, on behalf of the NMDOT, used the 2004B and 2004C Bonds to advance refund certain older debt issues of the NMDOT, and the New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 2001 and New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 1999. The net proceeds of $408,855,872 plus an additional $7,285,997 were used to purchase U.S. governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt is considered to be defeased and the liability for those bonds has been removed from long-term obligations. $317,880,000 of the bonds outstanding was considered defeased as of June 30, 2007.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps

State Transportation Revenue Bonds, Series 2006

Objective of the Swaps. In April of 2004, the Authority entered into two forward starting swaps (Swap Agreements), each with a different counterparty and each designed to hedge future interest rates. The intention of the Swap Agreements was to take advantage of historically low interest rates for tax-exempt bonds to be issued in 2006. The State Transportation Revenue Bonds, Series 2006 (2006 Bonds) were issued by the Authority to fund part of the Governor Richardson's Investment Partnership (GRIP), which is a $1.6 billion statewide transportation expansion and infrastructure improvement project. The Swap Agreements each contain a knock-out option that begins on the settlement date and ends on the maturity date of each agreement and that allows each counterparty to cancel the agreement at no cost to the counterparty. The intention of the option was to reduce the synthetic fixed rate. The Authority typically has between $175 million and $200 million in cash and short-term investments which will act as a natural hedge for any outstanding variable rate bonds that may result from the exercise of any knock-out option.

Terms. The Swap Agreements were entered into with J. P Morgan Chase Bank and UBS AG (J. P. Morgan and UBS, respectively, and collectively the Counterparties). The Swap Agreements were effective on December 15, 2006 and they mature on December 15, 2026. On the trade date, April 22, 2004, J. P. Morgan was rated AA- by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies (S&P); Aa2 by Moody's Investor's Service, Inc. (Moody's); and UBS was rated AA+ S&P and Aa2 Moody's. The Swap Agreements were priced at a fixed rate of 5.072% based on an amortizing notional schedule with a combined initial notional amount of $220,000,000. Under the Swap Agreements, each month commencing on June 15, 2007, the Authority shall make an interest payment based on a fixed rate of 5.072% and the Counterparties shall make an interest payment based on the SIFMA municipal swap index reset weekly. The knock-out option embedded in each of the Swap Agreements was struck at 7% and it is exercisable each day beginning on the settlement date and ending on the maturity date of the Swap Agreements. Each month, the Counterparties shall make an option premium payment to the Authority in an amount that is equal to 0.34% per annum and that will result in a synthetic fixed cost of borrowing of 4.732%. By making the option premium payment to the Authority, the Counterparties have paid to have the right (but not the obligation) to terminate the swap should the 180 day average of the SIFMA municipal swap index move above 7%. The variable rate due on the 2006 Bonds is based on market conditions and not on an index.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

State Transportation Revenue Bonds, Series 2006 - continued

Fair Value: As of June 30, 2007, the Swap Agreements, excluding the option value, had a negative fair value of $21,763,409.28. The options had a positive value of $5,547,825.32 in isolation of the swaps. The Swap Agreements, including the value of the options, had a total negative fair market value of $16,215,583.96. Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair market value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Basis Risk. The possibility of a mismatch between actual variable rate bond debt service payments and variable rate receipts. The variable rate on the 2006 Bonds is expected to closely match SIFMA municipal swap index.

Counterparty / Credit Risk. The possibility of counterparty non-performance or the possibility of an event occurring that modifies the credit quality or credit rating of the Authority and its counterparty. As of June 30, 2007, the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the Counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on Counterparties ratings as set forth in the CSA. J. P. Morgan and UBS were rated AA/Aaa and AA+/Aaa by S&P/Moody's, respectively, as of June 30, 2007.

Interest Rate Risk. The possibility that the debt service costs associated with variable rate debt and negatively affect coverage ratios and cash flow margins. The knock-out option in the swaps leaves the Authority open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then Swap Agreements could be cancelled by the Counterparties and the Authority would have outstanding unhedged variable rate debt in a 7% interest rate environment.

Tax Risk. The possibility that a tax event could affect sufficiency of swap receipts. Because the floating leg of the Swap Agreements is tied to the SIFMA municipal swap index and not to LIBOR, there is no tax risk.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

State Transportation Revenue Bonds, Series 2006 - continued

Termination Risk. The possibility that an interest rate swap agreement must be terminated prior to its stated final cash flow date, and that the Authority cannot obtain a replacement transaction with substantially similar terms, including because of a deterioration of the Authority's own credit. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's, respectively. The swap also includes an additional termination event related to non-issuance of the associated bonds. That is, the swap may be terminated if the related bonds are not issued on the effective date. Should the counterparties exercise the option to terminate the swap per the knock-out option, the Authority would become subject to variable rate risk on the outstanding bonds. However, historically the BMA index has yet to reset above the barrier set forth in the swap agreement. In addition, the Authority has substantial cash reverses which will mitigate this risk by generating variable rate income. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate lien), Series 2004 C-1,C-2 and C-3 (2004 Refunding Bonds)

Objective of the Swap. In April of 2004, the Authority entered into three (3) swaps (the Swap Agreements) with three (3) counterparties to synthetically refund outstanding bonds, which provided the Authority with present value savings of $11,524,206.49, or 3.02% of the refunded bonds. The Swap Agreements were structured to increase the Authority's savings, when compared against fixed-rate alternatives at the time of issuance. In addition, through this structure, the Authority was able to release several restrictive covenants as set forth by the old indenture, thus providing future flexibility. The intention of the Swap Agreements was to effectively change the Authority's interest rate on the bonds to a fixed rate.

Terms. The Swap Agreements were executed with Goldman Sachs Mitsui Marine Derivative, Lehman Brothers Derivative Products Inc. and Royal Bank of Canada (Goldman, Lehman and RBC, respectively, and collectively the Counterparties) in the respective initial amortizing notional amounts of $50,000,000, $50,000,000 and $100,000,000. The Counterparties were, at the trade date, rated AA+/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's, respectively. The Swap Agreements commenced on May 20, 2004 and mature on June 15, 2024. Under the Swap Agreements, the Authority shall

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2 and C-3 - continued

Terms – continued.
pay a fixed rate of 3.934% and received a variable rate computed as the SIFMA municipal swap index until June 15, 2006, on which date the variable interest rate received switches to 68% of the one month London Interbank Offered Rate (LIBOR) until maturity. The 2004 Refunding Bonds' variable rate coupons are not based on an index but on market conditions.

Fair Value. As of June 30, 2007, the Swap Agreements had a negative fair market value of $220,948.54 (Lehman $62,523.12, Goldman $52,808.44, and RBC $105,616.98). Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the 2004 Refunding Bonds do not have a corresponding fair value increase. The fair value on the Swap Agreements was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Basis Risk. The possibility of a mismatch between actual variable rate bond debt service payments and variable rate receipts. As of June 30, 2007, the Authority is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and the 68% of one month LIBOR rate received on the swap. The synthetic fixed rate is the fixed rate (3.94%) plus or minus the difference between the variable bond payments and the variable swap payments. The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the swaps. As of June 30, 2007, the rate on the bonds was 3.89%, whereas 68% on month LIBOR was 3.6176%.

Counterparty / Credit Risk. The possibility of counterparty non-performance or the possibility of an event occurring that modifies the credit quality or credit rating of the Authority and its counterparty. As of June 30, 2007, the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the Counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on Counterparties ratings as set forth in the CSA. Goldman, Lehman and RBC were rated AAA/Aaa, AAA/Aaa and AA-/Aaa by S&P/Moody's, respectively, as of June 30, 2007.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2 and C-3 - continued

Tax Risk. The possibility that a tax event could affect sufficiency of swap receipts. The Authority is exposed to tax risk where the Authority is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rated causes the rate paid on the outstanding bonds to be greater than 68% of LIBOR received on the swap.

Termination Risk. The possibility that an interest rate swap agreement must be terminated prior to its stated final cash flow date, and that the Authority cannot obtain a replacement transaction with substantially similar terms, including because of deterioration of the Authority's own credit. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. Furthermore, the swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's, respectively. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has negative fair value, the Authority would be liable to the counterparty for payment equal to the swap's fair value.

$100 Million of the $200 Million GRIP 2004 Floating-to-Synthetic Fixed Rate Refunding Swaps (2004 Swaps)

Objective of the Swap. In August of 2006, the Authority entered into a constant maturity swap (the Swap or CMS) with Citibank, N.A. (the Counterparty) to lower the Authority's cost of funds and diversify tax risk.

Terms. The Authority will be a floating rate payor, paying the Counterparty a floating rate equal to 68.0% of one month LIBOR on the outstanding notional amount, and the Counterparty will be a floating rate payor, paying the Authority a floating rate equal to 63.05% of the 5 year USD ISDA-SWAP constant maturity index on the outstanding notional amount. Payments of amounts due under the CMS will be made on the first day of each calendar month commencing on October 1, 2006. The aggregate notional amounts of the swap will be reduced on June 1, 2023 in an amount equal to the amortization schedule set forth in the transaction confirmation entered into by the Authority with the Counterparty. The stated termination date under the swap is June 15, 2024.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

$100 Million of the $200 Million GRIP 2004 Floating-to-Synthetic Fixed Rate Refunding Swaps (2004 Swaps) - continued

Fair Value. As of June 30, 2007, the swap had a negative fair value of $1,130,726.70. The fair value on the swaps was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Basis Risk. The possibility of a mismatch between actual variable rate bond debt service payments and variable rate receipts. As of June 30, 2007, the Authority is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and the 63.05% of the 5 year USD ISDA-SWAP constant maturity index received on the swap. The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the swaps. As of June 30, 2007, the rate on the bonds was 3.89%, whereas 63.05% of the 5 year USD ISDA-SWAP constant maturity index was 3.4873%.

Counterparty / Credit Risk. The possibility of counterparty non-performance or the possibility of an event occurring that modifies the credit quality or credit rating of the Authority and its counterparty. As of June 30, 2007, the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the Counterparty will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on Counterparty ratings as set forth in the CSA. Citibank, N.A. was rated AA+/Aaa by S&P/Moody's, respectively, as of June 30, 2007.

Tax Risk. The possibility that a tax event could affect sufficiency of swap receipts. The Authority is exposed to tax risk where the Authority is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rated causes the rate paid on the outstanding bonds to be greater than 63.05% of the 5 year USD ISDA-SWAP constant maturity index received on the swap.

Termination Risk. The possibility that an interest rate swap agreement must be terminated prior to its stated final cash flow date, and that the Authority cannot obtain a replacement transaction with substantially similar term, including because of deterioration of the Authority's own credit. The swap uses the International Swap Dealers Association Master Agreement, which includes standard

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

$100 Million of the $200 Million GRIP 2004 Floating-to-Synthetic Fixed Rate Refunding Swaps (2004 Swaps) - continued

Termination Risk - continued.
termination events. Furthermore, the swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's, respectively. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has negative fair value, the Authority would be liable to the counterparty for payment equal to the swap's fair value.

15. *SUBSEQUENT EVENTS*

After June 30, 2007, the Authority issued the following PPRF Direct Loans, Water Project Fund/Water Trust Board Grants, and Subordinate Lien PPRF Revenue Bonds:

	Closing Date	Amount
PPRF Cash Loans:		
DL - New Mexico Junior College	7/6/2007	$ 4,563,720
DL - Las Cruces City	7/6/2007	6,311,058
DL - Las Cruces City	7/6/2007	2,139,117
DL - Las Cruces City	7/6/2007	1,111,112
DL - Aztec Municipal School District 3	7/13/2007	15,000,000
DL - San Felipe Pueblo	7/20/2007	10,854,786
DL - Bloomfield School District 6	7/20/2007	20,000,000
DL - Santa Rosa City	7/27/2007	127,778
DL - Las Vegas City School District 2	7/27/2007	2,000,000
DL - Gila Regional Medical Center	8/10/2007	3,000,000
DL - Eagle Nest Village	8/10/2007	200,000
DL - Logan Village	8/17/2007	260,000
DL - Deming City	8/17/2007	1,024,005
DL - Bloomfield City	8/17/2007	1,727,552
DL - Sierra County	8/31/2007	5,075,223
DL - Gadsden Independent School District 16	9/14/2007	8,900,000
DL - Gadsden Independent School District 16	9/14/2007	2,350,000
DL - Cobre Consolidated School District 2	9/14/2007	2,800,000
DL - Albuquerque Bernalillo County Water Utility Authority	9/26/2007	77,005,000
Water Project Fund/Water Trust Board:		
WPF/WTB – Elephant Butte	8/3/2007	121,175
WPF/WTB – Anthony WSD	9/14/2007	75,000

15. SUBSEQUENT EVENTS - continued

PPRF Series 2007B. On July 19, 2007, the Authority issued $38,475,000 of Subordinate Lien Public Project Revolving Fund Series 2007 B Revenue Bonds. The 2007 B Series Bonds were issued to 1) reimburse the Public Project Revolving fund for loans made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, 2) retire a borrowing of the NMFA incurred in anticipation of the issuance of the 2007 B Bonds, 3) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 B bonds, and 4) pay costs incurred with the issuance of the Series 2007 B Bonds.

16. DEFICIT FUND / NET ASSETS

There are deficit fund balances of $56,016 in the Child Care Revolving Loan Fund, $163,460 in the New Mexico Tax Credits Fund and $9,330 in the Energy Efficiency Fund. The operating fund will cover the deficits in these funds.

There is a deficit in net assets of $75,078,101 in the governmental activities in the Statement of Net Assets. The decline in governmental net assets is the result of the decline in certain grant funds.

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 defined terms in and provisions of the Indenture. These extracts do not purport to be complete. Please refer to the Indenture itself for a full and complete statement of such provisions. During the offering period of the Series 2008A Bonds, copies of the Indenture will be available at the principal office of the Representative. Subsequent to the offering of the Series 2008A Bonds, copies of the Indenture may be obtained from the Trustee. See "ADDITIONAL INFORMATION."

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, in compliance with the Indenture, except for the Series l995A-B 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 will 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.

"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 Tax Exempt 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 Percentages
CATEGORY I	100%
CATEGORY II	80%
CATEGORY III	50%
CATEGORY IV	0%

"Authorized Denominations" means, with respect to the 2008A Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Sixty-Eighth Supplemental Indenture, $5,000 and any other dollar amount in excess of $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.

"Beneficial Owner" means, while DTC or its nominee is the registered owner of the Series 2008A Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2008A Bonds and otherwise exercise ownership rights with respect to Series 2008A Bonds.

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

"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 commencing June 2 of each year and ending on the next succeeding June 1.

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

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

"Business Day" means 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 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:

(A) 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;

(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 the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds one hundred percent (100%) of the aggregate of the amounts set forth in clause (C) of the definition.

For purposes of the foregoing definition the following assumptions will apply:

(i) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year will 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;

(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.

"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 Agencies.

"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 Agencies.

"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 Agencies, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Nonperforming 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 or loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agencies.

"Cede" means Cede & Co. and any substitute nominee of DTC who becomes the Registered Owner of any 2008A Bonds.

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

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the NMFA and the Trustee dated the date of issuance and delivery of the Series 2008A Bonds, as originally executed as it may be amended from time to time in accordance with the terms thereof.

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

"DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York.

"Expense Fund" means the fund by that name established by the Indenture to be held by the Trustee.

"Funds and Accounts" means collectively, the Debt Service Account and the Accounts created in the Indenture, 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 as the same may be amended and supplemented.

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

"Interest Payment Date" means, with respect to the Series 2008A Bonds, each June 1 and December 1, commencing June 1, 2008.

"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 seventy-five percent (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 2008A Bonds, the date of delivery thereof.

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

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

(b) any Bond (or any portion thereof) (i) for the payment or redemption of which there will 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 will be given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

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

(d) 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 2008A Bonds as Securities Depository.

"Participating Underwriters" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Paying Agent," when used with respect to the Series 2008A Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2008A Bond on behalf of the NMFA, and initially is the Trustee.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Account 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 and GNMA-guaranteed pass-through obligations (participation certificates);

(v) US. Maritime Administration Guaranteed Title Xl financing;

(vi) U.S. Department of Housing and Urban Development (HUD) Project Notes and 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") rated AAA by Standard & Poor's and Aaa by Moody's. 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 S&P of "AAAmG," "AAAm" or "Aam" or by Moody's of "Aaa" including funds from which the Trustee or its affiliates revenue fees for investment advisory or other services to such funds.

(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 Agencies;

(k) Investment contracts with providers the long term, unsecured debt organization of which are rated at least “Aaa” by the Rating Agencies; 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.

“Purchasers” means, with respect to the Series 2008A Bonds, UBS Securities LLC, George K. Baum & Company, Piper Jaffray & Co. and RBC Capital Markets.

“Rating Agencies” means Moody’s Investors Service, Standard & Poor’s Ratings Group and Fitch Ratings or their successors 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(0(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(0(3) of the Code and Section 1.148-3 of the Treasury Regulations.

“Register” means the record of ownership of the Series 2008A Bonds maintained by the Registrar.

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

“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).

"Representation Letter" means the blanket representations letter from the NMFA to DTC in substantially the form attached to the Sixtieth Supplemental Indenture of Trust as Exhibit B.

"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.

"Securities Depository" means the person who operates the computerized book entry system through which ownership interest in the Series 2008A Bonds may be recorded. Such entity shall at all times be a registered clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, and in good standing thereunder.

"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" means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefore.

"Series l995A-B 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 2000A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2000A, in an initial aggregate principal amount of $4,715,000.

"Series 2004B Bonds" means the Series 2004B-1 Bonds and the Series 2004B-2 Bonds.

"Series 2004C Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2004C, bearing interest at the rates herein described and in the aggregate principal amount of $168,890,000.

"Series 2005A Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2005A, in an initial aggregate principal amount of $19,015,000.

"Series 2005B Bonds" means the Public Project Revolving Fund Revenue Bonds, Series 2005B, in an initial aggregate principal amount of $13,500,000.

"Series 2006B Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2006B, in an initial aggregate principal amount of $38,260,000.

"Series 2007E Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2007E, in an initial aggregate principal amount of $61,945,000.

"Series 2008A Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008A, in an initial aggregate principal amount of $158,965,000.

"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 Bank of Albuquerque, 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 under the Indenture.

THE INDENTURE

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds will 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 will be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal corporate trust 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 will execute and the Trustee will 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 will constitute full and due authorization of such denomination, and the Trustee will thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee will 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 will be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond will 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 will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Trustee will 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 are not presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond are 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 will forthwith cease, determine and be completely discharged, and thereupon it will 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 will 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 will, 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 will 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 will 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 will 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 under the Indenture 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 will take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and will comply with 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 under the Indenture.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions, Further Assurance. The NMFA and the Trustee will 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 will not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and will, from time to time, execute and deliver such further instruments and will take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee will 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 in 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 will 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 will execute or cause to be executed any and all further instruments as may reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and will furnish satisfactory evidence to the Trustee that such actions have been taken and will 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 has been paid. The Trustee will 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 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 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 of Bonds 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 Tax-exempt 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 do 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 will deposit the proceeds of the Bonds to the Accounts created under the Indenture and will make the advances of funds thereunder to fund the Program and the NMFA will 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.

Loan Agreement and Securities - Loan Payments

The Loan Payments will 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 will be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement will 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 will be defined in the Loan Agreement or Securities. The Term will not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Security will provide that the related Governmental Unit will pay Loan Payments directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee (less a quarter of one percent (0.25%) administration fee retained by the NMFA for the payment of Program Costs) prior to each Interest Payment Date. In the case of Securities, the Securities will 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 the 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 will be made in multiples of the minimum Authorized Denomination. Each Prepayment will 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 will 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 will 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 Account and within such fund a separate Account for each Agreement, which separate Account is established and maintained by the NMFA;

(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 (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 Account for such Additional Pledged Loans.

Flow of Funds

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

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

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."

Pursuant to the Supplemental Indenture authorizing the Series 2000A Bonds, the payments required to be made by the 2000A Governmental Unit pursuant to the 2000A Agreement are to be paid directly to the Trustee from the New Mexico Taxation and Revenue Department pursuant to an Intercept Agreement between NMFA and the 2000A Governmental Unit, and the Trustee is to deposit all such payments immediately upon receipt thereof as follows:

(i) moneys identified by the NMFA as being from the receipt of the Correctional Facility Tax will be deposited into the Series 2000A Correctional Facility Tax Account and moneys identified by the NMFA as being from the receipt of the 2000A Governmental Unit Gross Receipts Tax will be deposited into a Series 2000A Governmental Unit Gross Receipts Tax Account, both in the Series 2000A Tax Revenue Fund;

(ii) moneys on deposit in the Series 2000A Correctional Facility Tax Account will be applied as follows:

First: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Debt Service Account 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 2000A Agreement;

Second: to the extent moneys are available for such purpose, to the payment of Program Costs;

Third: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Agreement Reserve Fund until such time as the balance on deposit in said Account equals the Agreement Reserve Requirement of such Account; and

Fourth: to the extent moneys are available for such purpose, to the Series 2000A Correctional Facility Tax Redemption Fund to annually redeem Series 2000A Bonds on or as soon as is reasonably practicable after June 2 from moneys deposited prior to the preceding June 1 in accordance with the Supplemental Indenture. Any excess Correctional Facility Tax revenues not applied to redemption will be returned to the 2000A Governmental Unit Debt Service Account.

(iii) moneys on deposit in the Series 2000A Governmental Unit Gross Receipts Tax Account will be applied as follows:

First: to the extent moneys from the Series 2000A Correctional Facility Tax Account deposited into the 2000A Governmental Unit Debt Service Account and the 2000A Governmental Unit Agreement Reserve Account in the Agreement Reserve Fund are insufficient to meet the then required principal and interest payments due or to next become due with respect to the 2000A Agreement, to the 2000A Governmental Unit's Debt Service Account the amount necessary 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 2000A Agreement;

Second: to the extent money from the Series 2000A Correctional Facility Tax Account are insufficient to pay the 2000A Governmental Unit's share of Program Costs, an amount necessary to pay such Program Costs; and

Third: to the 2000A Governmental Unit, the balance of the moneys remaining in the Series 2000A Governmental Unit Gross Receipts Tax Account as soon as reasonably practicable after June 2 of each year.

All income earned from the investment of moneys in the respective Accounts of the Debt Service Account and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), will be deposited in the related Account of the Debt Service Account 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 will be allocated solely to the benefit of such Governmental Unit. The Trustee will 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 will apply such Prepayments to the mandatory redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture, except with respect to the Series 2004B and each series of Bonds issued thereafter, which are subject to the provisions of the Indenture discussed in the forepart of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Application of Loan Prepayments."

At least once a year the Trustee will 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 will return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or will credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to Loans relating other than to the Series 2000A Bonds, any such excess will be disbursed as follows:

(a) Any excess attributable to earnings on funds and accounts for the Governmental Unit will be returned to the Governmental Unit or will 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 relevant Bonds will be deposited into the Revenue Fund; and, provided further, however, that with respect to the Series 2000A Loan Agreement, any such excess will be disbursed as provided in the second paragraph under this heading "Application of Loan Payments" above.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement will be transferred at least annually to the related Accounts of the Debt Service Account 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 will 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 related Account of the Debt Service Account.

All moneys held by the Trustee in the Bond Fund will 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 will 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 will 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 will 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 will be held by or under the control of the Trustee. The Trustee will 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 will invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys held (i) as part of a Governmental Unit's Account in any of the Funds established under the Indenture or (ii) by the NMFA as agent for the Trustee will be invested and reinvested by the NMFA or the Trustee, as the case may be, at the direction of the related Governmental Unit in Permitted Investments as directed by the Loan Agent or the Securities and in accordance with the following provisions.

The Trustee or the NMFA will 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.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund will 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 will be held by or under the control of the Trustee. The Trustee will 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 will 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 will be credited to, and losses thereon will be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments will 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 of the Indenture.

The principal of the investments and the interest, income, and profits received in respect thereof will 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 will (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 will (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 will 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 will 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 will be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there has been paid, or provisions for payment have been 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 has 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 estate and rights granted by the Indenture will cease, determine and be void, whereupon the Trustee will cancel and discharge the lien of the Indenture and on demand of the NMFA will execute such documents to evidence such release as will be reasonably required by the NMFA and will 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 will 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) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent has 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 (3) 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 have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond is deemed to be paid under the Indenture, as aforesaid, it will 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.

Notwithstanding anything in the Indenture to the contrary, 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 amount and at times as set forth in the Indenture, 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 have been so deposited, will 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) will 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 will be withdrawn or used for any purpose other than, and will 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 are 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 will 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.

Notwithstanding anything in the Indenture to the contrary, 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 have not in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture will 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 is paid by a bond insurer with respect to such Series of Bonds pursuant to a financial guaranty insurance policy, the Bonds of such Series will 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 and related Security Instrument Issues of such Series of Bonds will continue to exist and will run to the benefit of such bond insurer, and such bond insurer will be subrogated to the rights of such Registered Owners and related Security Instrument Issues 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 is not be made by or on behalf of the NMFA when the same becomes due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds is not be made by or on behalf of the NMFA when the same becomes 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 is for any reason rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree is 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 will not be vacated or discharged or stayed on appeal within 30 days after the entry thereof, or

(e) if any proceeding is 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 is not vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA files 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 assumes 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 is not terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA defaults 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 continues for 30 days after written notice specifying such Event of Default and requiring the same to be remedied has been given to the NMFA by the Trustee, which may give such notice in its discretion and will give such notice at the written request of the Registered Owners of not less than twenty-five percent (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, will, 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 will 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 will impair any such right or 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 may 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 will 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 under the Indenture is intended to be exclusive of any other remedy, and each such remedy is cumulative and is in addition to every other remedy given under the Indenture 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 has 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 have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture;

(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.

No one or more Owners has 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 provided in the Indenture and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond has 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 will not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture 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 is not 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, will, 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 or the NMFA under the Indenture, will be applied as follows:

(a) Unless the principal of all Bonds shall have become due and payable, all such moneys will 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 will 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 and any of the Bonds which 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 is not 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; and

Third: To be held for the payment to the persons entitled thereto as the same 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 is not sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment will be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds becomes due and payable all such moneys will 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 of principal 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 will be applied at such times, and from time to time, as the Trustee may determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee applies such moneys it will fix the date (which will be an Interest Payment Date unless it deems 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 will cease to accrue. The Trustee will 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 will not be required to make payment to the holder of any unpaid Bond until such Bond is 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 will 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 will 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 has 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 has 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 has been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners will be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission will 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 Registered 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 judgment 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 of 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 will 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 may 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 will 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 one hundred percent (100%) of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but is not 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 requests the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee will, 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 will briefly set forth the nature of the proposed supplemental indenture and will 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 have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond will 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 will be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA will 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 Agencies 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 judgment of the Trustee do 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 will 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 will 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 following economic and demographic descriptions are furnished for information only. The Bonds do not constitute a general obligation of the State and are special limited obligations of NMFA payable solely from the Trust Estate. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2008A Bonds do not constitute or give rise to a personal liability on the part of the directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

The information presented in this Appendix C relates to certain economic and demographic information relating to the State. Such information is for informational purposes and is presented to provide readers a sense of the economic and demographic composition of the State. Such information is available from the sources listed in the tables and is believed to be reliable. However, the NMFA has not verified and does not guarantee the accuracy of any such information.

Generally

The State, admitted as the forty-seventh state on January 6, 1912, is the fifth largest state, containing approximately 121,593 square miles. 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 percent sunshine year-round. Humidity ranges from 60 percent (mornings) to 30 percent (afternoons). Evenings are crisp and cool in all seasons because of low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of the moisture. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains). The State is an experience in comfortable living with its clean air, blue skies and fair weather.

Governmental Organization

The Executive Branch of State government consists of a Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, Attorney General and Commissioner of Public Lands who are elected to four-year terms beginning the January 1 after their election. An elected Executive Branch Officer may succeed himself or herself in office once. The primary functions of the Executive Branch are currently carried out by the offices of each elected Executive Branch officeholder, in addition to approximately 20 cabinet departments, each headed by a cabinet secretary appointed by the Governor and approved by the Legislature.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected for four-year terms, members of the House for 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, and under certain limited circumstances, extraordinary sessions may be convened by the Legislature. Legislators receive no salary, but do receive per diem and mileage allowances while in session or performing official State business.

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

Economic and Demographic Characteristics

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1,819,046. In the 1990's, the State was the 12th fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515,069. Over the same period of time, the national population grew 13.2 percent.

Most of this population growth is occurring in or near the larger cities. There are four Metropolitan Statistical Areas (MSAs) in the State. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is comprised of Doña Ana County; the Santa Fe MSA is comprised of Santa Fe County; and the Farmington MSA is comprised of San Juan County. The fastest growing counties in the state are Sandoval, Doña Ana, Bernalillo, San Juan, Luna and Lincoln. The following table sets forth information on population growth in New Mexico and nationally over the past decade.

POPULATION
NEW MEXICO AND THE UNITED STATES
1997-2006

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1997	1,774,839	272,646,925	1.3%	1.2%
1998	1,793,484	275,854,104	1.1	1.2
1999	1,808,082	279,040,168	0.8	1.2
2000	1,821,656	282,216,952	0.7	1.1
2001	1,832,783	285,226,284	0.6	1.0
2002	1,855,353	288,125,973	1.2	1.0
2003	1,877,598	290,796,023	1.2	0.9
2004	1,900,620	293,638,158	1.2	1.0
2005	1,925,985	296,507,061	1.3	1.0
2006	1,954,599	299,398,484	1.5	1.0

Source: Population Division, U.S. Census Bureau, December 2006.

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, and mining. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The following table sets forth information on employment by industry over the period 1980-2005.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	1980	1990	2000	2001[1]	2005[1]	Growth 1980-1990	Growth 1990-2000	Growth 2001-2005[1]
Total employment	598,199	767,139	972,954	977,815	1,064,351	28.20%	26.80%	8.80%
Wage and salary employment	513,306	635,725	789,690	801,610	856,406	23.80	24.20	6.80
Proprietors employment	84,893	131,414	183,264	176,205	207,945	54.50	39.70	18.00
Farm proprietors employment	13,400	13,600	14,985	17,470	17,157	1.50	10.20	(1.80)
Nonfarm proprietors employment	71,493	117,814	168,279	158,735	190,788	64.80	42.80	20.20
By Industry								
Farm employment	22,191	19,766	21,760	24,091	24,685	(10.90)	10.10	2.50
Nonfarm employment	576,008	747,373	951,194	953,724	1,039,666	29.80	27.30	9.00
Private employment	428,156	568,085	748,804	748,250	820,099	32.70	31.80	9.60
Agricultural services, forestry, fishing and other	4,358	8,414	13,548	7,019	7,224	93.10	61.00	2.90
Mining	31,152	20,489	19,323	19,469	21,024	(34.20)	(5.70)	7.90
Oil and gas extraction	15,116	14,068	14,425	6,447	6,751	(6.90)	2.50	4.70
Mining and support activities for mining[2]	16,036	6,421	4,898	13,022	14,273	149.70	23.70	9.60
Construction	38,873	40,606	59,895	63,144	73,164	4.50	47.50	15.90
General building contractors	11,933	11,858	16,710	18,050	19,396	(0.60)	40.90	7.50
Heavy construction contractors	8,287	6,729	8,720	10,365	10,171	(18.80)	29.40	(1.90)
Special trade contractors	18,653	22,019	34,465	34,729	43,597	18.00	56.50	25.50
Manufacturing[3]	35,963	47,732	48,788	49,913	46,003	32.70	2.20	(7.80)
Durable goods	21,583	32,500	33,275	32,671	29,113	50.60	2.40	(10.90)
Nondurable goods[4]	14,380	15,232	15,513	17,242	16,890	5.90	1.80	(2.00)
Transportation and public utilities[5]	30,732	34,130	43,350	39,423	37,458	11.10	27.00	(5.00)
Wholesale trade	22,733	27,896	33,751	27,970	28,566	22.60	21.10	2.10
Retail trade[6]	98,075	134,482	172,516	175,525	183,919	37.10	28.30	4.80
Finance, insurance, and real estate[7]	37,945	46,955	62,905	60,113	69,993	23.70	34.00	16.40
Services[8]	128,325	207,381	294,728	308,674	338,935	61.60	42.10	9.80
Government and government enterprises	147,852	179,288	202,390	205,474	219,567	21.30	63.10	6.90
Federal, civilian	29,963	31,621	30,205	28,785	30,099	5.50	(4.50)	4.60
Military	21,794	22,552	17,167	17,106	16,258	3.50	(23.90)	(5.00)
State and local	96,095	125,115	155,018	159,583	173,210	30.20	23.90	8.50
State governmental	42,560	55,722	64,654	65,503	69,786	30.90	16.00	6.50
Local government	53,535	69,393	90,364	94,080	103,424	29.60	30.20	9.90

(1) Prior to 2001, the U.S. Department of Commerce employed the Standard Industrial Classification ("SIC") system for industry specific data covered in its economic research and analysis of non-agricultural wage and salary employment information. In 2001, the U.S. Department of Commerce adopted a revised and expanded industry classification system, the North American Industry Classification System ("NAICS"). Consequently, 2001 and 2005 employment by industry data is not comparable with employment by industry data for the years 2000, 1990 and 1980. NAICS Industry groups and subgroups in the 2001 and 2005 data have been combined or extracted to approximate the SIC Industry groups listed for the years before 2001.

(2) The SIC subgroups, "Metal Mining," "Coal Mining" and "Nonmetallic Minerals, except fuels" were combined to approximate the NAICS category "Mining and Support Activities for Mining."

(3) The NAICS "Information" subcategories, "Publishing industries, except Internet" and "Internet Publishing and broadcasting" and the NAICS "Manufacturing" category have been combined to approximate the former SIC "Manufacturing" group.

(4) The NAICS "Information" subcategories, "Publishing industries, except Internet" and "Internet Publishing and broadcasting" and the NAICS "Manufacturing – Nondurable Goods" category have been combined to approximate the SIC "Manufacturing – Nondurable Goods" subcategory.

(5) The NAICS categories of "Utilities" and "Transportation and Warehousing" and the NAICS "Information" subcategories of "Broadcasting, except Internet" and "Telecommunications" have been combined to approximate the SIC "Transportation and Public Utilities" category.

(6) The NAICS "Accommodation and Food Services" subcategory of "Food Services and Drinking Places" has been added to the NAICS "Retail Trade" category to approximate the SIC "Retail Trade" category.

(7) The NAICS categories of "Finance and Insurance" and "Real Estate and Rental and Leasing" have been combined to approximate the SIC category of "Finance, Insurance and Real Estate."

(8) The NAICS categories of "Professional and Technical Services," "Management of Companies and Enterprises," "Administrative and Waste Services," "Educational Services," "Health Care and Social Assistance," "Arts, Entertainment and Recreation," "Other Services, except Public Administration," and the subcategories, "Accommodation and Food Services – Accommodation," "Information – Motion Picture and Sound Recording Industries," "Information – ISPs, Search Portals, and Data Processing," "Information – Other Information Services" have been combined to approximate the SIC category "Services."

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2007.)

The following tables set forth selected additional economic and demographic data with respect to the State.

EMPLOYMENT AND LABOR FORCE
NEW MEXICO AND THE UNITED STATES
1997-2006

	Civilian Labor Force		Employed		Unemployment Rate		
Year	New Mexico[1]	United States[1]	New Mexico[1]	United States[1]	New Mexico	United States	N.M. as %of U.S. Rate
1997	823	136,297	769	129,558	6.60%	5.00%	133%
1998	836	137,673	784	131,463	6.20	4.50	139
1999	840	139,368	793	133,488	5.60	4.20	133
2000	851	142,583	809	136,891	5.00	4.00	127
2001	862	143,734	819	136,933	4.90	4.70	104
2002	875	144,863	828	136,485	5.50	5.80	95
2003	893	146,510	841	137,736	5.90	6.00	99
2004	912	149,401	860	139,252	5.70	5.50	103
2005	915	149,320	867	141,730	5.30	5.10	104
2006	935	151,428	896	144,427	4.20	4.60	91

[1] Figures rounded to nearest thousand.
(Source: U.S. Department of Labor, Bureau of Labor Statistics, March 2007.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1997-2006

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1997	$34,960,814	$6,907,332,000	4.80%	6.10%
1998	37,045,765	7,415,709,000	6.00	7.40
1999	38,045,599	7,796,137,000	2.70	5.10
2000	40,318,443	8,422,074,000	8.80	8.00
2001	44,138,165	8,716,992,000	9.50	3.50
2002	44,986,517	8,872,871,000	1.90	1.80
2003	46,650,275	9,150,320,000	3.70	3.10
2004	50,707,317	9,716,351,000	8.70	6.20
2005	53,714,363	10,220,942,000	5.90	5.20
2006[1]	57,998,275	10,860,916,880	8.00	6.30

[1] Preliminary estimate.
(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2007.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1997-2006

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	N.M.	U.S.
1997	$19,698	$25,334	78%	3.50%	4.80%
1998	20,656	26,883	77	4.90	6.10
1999	21,042	27,939	75	1.90	3.90
2000	22,133	29,843	74	5.20	6.80
2001	24,083	30,562	79	8.80	2.40
2002	24,247	30,795	79	0.70	0.80
2003	24,846	31,466	79	2.50	2.20
2004	26,679	33,090	81	7.40	5.20
2005	27,889	34,471	81	4.50	4.20
2006(1)	29,673	36,276	82	6.40	5.20

(1) Preliminary estimate.
(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2007.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
1990, 2000, 2001 AND 2005

	New Mexico (Dollars in Thousands)				United States (Dollars in Millions)				Percent Change 2001-2005		Distribution of 2005 Wages and Salaries	
	2005[1]	2001[1]	2000	1990	2005[1]	2001[1]	2000	1990	N.M.	U.S.	N.M.	U.S.
Farm Total	252,352	176,072	179,521	95,849	21,404	17,920	16,781	11,767	43.30%	19.40%	0.90%	0.40%
Non-Farm												
Private												
Agricultural Services, Forestry, Fishing	84,932	72,008	143,971	62,663	17,836	15,968	30,886	15,164	17.90%	11.70%	0.30%	0.30
Mining	924,039	726,676	671,919	507,585	40,605	32,132	31,219	26,655	27.20	26.40	3.30	0.70
Construction	1,864,210	1,481,698	1,306,228	577,016	318,815	271,681	256,807	140,468	25.80	17.30	6.60	5.60
Manufacturing[2]	1,633,154	1,669,853	1,656,465	980,349	763,810	773,184	830,026	561,384	(2.20)	(1.20)	5.80	13.50
Transportation & Public Utilities[3]	1,294,999	1,239,195	1,351,378	884,830	361,463	295,851	313,333	179,390	4.50	22.20	4.60	6.40
Wholesale Trade	952,118	834,834	950,471	552,522	322,972	283,974	332,549	189,402	14.00	13.70	3.40	5.70
Retail Trade[4]	3,020,117	2,564,031	2,434,023	1,316,067	525,241	463,539	449,642	264,791	17.80	13.30	10.70	9.30
Finance, Insurance & Real Estate[5]	1,308,467	1,060,638	1,027,385	543,814	535,578	444,684	431,911	207,758	23.40	20.40	4.60	9.50
Services[6]	8,547,983	7,693,954	5,916,169	2,945,866	1,845,272	1,535,895	1,382,404	644,429	11.10	20.10	30.40	32.60
Total Private	19,635,730	16,283,154	15,458,009	8,370,712	4,674,424	4,116,908	4,058,777	2,229,441	20.60	13.50	69.70	82.60
Government												
Federal, Civilian	1,707,762	1,366,112	1,280,241	917,118	166,905	134,679	135,011	99,598	25.00	23.90	6.10	2.90
Military	678,213	495,168	477,480	440,596	80,074	54,970	50,520	46,332	37.00	45.70	2.40	1.40
State & Local	5,881,523	4,700,434	4,374,109	2,472,762	716,475	615,467	572,880	356,505	25.10	16.40	20.90	12.70
Total Government	8,267,498	6,561,714	6,131,830	3,830,476	963,454	805,116	758,411	502,435	26.00	19.70	29.40	17.00
Non-Farm Total:	27,903,228	22,844,868	21,589,839	12,201,188	5,637,878	4,922,024	4,817,188	2,731,876	22.10	14.50	99.10	99.60
Total	28,155,580	23,020,940	21,769,360	12,297,037	5,659,282	4,939,944	4,833,969	2,743,643	22.30	14.60	100.00	100.00

(1) Prior to 2001, the U.S. Department of Commerce employed the Standard Industrial Classification ("SIC") system for industry specific data covered in its economic research and analysis of non-agricultural wage and salary employment information. In 2001, the U.S. Department of Commerce adopted a revised and expanded industry classification system, the North American Industry Classification System ("NAICS"). Consequently, 2001 and 2005 employment by industry data is not comparable with employment by industry data for the years 2000, 1990 and 1980. NAICS Industry groups and subgroups in the 2001 and 2005 data have been combined or extracted to approximate the SIC Industry groups listed for the years before 2001.

(2) The NAICS "Information" subcategories, "Publishing industries, except Internet" and "Internet Publishing and broadcasting" and the NAICS "Manufacturing" category have been combined to approximate the former SIC "Manufacturing" group.

(3) The NAICS categories of "Utilities" and "Transportation and Warehousing" and the NAICS "Information" subcategories of "Broadcasting, except Internet" and "Telecommunications" have been combined to approximate the SIC "Transportation and Public Utilities" category.

(4) The NAICS "Accommodation and Food Services" subcategory of "Food Services and Drinking Places" has been added to the NAICS "Retail Trade" category to approximate the SIC "Retail Trade" category.

(5) The NAICS categories of "Finance and Insurance" and "Real Estate and Rental and Leasing" have been combined to approximate the SIC category of "Finance, Insurance and Real Estate."

(6) The NAICS categories of "Professional and Technical Services," "Management of Companies and Enterprises," "Administrative and Waste Services," "Educational Services," "Health Care and Social Assistance," "Arts, Entertainment and Recreation," "Other Services, except Public Administration," and the subcategories, "Accommodation and Food Services – Accommodation," "Information – Motion Picture and Sound Recording Industries," "Information – ISPs, Search Portals, and Data Processing," "Information – Other Information Services" have been combined to approximate the SIC category "Services."

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2007.)

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Form of Opinion of Brownstein Hyatt Farber Schreck, LLP]

New Mexico Finance Authority
207 Shelby Street
Santa Fe, New Mexico 87501

Bank of Albuquerque, N.A.
Trust Division
201 Third Street, Suite 1400
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008A

We have acted as bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008A in the aggregate principal amount of $158,965,000 (the "Series 2008A Bonds"). The Series 2008A Bonds are being issued for the purpose of (i) originating or reimbursing the NMFA for moneys used to originate loans to or purchase securities from certain governmental entities ("Governmental Units") that will be or were used to finance certain Projects for such Governmental Units ("Loans"); (ii) paying in full amounts owing under the line of credit established with the Bank of America, N.A. on May 23, 2007; and (iii) paying costs incurred in connection with the issuance of the Series 2008A 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 2008A Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated June 1, 1995, as previously amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Sixty-Ninth Supplemental Indenture of Trust dated as of March 1, 2008 (together with the General Indenture, the "Indenture") between the NMFA and the Bank of Albuquerque, N.A., Albuquerque, New Mexico (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, 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.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, it is our opinion that:

1. The NMFA is a public body politic and corporate, separate and apart from the State, duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 2008A Bonds.

2. The Indenture has been duly authorized, executed and delivered by the NMFA, is valid and binding upon the NMFA and creates a valid lien on the Trust Estate pledged under the Indenture to secure the payment of the principal of and interest on Series 2008A 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 2008A Bonds have been duly and validly authorized, are issued in accordance with law and the Indenture and constitute valid and binding special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a debt or liability of the State, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

4. The interest on the Series 2008A Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax on certain corporations. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on or ownership of the Series 2008A Bonds.

5. The interest on the Series 2008A Bonds is exempt from State of New Mexico personal income taxes.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2008A 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 been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2008A Bonds or any other offering material relating to the Series 2008A Bonds and we express no opinion relating thereto;

(c) our opinion represents our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of result; and

(d) our opinion is limited to the matters expressly set forth herein and we express no opinion concerning any other matters.

This letter is furnished by us as Bond Counsel, is solely for the benefit of the above addressees and may not be relied upon by any other person or entity. No conclusions or statements other than those expressly stated herein are intended nor should they be inferred. We disclaim any obligation to update, revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in the law, or in interpretations thereof, that may hereafter occur, or for any reason whatsoever. It should be noted that we are members of the Bar of the State of New Mexico and this opinion is limited in all respects to matters of New Mexico and federal law. This letter is not to be used, circulated, quoted or otherwise referred to for any other purpose without our express written permission.

Very truly yours,

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2008A Bonds, payment of principal, premium, if any, interest on the Series 2008A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2008A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2008A Bonds. The Series 2008A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2008A Bond certificate will be issued for each maturity of the Series 2008A Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2008A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008A 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2008A Bonds, except in the event that use of the book-entry system for the Series 2008A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2008A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008A Bonds are credited, which may or may not be the

Beneficial Owners. The Direct and Indirect 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 will be sent to DTC. If less than all of the Series 2008A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2008A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the NMFA 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 2008A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2008A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the NMFA or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. 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 or its nominee, the Trustee or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the NMFA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2008A 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 only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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 the NMFA does not have responsibility for distributing such notices to the Beneficial Owners.

The NMFA does not 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 2008A Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2008A Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Series 2008A Bonds.

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.

APPENDIX F

2008A GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS

2008A Governmental Units

As previously stated, a portion of the proceeds of the Series 2008A Bonds are being used to reimburse the NMFA for Loans previously made to the 2008A Governmental Units. The 2008A Governmental Units, the amount of their respective Loans, the agreement reserve amounts and the maturity dates of the Loans are listed in the following table:

Governmental Unit	Original Loan Amount	Agreement Reserve Amount[1]	Loan Maturity Date
Socorro Consolidated School District	$500,000.00	–	8/1/2010
Las Cruces, City of	336,232.00	$33,623.00	6/1/2015
City of Albuquerque	2,600,000.00	–	7/1/2015
Las Cruces, City of	896,598.00	89,659.80	6/1/2016
Las Cruces, City of	3,590,000.00	359,000.00	6/1/2017
Fort Sumner MSD No. 20	1,500,000.00	–	8/1/2017
City of Bloomfield	511,112.00	51,111.20	5/1/2018
City of Portales	233,334.00	23,333.40	5/1/2018
Otero County / Boles Acres Fire/Rescue	155,000.00	–	5/1/2018
Otero County / Far South VFD	268,889.00	26,888.90	5/1/2018
Town of Silver City	677,778.00	67,778.80	5/1/2018
Cloudcroft MSD	2,500,000.00	–	8/1/2019
Curry County	1,444,445.00	144,444.50	5/1/2020
San Miguel County	1,496,727.00	–	5/1/2023
City of Deming	3,191,900.00	244,400.00	5/1/2027
City of Las Cruces	3,139,919.00	313,991.90	5/1/2027
City of Las Cruces	12,483,206.00	1,248,320.60	5/1/2027
Union County	2,093,796.00	158,795.82	5/1/2027
Ruidoso Downs, Village of	1,400,000.00	–	8/1/2027
Otero County /Oro Vista VFD	540,496.00	40,495.16	5/1/2028
San Miguel County	3,259,814.00	240,813.04	5/1/2029
Village of Ruidoso	12,600,000.00	–	7/1/2027
Town of Taos (land purchase)	1,493,254.00	93,253.46	5/1/2038
Taos County [2]	32,535,000.00	2,140,362.50	5/1/2038
State of New Mexico – Department of Health (State Labs) [2][3]	13,460,000.00	–	6/1/2028
NM Highlands University	19,743,578.00	1,340,100.96	5/1/2034
General Services Department – Property Control Division (Parking Structure/Council Services) [2][3]	13,245,000.00	–	6/1/2036
General Services Department – Property Control Division (State Labs) [2][3]	26,690,000.00	–	6/1/2036
Taos Regional Landfill Board	1,000,000.00	100,000.00	5/1/2018
Town of Silver City	307,921.00	30,792.10	5/1/2012
Truth or Consequences School District	1,750,000.00	–	8/1/2020
Total	$165,643,999.00		

(1) The NMFA has adopted a policy which does not require an Agreement Reserve Account for certain types of Loans including those that have an "AA" credit rating, Loans secured by a pledge of the fire protection or state law enforcement funds that produce a debt service coverage ratio of two times, and Loans secured by a general obligation pledge of the respective Governmental Unit. Each of the Loans listed that does not have an Agreement Reserve Account falls into one of the aforementioned categories.

(2) These loans will be funded simultaneously with the issuance of the Series 2008A Bonds.

(3) No Agreement Reserve Account has been created for these loans although they do not satisfy the criteria set forth in footnote (1) above.

(Source: NMFA.)

Agreements Generating Largest Amount of Agreement Revenues

Information concerning the Agreements representing the five largest repayment obligations and their obligors is provided below.

Albuquerque-Bernalillo County Water Utility Authority Loans. In the 2003 Regular Session, the New Mexico Legislature adopted legislation (Laws 2003, Chapter 437, codified as NMSA 1978, Section 72-1-10) creating the Albuquerque-Bernalillo County Water Utility Authority (the "ABCWUA") as a joint agency of the City of Albuquerque, New Mexico (the "City") and Bernalillo County. The ABCWUA is comprised of a board of three City Councilors, three County Commissioners and the Mayor of the City and has jurisdiction over certain water facilities and properties (the "Water System") and certain sanitary sewer facilities and properties (the "Sewer System").

Pursuant to various loan agreements (the "ABCWUA Loan Agreements") between the ABCWUA and the NMFA totaling $108,552,513, the ABCWUA pledged to the NMFA, on a parity basis with other obligations of ABCWUA, water and sewer systems revenues for the purpose of: acquiring, constructing, extending, enlarging, bettering, repairing, replacing, equipping or otherwise improving the, water, and wastewater system, including expenses related to: regular system improvements, expansion, maintenance and upgrades to operate a water and wastewater utility pursuant to the basic capital program and diversion of surface water from the Rio Grande River under the San Juan Chama Project and delivering it for use by current and future users of the system. The NMFA has issued various series of Bonds and used proceeds from those Bonds to provide the funding for the ABCWUA Loan Agreements.

State of New Mexico General Services Department. The NMFA issued a series of Bonds and used a portion of the proceeds thereof to purchase bonds for the benefit of the State of New Mexico General Services Department (the "GSD Bonds"). The General Services Department applied proceeds from the sale of the GSD Bonds to fund building projects in Santa Fe for use by the state government. The GSD Bonds are payable from and secured by a portion of gross receipts tax revenues received by the State of New Mexico and appropriated by the State Legislature or transferred to the State Building Bond Fund. The GSD Bonds are currently outstanding in the aggregate principal amount of $55,633,092 and are scheduled to mature in 2036.

A portion of the proceeds from the sale of the Series 2008A Bonds will also be used to purchase additional GSD Bonds totaling approximately $40,495,000. Such additional GSD Bonds will be payable from and secured by a portion of the gross receipts tax revenues received by the State of New Mexico and will have a final scheduled maturity in 2036.

City of Las Cruces—Convention and Civic Center Loan. The NMFA is using a portion of the proceeds of the Series 2007 Bonds to fund a loan with the City of Las Cruces (the "Las Cruces Loan"). The City of Las Cruces plans to use proceeds of the Las Cruces Loan to finance the construction of a new Convention and Civic Center in the City of Las Cruces (the "Convention Center"). The Las Cruces Loan is outstanding in the aggregate principal amount of $27,361,565 and is scheduled to mature in 2032. The City of Las Cruces has pledged to the NMFA the City's Lodger's Tax and the Convention Center fee revenues to the repayment of the Las Cruces Loan.

Gallup-McKinley School Loan. The NMFA made a loan to the Gallup-McKinley School District (the "District") in the amount of $16,804,604 (the "Gallup-McKinley Loan") to finance the acquisition and construction of school buildings within the District. The Gallup-McKinley Loan is outstanding in its original aggregate principal amount and scheduled to mature in 2026 and is payable from federal impact aid received by the District.

New Mexico State Park and Recreation Bonds. The NMFA issued Bonds and used proceeds of those Bonds to purchase bonds from the New Mexico State Park and Recreation Department (the "Park Recreation Bonds"). The Park Recreation Bonds are outstanding in the aggregate principal amount of $20,223,428 and are scheduled to mature in 2023. The Park Recreation Bonds are payable from an allocation of the governmental gross receipts tax to the State Park and Recreation Department.

APPENDIX G

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission in connection with the issuance of the Series 2008A Bonds, the NMFA will execute and deliver a Continuing Disclosure Undertaking pursuant to which it will agree to provide the following information:

- to each nationally recognized municipal securities information repository ("NRMSIR") by March 31 of each fiscal year, or the next succeeding business day if March 31 is not a business day (and to the Trustee and to each holder of the Series 2008A Bonds who requests such information):

- annual financial information and operating data concerning the Revenues, such information to be of the type set forth under the table captioned "Governmental Gross Receipts Tax Collections – Fiscal Years 2002-2003 Through 2006-2007" under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate—The Governmental Gross Receipts Tax—Collection and Distribution Information" in the Official Statement;

- with respect to any Governmental Unit expected by the NMFA, on the last business day that is at least 45 days prior to the date specified for providing such information to each NRMSIR, to have Loan repayment obligations in the then-current fiscal year constituting more than 20% of the estimated Revenues for the then-current fiscal year (the "20% Test"), and each additional Governmental Unit designated by the NMFA by such business day, information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Revenues, or such shorter period for which such information is available;

- audited financial statements for the NMFA, any Governmental Unit meeting the 20% Test and each additional Governmental Unit designated by the NMFA, or, if audited financial statements are not available by March 31 of each fiscal year, or the next succeeding business day if March 31 is not a business day, unaudited financial statements;

- in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") and to each State information depository, if any, notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking;

- in a timely manner to 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 2008A Bonds, if material:

- principal and interest payment delinquencies;

- non-payment related defaults;

- unscheduled draws on debt service reserves reflecting financial difficulties;

- unscheduled draws on credit enhancements reflecting financial difficulties;

- substitution of credit or liquidity providers, or their failure to perform;

- adverse tax opinions or events affecting the tax-exempt status of the Series 2008A Bonds;

- modification of rights of security holders;

- bond calls;
- defeasances;
- release, substitution, or sale of property securing repayment of the Series 2008A Bonds; and
- 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 2008A Bonds. 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.

The NMFA will provide its annual report to Digital Assurance Certification, L.L.C. ("DAC"), as dissemination agent, to file with each NRMSIR and with the State information depository, if any. The NMFA will provide the notices of material events to DAC to file with each NRMSIR or the MSRB, and with the State information repository, if any.

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NEW MEXICO FINANCE AUTHORITY SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2008A

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NEW ISSUE – BOOK-ENTRY ONLY

Ratings: Moody's "Aa2"
S & P "AA+"
Fitch "AA"
(See "RATINGS" herein.)

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel to the NMFA, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2008B Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2008B Bonds is exempt from State of New Mexico personal income taxes as described herein. See "TAX MATTERS" regarding certain other tax considerations.

New Mexico FINANCE AUTHORITY

$36,545,000

NEW MEXICO FINANCE AUTHORITY

SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2008B

Dated: Date of Initial Delivery **Due: June 1, as shown on inside cover**

The New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008B are being issued as fully registered bonds in denominations of $5,000 or any integral multiple of $5,000. The Depository Trust Company will act as securities depository of the Series 2008B 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 2008B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2008B Bonds will be made in book-entry form only, and beneficial owners of the Series 2008B Bonds will not receive physical delivery of bond certificates, except as described in this Official Statement. 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 2008B Bonds.

The Series 2008B Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2008B Bonds accrues from the date of initial delivery of the Series 2008B Bonds and is payable on June 1 and December 1 of each year, commencing June 1, 2009. Principal of the Series 2008B Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedule on the inside front cover.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER

The Series 2008B Bonds are subject to redemption prior to maturity.

Proceeds of the Series 2008B Bonds will be used by the NMFA for the purpose of (i) originating loans to or reimbursing the NMFA for moneys used to originate loans to or purchase securities from certain governmental entities that will be or were used to finance certain Projects for such governmental entities; and (ii) paying costs incurred in connection with the issuance of the Series 2008B Bonds. The principal of and premium, if any, and interest on the Series 2008B Bonds and additional bonds issued or to be issued are payable solely from and secured solely by the Trust Estate. The NMFA has issued or incurred and expects to issue or incur parity bonds and other obligations pursuant to the Indenture.

The Series 2008B Bonds are special limited obligations of the NMFA, payable, together with additional bonds issued or to be issued, solely from and secured solely by the Trust Estate. The Series 2008B Bonds will not constitute or create a general obligation or other indebtedness of the State of New Mexico, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 2008B Bonds will be construed or interpreted 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 Series 2008B Bonds do not constitute or give rise to personal liability on the part of the members, directors or officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

The NMFA awarded the sale of the Series 2008B Bonds to Piper Jaffray & Co., the successful bidder of a competitive bidding process for the Series 2008B Bonds that was held on October 23, 2008.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Certain legal matters concerning the legality of the Series 2008B Bonds will be passed on by Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, Bond Counsel to the NMFA. Certain legal matters will be passed upon for the NMFA by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the NMFA, and by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Disclosure Counsel to the NMFA. The General Counsel of the NMFA will deliver a non-litigation certification for the NMFA. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with the Series 2008B Bonds. It is expected that a single certificate for each maturity of the Series 2008B Bonds will be delivered to DTC or its agent on or about November 13, 2008.

This Official Statement is dated October 23, 2008 and the information contained herein speaks only as of that date.

$36,545,000
NEW MEXICO FINANCE AUTHORITY
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
SERIES 2008B

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2009	$2,010,000	4.000%	2.000%	64711N CH 6
2010	1,790,000	4.000	2.800	64711N CJ 2
2011	1,815,000	4.000	3.150	64711N CK 9
2012	1,785,000	4.000	3.500	64711N CL 7
2013	1,820,000	4.000	3.700	64711N CM 5
2014	1,545,000	4.250	3.890	64711N CN 3
2015	1,585,000	5.000	4.110	64711N CP 8
2016	1,675,000	5.000	4.300	64711N CQ 6
2017	1,795,000	5.000	4.490	64711N CR 4
2018	1,895,000	5.000	4.680	64711N CS 2
2019	1,710,000	5.000	4.780[c]	64711N CT 0
2020	1,775,000	5.000	4.960[c]	64711N CU 7
2021	1,645,000	5.000	5.060	64711N CV 5
2022	1,625,000	5.000	5.110	64711N CW 3
2023	1,690,000	5.000	5.160	64711N CX 1
2024	1,750,000	5.150	5.180	64711N CY 9
2025	1,820,000	5.000	5.240	64711N CZ 6
2026	1,890,000	5.000	5.260	64711N DA 0
2027	1,965,000	5.000	5.290	64711N DB 8
2028	2,050,000	5.000	5.330	64711N DC 6

$910,000 5.250% Term Bond due June 1, 2035; price 97.207%; CUSIP Number 64711N DD 4†

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† The above referenced CUSIP number(s) have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2008B Bonds. Neither the NMFA nor the Trustee is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the Series 2008B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2008B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

(c) Priced to call at par on June 1, 2018.

The information set forth herein has been obtained from the NMFA, DTC and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the NMFA, or in any other information contained herein since the date hereof.

No dealer, broker, salesman or any other person has been authorized by the NMFA to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy nor shall there be any sale of the Series 2008B Bonds by any person in any jurisdiction in which it is unlawful for such offer, solicitation or sale.

All inquiries relating to this Official Statement and the offering contemplated herein should be directed to the Financial Advisor. Prospective investors may obtain additional information from the Financial Advisor or the NMFA which they may reasonably require in connection with the decision to purchase any of the Series 2008B Bonds from the Financial Advisor.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Forward-looking statements are included in the Official Statement under the captions "THE PLAN OF FINANCING—Estimated Sources and Uses of Funds." The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

The yields at which the Series 2008B Bonds are offered to the public may vary from the initial reoffering yields on the inside front cover page of this Official Statement. In connection with this offering, the initial purchasers of the Series 2008B Bonds may engage in transactions that stabilize, maintain or otherwise affect market prices of the Series 2008B Bonds. Such transactions, if commenced, may be discontinued at any time.

The NMFA maintains a website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2008B Bonds.

THE SERIES 2008B BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. THE SERIES 2008B BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NEW MEXICO FINANCE AUTHORITY
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Disclosure Counsel
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Salt Lake City, Utah

Trustee, Registrar and Paying Agent
Bank of Albuquerque, N.A.
Albuquerque, New Mexico

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* New members appointed in January 2008 by the Governor of the State of New Mexico. Such members are still awaiting confirmation by the Senate of the State of New Mexico. See "THE NEW MEXICO FINANCE AUTHORITY—Governing Body and key Staff Members" herein.

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OFFICIAL STATEMENT

RELATING TO

$36,545,000
NEW MEXICO FINANCE AUTHORITY
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
SERIES 2008B

INTRODUCTION

This Official Statement, which includes the cover page and appendices, provides information in connection with the offer and sale of the $36,545,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008B (the "Series 2008B Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2008B Bonds, together with additional bonds the NMFA has issued or may issue in parity with them, are collectively referred to in this Official Statement as the "Bonds." Capitalized terms used and not defined in the main body of this Official Statement have the meanings specified in the General Indenture of Trust and Pledge, dated as of June 1, 1995, as previously amended and supplemented (the "General Indenture"), and as further amended and supplemented by the Seventieth Supplemental Indenture of Trust, dated as of October 1, 2008 (the "Seventieth Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the NMFA and the Bank of Albuquerque, N.A., Albuquerque, New Mexico, as trustee (the "Trustee"), and are presented under the caption "Definitions" in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE." The General Indenture and all Supplemental Indentures are collectively referred to in this Official Statement as the "Indenture."

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality separate and apart from the State created to coordinate the planning and financing of State and local public projects. For additional information concerning the NMFA, see "NEW MEXICO FINANCE AUTHORITY" and the NMFA's financial statements for the fiscal year ended June 30, 2007 included as APPENDIX A hereto.

Authority and Purpose

The Series 2008B Bonds are being issued under the authority of and pursuant to the laws of the State, 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—The Public Project Revolving Fund Program."

Proceeds from the sale of the Series 2008B Bonds will be used by the NMFA for the purpose of (i) originating loans to or reimbursing the NMFA for moneys used to originate loans to or purchase securities ("Loans") from certain governmental entities ("Governmental Units") that will be or were used to finance certain Projects for such Governmental Units; and (ii) paying costs incurred in connection with the issuance of the Series 2008B Bonds. See "THE PLAN OF FINANCING" and "APPENDIX F" for a list of the Governmental Units and the amounts of the loans financed with the Series 2008B Bonds.

Parity Obligations

Bonds with a lien on the Trust Estate in parity with the lien of the Series 2008B Bonds have been issued and may be issued to provide loans to Governmental Units, to reimburse the Public Project Revolving Fund for loans made to Governmental Units, and to purchase securities from Governmental Units. For a description of the parity Bonds currently outstanding (the "Outstanding Parity Bonds"), see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Parity Bonds."

Subordinate Obligations

Obligations with a subordinate lien on the revenues from the NMFA Portion of the Governmental Gross Receipts Tax (as defined below) and Revenues from Additional Pledged Loans released from the lien of the Indenture have been issued and may be issued to provide loans to Governmental Units, to reimburse the Public Project Revolving Fund for loans made to Governmental Units, to purchase securities from Governmental Units and to retire borrowings incurred in anticipation of the issuance of such subordinate obligations. For a description of the subordinate obligations currently outstanding, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Subordinate Lien Bonds."

The Series 2008B Bonds

The Series 2008B Bonds will be dated the date of their initial delivery. Interest on the Series 2008B Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2009. The Series 2008B Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear interest at the rates shown on the inside front cover of this Official Statement. The Series 2008B Bonds are issuable in denominations of $5,000 or integral multiples of $5,000.

Individual purchases will be made in book-entry only form, and purchasers of the Series 2008B Bonds will not receive physical delivery of bond certificates except as more fully described in "APPENDIX E—BOOK-ENTRY ONLY SYSTEM." Payments of principal of and interest on the Series 2008B 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 (as defined below) for subsequent disbursement to the beneficial owners of the Series 2008B Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2008B 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 and Indirect Participants acquire an interest in the Series 2008B Bonds, but (1) all rights of ownership must be exercised through DTC and the book-entry only system as described in APPENDIX E, and (2) except as otherwise provided in the Indenture, 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

The Series 2008B Bonds are subject to redemption prior to maturity. See "THE SERIES 2008B BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2008B Bonds, are special limited obligations of the NMFA secured by and payable solely from the Trust Estate, which includes the Revenues described below and certain funds and accounts created and maintained pursuant to the Indenture. (See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" herein.)

The Bonds do not constitute or create a general obligation or other indebtedness of the State, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE NMFA HAS NO TAXING POWERS. No provision of the Series 2008B Bonds will be construed or interpreted as a donation or lending of the credit of the NMFA, the State, or any Governmental Unit within the meaning of the Constitution of the State. The principal of and interest and premium, if any, on the Series 2008B Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

No Debt Service Reserve Account. The NMFA is not funding an Account in the Debt Service Reserve Fund with respect to the Series 2008B Bonds.

Additional Bonds. The NMFA maintains an ongoing program to provide loans and to purchase securities from Governmental Units and expects to finance certain of those activities with the issuance of Additional Bonds in parity with the Series 2008B Bonds. The NMFA must satisfy certain requirements set forth in the Indenture to issue such Additional Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds." The NMFA is currently considering issuing a Series of Additional Bonds within the next few months in an amount not to exceed $75,000,000. The issuance of such Additional Bonds depends on a variety of factors, including market conditions. No assurance can be given when, or if, such Additional Bonds will be issued. Furthermore, the NMFA may issue other Series of Additional Bonds. The timing, amount and other details of such Additional Bonds are not known as of the date of this Official Statement.

Continuing Disclosure Undertaking

The NMFA has undertaken for the benefit of the Series 2008B Bond Owners that, so long as the Series 2008B Bonds remain outstanding, the NMFA will provide certain annual financial information, operating data and audited financial statements with respect to the NMFA, and each Governmental Unit expected by the NMFA to have loan repayment obligations in the then-current fiscal year constituting more than twenty percent (20%) of the estimated Revenues in the then-current fiscal year 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 amended (the "Rule"). See "CONTINUING DISCLOSURE UNDERTAKING" herein.

In September 2004, the NMFA discovered that for fiscal years 2000-2001, 2001-2002 and 2002-2003, certain information required to be filed under the terms of its continuing disclosure undertakings in effect at that time was not filed. The NMFA has since filed the information and believes that, since October 4, 2004, it has been in compliance with its continuing disclosure undertakings. The NMFA engaged Digital Assurance Certification, L.L.C., as dissemination agent, to assist with continuing disclosure compliance matters. The provisions of the Continuing Disclosure Undertaking may be amended under certain circumstances. See "CONTINUING DISCLOSURE UNDERTAKING."

Tax Considerations

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel to the NMFA, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2008B Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2008B Bonds is exempt from State of New Mexico personal income taxes as described herein. See "TAX MATTERS" regarding certain other tax considerations.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2008B Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel to the NMFA, will deliver its opinion in the form included in APPENDIX D. Certain legal matters will be passed upon for the NMFA by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the NMFA, and by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Disclosure Counsel to the NMFA. The General Counsel of the NMFA will deliver a non-litigation certification for the NMFA. Western Financial Group, LLC, Lake Oswego, Oregon has acted as financial advisor to the NMFA (the "Financial Advisor") in connection with its issuance of the Series 2008B Bonds. See "FINANCIAL ADVISOR."

The NMFA's audited financial statements for the fiscal year ended June 30, 2007, included in APPENDIX A, have been audited by Meyners & Company, Certified Public Accountants, Albuquerque, New Mexico. See also "FINANCIAL STATEMENTS."

Offering, Sale and Delivery of the Series 2008B Bonds

The Series 2008B Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel and the satisfaction of certain other conditions. The NMFA awarded the sale of the Series 2008B Bonds to Piper Jaffray & Co., the successful bidder of a competitive bidding process that was held on October 23, 2008. It is anticipated that a single certificate for each maturity of the Series 2008B Bonds will be delivered to DTC or its agent on or about November 13, 2008.

Other Information

This Official Statement speaks only as of its date, and the information in it is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents in this Official Statement do not purport to be complete, and reference is made to those 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 to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 207 Shelby Street, Santa Fe, New Mexico 87501, Attention: Chief Financial Officer.

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 any purchaser or holder of Series 2008B Bonds.

THE SERIES 2008B BONDS

General

The Series 2008B Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2008B Bonds from such date at the rates presented on the inside front cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), and is payable on June 1 and December 1 of each year, commencing June 1, 2009. The Series 2008B Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2008B Bonds are issuable in denominations of $5,000 or integral multiples of $5,000 (the “Authorized Denominations”).

Book-Entry Only System

The Depository Trust Company will act as securities depository for all of the Series 2008B Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount and maturity of each series of the Series 2008B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2008B Bonds will be made in book-entry only form, and beneficial owners of the Series 2008B Bonds will not receive physical delivery of bond certificates, except as described in APPENDIX E. Upon receipt of payments of principal and interest, DTC will remit such payment to DTC participants for subsequent disbursement to the beneficial owners of the Series 2008B Bonds. For a more complete description of the book-entry only system, see “APPENDIX E—BOOK-ENTRY ONLY SYSTEM” herein.

Redemption

<u>Optional Redemption</u>. The Series 2008B Bonds maturing on or after June 1, 2019 are subject to optional redemption at any time on and after June 1, 2018, 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 General Indenture and at the redemption price of 100% of the principal amount of the Series 2008B Bonds to be redeemed, but without premium.

<u>Mandatory Sinking Fund Redemption</u>. The Series 2008B Bonds maturing on June 1, 2035 are subject to mandatory sinking fund redemption on each of the dates set forth below, at a price equal to one hundred percent

(100%) of the principal amount of each Series 2008B Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2029	$155,000
2030	150,000
2031	155,000
2032	165,000
2033	175,000
2034	55,000
2035*	55,000

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* Final Maturity.

If less than all of the Series 2008B Bonds maturing on June 1, 2035 are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed will be credited toward a part or all of any one or more of any mandatory sinking fund payments for such Series 2008B Bonds, in such order as may be directed by the NMFA.

Notice of Redemption. In the event any of the Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of 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 redemption date.

In addition, further notice of any redemption of 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 Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Bonds. Failure to give all or any portion of such further notice will not in any manner defeat the effectiveness of a call for redemption.

If at the time of mailing of any notice of redemption there are not on deposit with the Trustee moneys sufficient to redeem all the 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 will 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 Bonds or portions thereof redeemed but who failed to deliver Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed will be conclusively presumed to have been duly given, whether or not the owner of such 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 Bonds.

Partially Redeemed Bonds. In case any Bond is redeemed in part, upon the presentation of such Bond for such partial redemption, the NMFA will execute and the Trustee will 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 Bond or Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Bond. A portion of any 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 of $5,000 and, in selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Bonds by $5,000.

Defeasance

When a Bond has been deemed to be paid under the Indenture, it will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment. Any Bond will be deemed to be paid for all purposes of the Indenture when (1) the principal of and the applicable premium, if any, on such Bond (whether at maturity or prior redemption) plus interest on the Bond to the Bond's due date either have been paid or 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 moneys sufficient to make such payment, and/or 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 (2) 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.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Limited Obligations

The Bonds, including the Series 2008B Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2008B Bonds do not constitute nor create a general obligation or other indebtedness of the State, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE NMFA HAS NO TAXING POWERS. No provision of the Series 2008B Bonds will be construed or interpreted 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 principal of and interest and premium, if any, on the Series 2008B Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

Trust Estate

In the Indenture, the NMFA pledges and assigns the Trust Estate for the equal and ratable payment of the Bonds. The Trust Estate includes (i) Agreement Revenues (as defined below) and amounts in the Agreement Reserve Accounts subject to the uses provided for in the Indenture and described herein, (ii) Additional Pledged Loans, (iii) revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, and (iv) other amounts in certain funds and accounts created and maintained pursuant to the Indenture, all as more fully described below.

<u>Agreement Revenues</u>. 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 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 (the "Agreement Revenues" or, as defined in the Indenture, 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 agrees to pay principal of and interest on its loan promptly from its Agreement Revenues and to continue such payments until its Loan is paid in full. Each Governmental Unit that has entered into a Loan Agreement or has issued Securities has pledged specific Agreement Revenues to the repayment of its Loan. It should be noted that each Governmental Unit that has entered into an Agreement with the NMFA has the ability to incur additional obligations that may be secured on a parity basis with the Agreement Revenues as long as certain conditions are satisfied. See APPENDIX F for a list of the Governmental Units and the allocable portions of the Loans financed with the Series 2008B Bonds. Also, please see APPENDIX F for information relating to the largest repayment obligations. A Governmental Unit is not required to make up any Loan Payment not paid in full by another Governmental Unit or to make up any insufficiency in any other source of revenues.

The following table lists the various types of revenues from which Agreement Revenues are derived based upon scheduled payments in fiscal year 2008-2009. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

Type of Revenue	2008-2009 Amounts	Percentage of Agreement Revenues
Enterprise System Revenues	$15,464,380	22.56%
Local Gross Receipts Tax	15,128,434	22.07
General Obligation (ad valorem taxes)	14,436,368	21.06
Local Special Tax	11,474,370	16.74
State Gross Receipts Tax	6,206,571	9.05
Fire Protection Funds	2,893,610	4.22
Governmental Gross Receipts Tax	2,616,232	3.82
Special Assessments	251,592	0.37
Mill Levy	43,174	0.06
Law Enforcement Protection Funds	33,113	0.05
Total	$68,547,844	100.00%

(Source: The NMFA.)

The following table lists the ten Agreements that, based on scheduled payments in fiscal year 2008-2009 and assuming no prepayments of the Agreements, are expected to generate the largest Agreement Revenues in fiscal year 2008-2009. These ten Agreements comprise 44.17% of projected Agreement Revenues for fiscal year 2008-2009.

AGREEMENTS EXPECTED TO GENERATE AGREEMENT REVENUES[(1)]

Borrower	FY 2008-2009 Debt Service	% of Total Pledged Revenues[(1)]
Albuquerque Bernalillo County Water Utilities Authority (enterprise system revenues)	$7,674,695	11.20%
General Services Department (state gross receipts taxes)	6,206,571	9.05
State Parks and Recreation Department (governmental gross receipts taxes)	2,616,232	3.82
Taos County (local gross receipts taxes)	2,595,178	3.79
Gadsden Independent Schools (ad valorem taxes)	2,577,663	3.76
Department of Health (cigarette taxes)	2,414,947	3.52
City of Las Cruces (local special taxes)	1,795,674	2.62
Bernalillo Public Schools (ad valorem taxes)	1,729,156	2.52
Gallup-McKinley Schools (federal payments)	1,394,915	2.03
Miners Colfax Medical Center (enterprise system revenues)	1,271,597	1.86
Total	$30,276,628	44.17%

(1) Reflects a percentage of total loan agreement revenues, not including the NMFA Portion of Governmental Gross Receipts Taxes.
(Source: The NMFA.)

Although Agreement Revenues are received at various times throughout the year, they are held under the Indenture until June 1 of each year to be applied to pay debt service on the Bonds. For more information with respect to Agreement Revenues and Governmental Units, See "APPENDIX F—2008B GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS."

The NMFA may require and has previously required the establishment and funding of an Agreement Reserve Fund in connection with certain Agreements. 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 Agreement.

Additional Pledged Loans. The NMFA may make loans from or purchase securities with available funds in the Public Project Revolving Fund. 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 the NMFA to the payment of the Bonds. See "Flow of Funds" below under this caption.

The Governmental Gross Receipts Tax. Pursuant to Section 7-1-6.38, NMSA 1978, the Public Project Revolving Fund administered by the NMFA is allocated seventy-five percent (75%) (the "NMFA Portion of the Governmental Gross Receipts Tax") of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-4.3, NMSA 1978. The governmental gross receipts tax was enacted into law and first imposed in 1991 at a rate of five percent (5%) on governmental gross receipts. Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State 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 principally engaged in providing health care services, from (i) the sale of tangible personal property other than water from facilities open to the general public; (ii) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public; (iii) refuse collection, refuse disposal or both; (iv) sewage services; (v) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State; and (vi) the renting of parking, docking or tie-down spaces or the granting of permission to park vehicles, tie-down aircraft or dock boats.

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.

Certain receipts are excluded from the governmental gross receipts tax, including (i) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision, (ii) receipts from operation of a cable television system owned or operated by a municipality, (iii) receipts from the sale of livestock, receipts of growers, producers, trappers or nonprofit marketing associations from selling livestock, live poultry, and (iv) receipts from certain activities at a minor league baseball stadium.

In addition, there are certain deductions from the governmental gross receipts tax, including (i) certain receipts from selling tangible personal property to the United States or the State, (ii) receipts from selling tangible personal property to an Indian tribe, nation or pueblo, (iii) receipts from transactions in interstate commerce, (iv) certain receipts 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, and (v) 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 Taxation and Revenue Department 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 Taxation and Revenue Department. 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.

Presented below is information from the New Mexico Taxation and Revenue Department concerning collections of the governmental gross receipts tax for the fiscal years 2003-2004 through 2007-2008.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2003-2004 THROUGH 2007-2008

	Fiscal Year 2003-2004	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008
Total Net Receipts	$24,491,159	$24,582,478	$26,918,001	$27,936,430	$29,186,583
NMFA Portion of the Governmental Gross Receipts Tax	$18,368,369	$18,445,414	$19,689,576	$21,335,908	$21,431,489

(Source: State of New Mexico Taxation and Revenue Department.)

The information presented below relates to the ten top payers of the governmental gross receipts tax for fiscal years 2003-2004 through 2005-2006. Such information is for informational purposes and is presented to show trends of the receipt of governmental gross receipts tax. Such information is not publicly available from the State and has instead been obtained from each individual entity and is believed to be reliable. However, the NMFA has not verified and does not guarantee the accuracy of any such information.

TOP PAYERS OF GOVERNMENTAL GROSS RECEIPTS TAXES[1]
FISCAL YEARS 2003-2004 THROUGH 2005-2006

	Fiscal Year 2003-2004	Fiscal Year 2004-2005	Fiscal Year 2005-2006
Entity	% of Total Net Receipts	% of Total Net Receipts	% of Total Net Receipts
Albuquerque Bernalillo County Water Utility Authority	22.59%	23.75%	23.63%
City of Albuquerque	9.02	12.26	11.94
City of Santa Fe	8.81	8.79	8.04
City of Las Cruces	4.68	5.18	5.30
University of New Mexico	4.19	5.23	4.57
City of Rio Rancho	3.04	3.56	3.83
City of Farmington	2.50	2.74	2.58
City of Roswell	2.08	2.16	2.12
County of Los Alamos	1.80	1.80	1.86
City of Gallup	1.31	1.61	1.17
Total	60.03%	67.08%	65.05%

(1) Unaudited.

(Sources: Listed entities. No representation regarding the accuracy of such information is made by the NMFA.)

Funds and Accounts

The Indenture creates a Revenue Fund, a Program Fund (with separate accounts for each Agreement or Project), a Bond Fund, a Debt Service Fund (with separate accounts for each Agreement), an Agreement Reserve Fund (with a separate account for each Agreement that has a reserve requirement), and an Expense Fund, all of which are part of the Trust Estate. Amounts on deposit in accounts in the Debt Service Fund and in each Agreement Reserve Account shall only secure repayment of the Loan made under the related Agreement.

Flow of Funds

Loan Payments. All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements and Securities are to be paid directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee prior to each Interest Payment Date, and the Trustee is directed to deposit all such payments immediately upon receiving them, in the following accounts and in the following priority:

First: the Debt Service Fund in an amount required to cause the aggregate amount on deposit in that Fund 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; and

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

On each Interest Payment Date for the Bonds, the Trustee is directed 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, to the extent amounts are on deposit for such purpose. At least once each year, and more frequently if required pursuant to the provisions of a Supplemental Indenture, the Trustee must 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) in certain cases, to pay the Governmental Unit's share of Program Costs for the year. The Trustee is directed to return any excess that the Trustee does not expect to be required for such payments to the related Governmental Unit or to credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement. In certain cases, any excess attributable to the difference in interest rates on the Governmental Unit's Loans and the related Bonds (including the Series 2008B Bonds) will be deposited into the Revenue Fund.

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 directed to transfer from the related Agreement Reserve Account, if any, to that Governmental Unit's Account of the Debt Service Account, 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.

The above provisions, with respect to the flow of funds, do not apply to moneys provided pursuant to the 2000A Loan Agreement. For a description of the flow of funds with respect to the 2000A Loan Agreement, see APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—THE INDENTURE—Flow of Funds—Application of Loan Payments."

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 required to be paid by the NMFA to the Trustee prior to each Interest Payment Date 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 directed 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 Account, 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 directed to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining in the Revenue Fund), the following:

- an amount equal to any deficiency in any account in the Agreement Reserve Fund;

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

- 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 (i) five percent of the proceeds of the Bonds issued to finance such Grant, (ii) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (iii) 0.625 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 directed to transfer the balance on deposit in the Revenue Fund to the NMFA for deposit into the Subordinate Lien Revenue Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Subordinate Lien Bonds." After the moneys have been used for the purposes specified in the Subordinated Indenture (as defined below), the NMFA may use any remaining moneys for Public Project Revolving Fund purposes; redemption of Bonds prior to maturity by depositing the same into the Bond Fund; refinancing, refunding, purchasing or advance refunding of any Bonds; or any other lawful purpose.

The balance so transferred to the Subordinate Lien Revenue Fund is no longer pledged to the payment of debt service on the Bonds.

Debt Service Reserve Fund. The Indenture permits the NMFA to establish a separate Account in the Debt Service Reserve Fund solely for the benefit of the holders of a Series of Bonds. However, the NMFA is not creating a separate Account in the Debt Service Reserve Fund with respect to the Series 2008B Bonds.

Investment Earnings. All income earned from the investment of moneys in the respective Accounts held by the NMFA and the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit exceeds the related Agreement Reserve Requirement), shall be deposited in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement, with all earnings received on the Governmental Unit's Accounts being allocated solely to the benefit of such Governmental Unit.

Application of Loan Prepayments

Covenants Applicable to the Series 2008B Bonds. The NMFA covenants pursuant to the Seventieth Supplemental Indenture, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to Loans reimbursed or originated with proceeds of the Series 2008B Bonds with debt service payable on Series 2008B Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2008B Bonds with revenues received from Loan Payments on all outstanding Loans, to take any one or more of the following actions separately or in combination, within 365 days following the receipt of a Prepayment of a Loan financed with proceeds of Series 2008B Bonds:

For Prepayments funded with proceeds of bonds or another financing transaction the interest on which is intended by the Governmental Unit to be exempt from inclusion in gross income under the Internal Revenue Code (a "Tax-Exempt Financing"), the NMFA must either (i) to the extent practicable, originate one or more new Loans in an aggregate principal amount equal to or greater than the amount of the portion of the Prepayment to be applied, and with a final maturity date and debt service requirements approximating, to the extent practicable, the final maturity date and debt service requirements for the portion of the Loan pursuant to which the Prepayment was made (or a pro rata portion thereof if a portion of the Prepayment is to be used to originate a new Loan or Loans), or (ii) call for optional redemption Series 2008B Bonds that are subject to redemption in an aggregate principal amount equal to or greater than the amount of the Prepayment (or a pro rata portion thereof if a portion of the Prepayment is to be applied), and with a final maturity date and debt service requirements approximating the final maturity date and debt service requirements of the Loan pursuant to which the Prepayment was made (or a pro rata portion thereof if a portion of the Prepayment is to be applied). See "THE 2008B BONDS—Redemption—Optional Redemption by the NMFA."

For Prepayments funded from sources other than a Tax-Exempt Financing, the NMFA must elect either of the options described in the previous paragraph, or must defease Series 2008B Bonds, in Authorized Denominations, to their first optional redemption date as described under the caption "THE 2008B BONDS—Redemption—Optional Redemption by the NMFA," in an amount approximating the Prepayment received (or a pro rata portion thereof if a portion of the Prepayment is to be applied). The principal amount and maturity date of Series 2008B Bonds to be defeased must correspond to the principal amount and due date of the Principal Component of such Prepayment.

The NMFA will recalculate the respective Loan Payments due under any Loan Agreement in the case of a partial Prepayment of Loan Payments under such Loan Agreement in a manner consistent with the actions taken.

Historical Prepayments. In the past five fiscal years, the NMFA received Prepayments in the numbers and aggregate principal amounts presented in the following table. Because prepayment of some Loans by Governmental Units is optional for certain Governmental Units and because the Loan Payments that Governmental Units may prepay vary greatly in amount, the occurrence and aggregate principal amount of Prepayments in past fiscal years are not an indication of Prepayments to be received by the NMFA in future fiscal years.

Fiscal Year	Number of Prepayments	Aggregate Principal Amount
2003-2004	12	$10,303,000
2004-2005	12	6,096,000
2005-2006	8	2,681,000
2006-2007	9	9,145,000
2007-2008	21	2,973,716
2008-2009	9	5,373,615

(Source: The NMFA.)

Additional Bonds

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) The NMFA must deliver to the Trustee a Cash Flow Statement (as defined in the Indenture), taking into account the issuance of the Additional Bonds or other indebtedness, bonds or notes. A "Cash Flow Statement" incorporates a variety of items including revenues, debt service, loan prepayments and discount factors for certain types of Loans and is more particularly described in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE."

(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 under the Indenture 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 to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default has occurred and is continuing under the Indenture, except that the foregoing will 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 Agencies to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

The NMFA maintains an ongoing program to provide loans and to purchase securities from Governmental Units and expects to finance certain of those activities with the issuance of Additional Bonds in parity with the Series 2008B Bonds. The NMFA is currently considering issuing a Series of Additional Bonds within the next few months in an amount not to exceed $25,000,000. The issuance of such Additional Bonds depends on a variety of factors, including market conditions. No assurance can be given when, or if, such Additional Bonds will be issued. Furthermore, the NMFA may issue other Series of Additional Bonds. The timing, amount and other details of such Additional Bonds are not known as of the date of this Official Statement.

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 will be created or incurred without the prior written consent of the Owners of one hundred percent (100%) of the Outstanding Bonds.

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Outstanding Parity Bonds

The following table presents the series of Public Project Revolving Fund Revenue Bonds that were outstanding under the Indenture as of October 15, 2008:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of October 15, 2008[(2)]
1999A	$13,135,000	$6,255,000
1999B	3,025,000	1,075,000
1999C	2,265,000	550,000
1999D	4,875,000	1,880,000
2000B	7,670,000	360,000
2000C	28,850,000	835,000
2002A	55,610,000	19,585,000
2003A	39,945,000	21,828,000
2003B	25,370,000	19,340,000
2004A-1	28,410,000	19,360,000
2004A-2	14,990,000	12,905,000
2004B-1	48,135,000	36,770,000
2004B-2	1,405,000	1,105,000
2004C	168,890,000	146,170,000
2005A	19,015,000	15,145,000
2005B	13,500,000	12,665,000
2006B	38,260,000	36,410,000
2006D	56,400,000	51,785,000
2007E	61,945,000	60,960,000
2008A	158,965,000	157,615,000
Total Outstanding	$790,660,000	$622,598,000

(1) The official statements for the various series of bonds beginning with the Series 2002A Bonds are available at the internet site http://www.munios.com and the official statements for the various series of bonds issued prior to that time are available upon request from the NMFA.
(2) Bonds mature on June 1.
(Source: The NMFA.)

See "ANNUAL DEBT SERVICE REQUIREMENTS" for Debt Service Requirements on the outstanding Bonds and aggregate payments under Agreements relating to the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" for a listing of the Governmental Units with Loan repayment obligations, based on scheduled payments in fiscal year 2008-2009 and assuming no prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2008-2009.

Outstanding Subordinate Lien Bonds

Pursuant to a Subordinated General Indenture of Trust and Pledge dated as of March 1, 2005 (the "Subordinated Indenture") between the NMFA and Bank of Albuquerque, N.A., as trustee, the NMFA may incur obligations that have a lien on the revenues from the NMFA Portion of the Governmental Gross Receipts Tax and the revenues from Additional Pledged Loans (collectively, the "Subordinate Lien Revenues") that is subordinate to the lien of the Indenture on those revenues.

Pursuant to the Subordinated Indenture, the NMFA has issued various series of bonds (the "Subordinate Lien Bonds"). The following table sets forth the various series of Subordinate Lien Bonds, the original aggregate principal amount and the aggregate principal amount of Subordinate Lien Bonds outstanding as of October 15, 2008.

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of October 15, 2008[(2)]
2005C[(3)]	$50,395,000	$50,395,000
Taxable 2005D[(3)]	8,660,000	620,000
2005E	23,630,000	23,630,000
2005F	21,950,000	21,035,000
2006A	49,545,000	49,090,000
2006C	39,860,000	37,485,000
2007A	34,010,000	32,295,000
2007B	38,475,000	37,490,000
2007C	131,860,000	129,360,000
Total	$398,385,000	$381,400,000

(1) The official statements for the various series of bonds are available at the Internet site http://www.munios.com.

(2) Bonds mature on June 15.

(3) The Series 2005C and Series 2005D Bonds were issued to refinance bonds issued in 2001, 2002 and 2003 to finance a new Metropolitan Courthouse Complex located in downtown Albuquerque (the "Metro Court"). It should be noted that revenues that provide the source of repayment for the Series 2005C and the Series 2005D Bonds have fluctuated. In addition, indictments were handed down against various parties that are accused of engaging in a scheme of kickbacks in connection with the construction of the Metro Court. Trials have been scheduled for two of the parties accused of engaging in the scheme while the other accused parties have plead guilty to lesser offenses. The NMFA has not conducted a comprehensive investigation of the alleged kickback scheme that is the subject of the indictments. However, the NMFA is not aware of any relationship between the indictments and the decline in the revenues that provide the source of repayment for the Series 2005C and Series 2005D Bonds.

(Source: The NMFA.)

See "ANNUAL DEBT SERVICE REQUIREMENTS" for Debt Service Requirements on the Outstanding Bonds and aggregate payments under Agreements.

The NMFA may issue additional bonds pursuant to the Subordinate Lien Indenture from time to time to satisfy the financing needs of governmental entities in the State of New Mexico.

The Series 2008B Bonds have a lien on the Subordinate Lien Revenues senior to the lien securing the outstanding Subordinate Lien Bonds.

Supplemental Indentures and Amendments to 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 with the prior written confirmation from the Rating Agencies that such amendment will not result in the rating on the Bonds and the PPRF Secured Obligations, following such amendment, to be lower than the rating on the Bonds and the PPRF Secured Obligations immediately prior to such amendment. See "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—Supplemental Indentures."

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 Agreement, Additional Pledged Loan documents and any existing Security Documents with the prior written confirmation from the Rating Agencies that such amendment will not result in the rating on the Bonds following such amendment to be lower than the rating on the Bonds immediately prior to such amendment; or make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

THE PLAN OF FINANCING

General

The proceeds of the Series 2008B Bonds will be used by the NMFA for the purpose of originating loans to or reimbursing the NMFA for moneys used to originate loans to, or purchase securities from, the 2008B Governmental Units that will be or were used to finance certain Projects for such 2008B Governmental Units. A portion of the proceeds of the Series 2008B Bonds will be used by the NMFA for the purpose of paying costs incurred in connection with the issuance of the Series 2008B Bonds. See APPENDIX F for a list of the 2008B Governmental Units and the amount of the Loans financed with the Series 2008B Bonds.

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2008B Bonds.

Sources of Funds

Principal Amount	$36,545,000.00
Net Reoffering Premium	133,309.15
Total Sources:	$36,678,309.15

Uses of Funds

Public Project Revolving Fund Deposit	$36,051,972.85
Costs of Issuance	626,336.30
Total Uses	$36,678,309.15

(1) Costs of Issuance include legal fees, underwriting discount, rating agency fees, Trustee fees, financial advisory fees and other costs and expenses related to the issuance of the Series 2008B Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2008B Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

DEBT SERVICE FOR THE BONDS

Fiscal Year	Principal	Interest	Total	Outstanding Parity Bonds	Total Debt Service
2009	$2,010,000	$950,599	$2,960,599	$64,379,596	$67,340,195
2010	1,790,000	1,647,963	3,437,963	63,616,504	67,054,467
2011	1,815,000	1,576,363	3,391,363	62,386,493	65,777,856
2012	1,785,000	1,503,763	3,288,763	64,373,147	67,661,910
2013	1,820,000	1,432,363	3,252,363	61,917,568	65,169,931
2014	1,545,000	1,359,563	2,904,563	58,657,788	61,562,351
2015	1,585,000	1,293,900	2,878,900	57,531,118	60,410,018
2016	1,675,000	1,214,650	2,889,650	54,294,863	57,184,513
2017	1,795,000	1,130,900	2,925,900	44,000,441	46,926,341
2018	1,895,000	1,041,150	2,936,150	42,396,199	45,332,349
2019	1,710,000	946,400	2,656,400	39,420,685	42,077,085
2020	1,775,000	860,900	2,635,900	37,947,578	40,583,478
2021	1,645,000	772,150	2,417,150	35,969,807	38,386,957
2022	1,625,000	689,900	2,314,900	32,227,113	34,542,013
2023	1,690,000	608,650	2,298,650	28,277,150	30,575,800
2024	1,750,000	524,150	2,274,150	26,662,547	28,936,697
2025	1,820,000	434,025	2,254,025	21,004,428	23,258,453
2026	1,890,000	343,025	2,233,025	20,368,884	22,601,909
2027	1,965,000	248,525	2,213,525	19,185,208	21,398,733
2028	2,050,000	150,275	2,200,275	15,324,958	17,525,233
2029	155,000	47,775	202,775	13,494,188	13,696,963
2030	150,000	39,638	189,638	12,945,019	13,134,657
2031	155,000	31,763	186,763	12,958,863	13,145,626
2032	165,000	23,625	188,625	12,938,900	13,127,525
2033	175,000	14,963	189,963	10,765,550	10,955,513
2034	55,000	5,775	60,775	10,164,500	10,225,275
2035	55,000	2,888	57,888	8,841,250	8,899,138
2036	–	–	–	8,852,250	8,852,250
2037	–	–	–	1,648,000	1,648,000
2038	–	–	–	1,643,250	1,643,250
Total	$36,545,000	$18,895,637	$55,440,637	$944,193,841	$999,634,478

Note: Totals may not add due to rounding.
(Source: Western Financial Group, LLC.)

The following table shows estimated available Revenues pledged to the payment of the Bonds, total debt service requirements for the Series 2008B Bonds and all other outstanding Bonds and the resulting estimated annual coverage ratios. Revenues for current and future fiscal years are based on fiscal year 2006-2007 collections of the NMFA Portion of the Governmental Gross Receipts Tax and scheduled payments under the Agreements and Additional Pledged Loans, and do not reflect any future Prepayments or delinquencies. The estimated annual coverage ratios are based in part on assumptions that may not be realized. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Revenues—The Governmental Gross Receipts Tax," "—The Agreements and the Agreement Pledged Revenues" and "—Additional Pledged Loans" for descriptions of the Revenues presented in the table under the headings "Governmental Gross Receipts Tax" and "Aggregate Pledged Borrower Payments." See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" and "INVESTMENT CONSIDERATIONS" for a list of some factors affecting Revenues.

ESTIMATED REVENUES, ANNUAL DEBT SERVICE REQUIREMENTS
AND PROJECTED COVERAGE RATIOS

June 30 Fiscal Year	Governmental Gross Receipts Tax[(1)]	Aggregate Pledged Borrower Payments[(2)(3)]	Estimated Total Revenues[(3)]	Total Debt Service Requirements[(3)]	Estimated Annual Coverage Ratios[(4)]
2009	$21,431,489	$68,470,871	$89,902,360	$67,340,195	1.34x
2010	21,431,489	69,506,244	90,937,733	67,054,466	1.36x
2011	21,431,489	68,318,140	89,749,629	65,777,856	1.36x
2012	21,431,489	69,786,622	91,218,111	67,661,909	1.35x
2013	21,431,489	68,342,812	89,774,301	65,169,930	1.38x
2014	21,431,489	64,431,276	85,862,765	61,562,350	1.39x
2015	21,431,489	63,602,965	85,034,454	60,410,018	1.41x
2016	21,431,489	59,259,898	80,691,387	57,184,513	1.41x
2017	21,431,489	50,059,374	71,490,863	46,926,341	1.52x
2018	21,431,489	47,943,949	69,375,438	45,332,349	1.53x
2019	21,431,489	44,416,128	65,847,617	42,077,085	1.56x
2020	21,431,489	43,334,544	64,766,033	40,583,478	1.60x
2021	21,431,489	40,556,257	61,987,746	38,386,957	1.61x
2022	21,431,489	36,974,379	58,405,868	34,542,013	1.69x
2023	21,431,489	31,666,164	53,097,653	30,575,800	1.74x
2024	21,431,489	29,962,824	51,394,313	28,936,697	1.78x
2025	21,431,489	23,980,063	45,411,552	23,258,453	1.95x
2026	21,431,489	23,077,579	44,509,068	22,601,909	1.97x
2027	21,431,489	22,133,286	43,564,775	21,398,733	2.04x
2028	21,431,489	17,630,175	39,061,664	17,525,233	2.23x
2029	21,431,489	13,774,767	35,206,256	13,696,963	2.57x
2030	21,431,489	13,188,838	34,620,327	13,134,656	2.64x
2031	21,431,489	13,204,615	34,636,104	13,145,625	2.63x
2032	21,431,489	13,172,624	34,604,113	13,127,525	2.64x
2033	21,431,489	10,986,555	32,418,044	10,955,513	2.96x
2034	21,431,489	10,249,560	31,681,049	10,225,275	3.10x
2035	21,431,489	8,922,057	30,353,546	8,899,138	3.41x
2036	21,431,489	8,865,563	30,297,052	8,852,250	3.42x
2037	21,431,489	1,658,356	23,089,845	1,648,000	14.01x
2038	21,431,489	1,657,555	23,089,044	1,643,250	14.05x

(1) Reflects NMFA Portion of the Governmental Gross Receipts Tax collections from July 1, 2007 through June 30, 2008.
(2) Includes scheduled payments under Agreements and outstanding Additional Pledged Loans and does not reflect the prepayment of any such Agreements that may occur while Bonds are Outstanding.
(3) Amounts are rounded to the nearest dollar.
(4) Calculated using the fiscal year 2007-2008 NMFA Portion of the Governmental Gross Receipts Tax assuming that no Additional Bonds will be issued under the Indenture, and are subject to change.
(Sources: the NMFA and Western Financial Group LLC.)

NEW MEXICO FINANCE AUTHORITY

General Information

The NMFA is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality of the State. The NMFA was created in 1992 pursuant to the Act 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. Pursuant to the Act, the NMFA and its corporate existence will continue until terminated by law, provided that no such law will 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 comprised of 12 members who also constitute the NMFA's board of directors and currently employs 37 persons, including a Chief Executive Officer. The Chief Executive Officer directs the business and affairs of the NMFA, subject to the policies, control and direction of the NMFA.

The NMFA staff provides a full range of services to its borrowers and other parties benefiting from or otherwise interested in the NMFA's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the NMFA's programs, accounting, program marketing and development services, application assistance to borrowers, coordination and assistance with other funding sources, coordination with taxing and regulatory authorities, and coordination with various legislative authorities.

Powers

In addition to the power to issue bonds and other obligations to finance specific programs and projects, 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:

(a) 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;

(b) 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;

(c) to accept, administer, hold and use all funds made available to the NMFA from any sources;

(d) to borrow money and to issue bonds and provide for the rights of holders of the bonds;

(e) to establish and maintain reserve and sinking fund accounts to insure against and have funds available for maintenance of other debt service accounts;

(f) to invest and reinvest its funds and to take and hold property as security for the investment of such funds;

(g) subject to any agreement with bondholders to: (1) renegotiate any loan, lease or agreement; (2) consent to any modification of the terms of any loan, lease or agreement; and, (3) purchase bonds, which may upon purchase be canceled; and

(h) to do any and all things necessary or convenient to carry out its purposes and exercise the powers given and granted in the Act.

The NMFA has no authority to impose or collect taxes.

Organization and Governance

The NMFA is composed of 12 members who serve as the governing body of the NMFA. Seven of the members are ex officio members designated in the Act and five members are appointed by the Governor with the advice and consent of the State Senate. One of the appointed members must be the chief financial officer of a state higher educational institution. The remaining four appointed members must be residents of the State. The seven ex officio members include four 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), one is a State agency official (the State Investment Officer), and two are chief executive directors of state-wide associations (the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties). The appointed members serve at the pleasure of the Governor and the appointed members serve four-year terms. Vacancies for the appointed members are filled by appointment of the Governor for the remainder of any unexpired term. Any appointed member is eligible for reappointment.

The governing body of the NMFA exercises and oversees the exercise of the powers of the NMFA. The governing body of the NMFA satisfies those responsibilities through monthly meetings and through the standing committees that the governing body has established. Those committees are advisory and have no authority to act on behalf of the governing body. Each committee reviews and makes recommendations to the governing body concerning matters assigned to it by the governing body.

The Executive Committee, which is chaired by the Chairman of the NMFA, Stephen R. Flance, provides oversight and direction relating to the operations of the NMFA. Other committees include the Audit Committee, chaired by Katherine B. Miller; the Finance/Loan Committee, chaired by Stephen R. Flance; the Economic Development Committee, chaired by Joanna Prukop; the Investment Committee, chaired by Craig Reeves; and the Contracts Committee, chaired by Fred Mondragon. The committees typically meet monthly.

The governing body has also established written policies concerning the exercise of the powers of the NMFA, including the administration of the Public Project Revolving Fund. The written policies serve as ongoing directions to staff and consultants with respect to standards to be applied in the conduct of the business of the NMFA.

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Governing Body and Key Staff Members

Current members of the NMFA, and their respective occupations and term expiration dates, are presented below:

Name	Occupation	Term Expires
Gary Bland[(1)]	State Investment Officer, State Investment Council	not applicable
Ron Curry[(1)]	Secretary, Environment Department, State of New Mexico	not applicable
Charlie Dorame[(3)]	Governor, Pueblo of Tesuque	03/01/09
Stephen R. Flance[(2)] (Chairman)	Owner/CEO, The Flance Company Santa Fe, New Mexico	12/31/09
William Fulginiti[(1)] (Vice-Chairman)	Executive Director, New Mexico Municipal League	not applicable
Edward Garcia[(2)]	President, Garcia Honda Albuquerque, New Mexico	01/01/09
Paul Gutierrez[(1)]	Executive Director, New Mexico Association of Counties	not applicable
Lonnie Marquez[(3)]	Vice President for Administration and Finance, New Mexico Institute of Mining and Technology	03/01/09
Katherine B. Miller[(1)]	Secretary, Department of Finance and Administration, State of New Mexico	not applicable
Fred Mondragon[(1)]	Secretary, Economic Development Department, State of New Mexico	not applicable
Joanna Prukop[(1)] (Secretary)	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Craig Reeves[(2)] (Treasurer)	President, First National Bank of New Mexico Clayton, New Mexico	01/01/12

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(1) *Ex officio* member. An *ex officio* member may designate an alternative member. Alternate members may attend meetings and vote on all matters considered by the NMFA.

(2) Appointed by the Governor of the State and serves at the pleasure of the Governor.

(3) Appointed by the Governor of the State in January, 2008. Such individuals are awaiting confirmation from the Senate of the State of New Mexico and will continue to serve until the date listed if no confirmation is received. If the Senate of the State of New Mexico confirms those individuals during its next regular session (scheduled to commence in January, 2009), the terms of such individuals will expire on January 1, 2012.

Presented below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2008B Bonds and the administration of the NMFA's financing programs.

William C. Sisneros, Chief Executive Officer. Mr. Sisneros serves as the Chief Executive Officer of the NMFA. Mr. Sisneros was appointed as the principal administrative officer in June, 2004. Prior to that, Mr. Sisneros was President of WCS Consultants and Chief Executive Officer of Jenkeel, Ltd., a New Mexico corporation doing business as The Club at El Gancho. As a businessman and consultant, Mr. Sisneros provided services to public and private sector clients specializing in management and organization development and land development process consulting. He graduated from the University of Colorado at Boulder with a Master's Degree in Public Administration. In addition, Mr. Sisneros served as City Manager of Santa Fe, New Mexico; Town Manager of Taos, New Mexico; Assistant City Manager of Boulder, Colorado; and Administrative Assistant in Englewood, Colorado. In Santa Fe, Mr. Sisneros served on the Executive Board of St. Vincent Hospital, as President of the Santa Fe Chamber of Commerce, as Chairman of the Industrial Park for Santa Fe Economic Development Inc., on the Board of Directors of Open Hands, New Mexico CARES, and New Mexico First each of which are New Mexico nonprofit corporations.

Jerome L. Trojan, Chief Operating Officer. Mr. Trojan joined the NMFA in January, 2005. He has extensive experience in local government, having served as Assistant City Manager for the Cities of Las Cruces, New Mexico and Mountlake Terrace, Washington, Administrative Services Director for Santa Fe, New Mexico, Finance Director for Las Cruces, New Mexico, and Finance Director for Bay City, Michigan. In addition, Mr. Trojan has experience in higher education, having held the position of the Vice Chancellor of Administration at the University of Alaska-Fairbanks and served as an Accountant at Delta Community College in Bay City, Michigan. A Certified Public Accountant, he graduated from Central Michigan University with a Master of Business Administration with a concentration in Finance and from Western Michigan University with a Bachelor of Business Administration, with a major in Accounting and a minor in Economics. Mr. Trojan has taken the required courses for a Doctorate in International Management from Nova Southeastern University. While at the City of Las Cruces, Mr. Trojan led the City's effort to reduce electric utility costs to the community. He is active in the International City Managers Association and was instrumental in the establishment of the New Mexico Finance Officers Association.

John T. Duff, Chief Financial Officer. Mr. Duff joined the NMFA as Chief Investment Officer in February, 2006 and became Chief Operating Officer in 2007 where he served in that capacity until January, 2008 when he was appointed Chief Financial Officer. Mr. Duff has more than 22 years experience in investment management, financial management, and public accounting. He has held positions as COO and CFO of publicly held corporations and served as the Partner-In-Charge of an office of a major international CPA firm. Mr. Duff served as an investment consultant with two major investment firms. Mr. Duff has a Bachelor of Arts degree in economics from Oberlin College and a Master of Business Administration in accounting and finance from Miami University.

Marquita Russel, Chief of Programs. Ms. Russel joined the NMFA in September, 2000. Ms. Russel has 20 years of experience in the financial services industry, in both marketing and financial analysis. Prior to joining the NMFA, Ms. Russel spent 10 years at the Illinois Development Finance Authority, where she held the positions of Marketing Director and Senior Program Administrator. During that time, Ms. Russel closed more than $1 billion of transactions, ranging from $5,000 microloans to $175 million tax-exempt hospital bonds. Ms. Russel earned her Bachelor of Science degree from Marquette University, Milwaukee, Wisconsin.

Jeremy Turner, Chief Financial Advisor. Mr. Turner joined the NMFA in July, 2000 as a financial analyst and was appointed Chief Financial Advisor in September 2005. Mr. Turner has been responsible for over $300 million in financings for the NMFA. Mr. Turner earned a Bachelor of Science in Agricultural Economics/Agricultural Business and a Master of Business Administration from New Mexico State University.

Reynold E. Romero, General Counsel. Mr. Romero joined the NMFA in April, 2007 as General Counsel. Prior to joining the NMFA, Mr. Romero served as General Counsel for the New Mexico Department of Transportation (NMDOT) for over three years and previously served as Deputy General Counsel and Assistant General Counsel for NMDOT. Mr. Romero has over 28 years of legal practice in transportation law, including eminent domain, property law, and procurement. Mr. Romero handled complex litigation and was part of a team that negotiated complex transactions for the NMDOT such as the purchase of the rail line from BNSF for the commuter rail project in New Mexico. Mr. Romero received his Juris Doctorate from the University of Denver College of Law.

Scott W. Stovall, Chief Investment Officer. Mr. Stovall joined the NMFA in June, 2007. Mr. Stovall has 18 years of experience in public finance and investment management. Mr. Stovall has held positions as New Mexico Deputy State Treasurer, State Cash Manager, and New Mexico State Board of Finance Director. While at the State Treasurer's office, Mr. Stovall was responsible for the investment management of over $5 billion in general fund, local government funds and bond proceeds and was instrumental in starting the state's bond proceeds investment pool. Mr. Stovall also served a three year term as a member on the Government Finance Officers Association Governmental Debt Management Committee.

Legislative Oversight

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, among other things: (i) meets on a regular basis to receive and review reports from the NMFA; (ii) monitors and provides assistance and advice on the public project financing program of the NMFA; (iii) oversees and monitors State and local government capital planning and financing; (iv) provides advice and assistance to the NMFA on planning, setting priorities for and financing of State and local capital projects; (v) undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and (vi) reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the State legislature (the "Legislature"), and makes available the report and proposed legislation.

The Public Project Revolving Fund Program

General. The Act created the Public Project Revolving Fund (the "PPRF") program of the NMFA in 1992 to pay the reasonably necessary costs of originating and servicing loans, grants or securities funded by the PPRF and to make loans or grants and to purchase or sell securities to assist qualified entities in financing the acquisition, construction, improvement, alteration or reconstruction of assets of a long-term capital nature, including land; buildings; water rights; water, sewerage and waste disposal systems; streets; airports; municipal utilities; parking facilities; and machinery, furniture and equipment. Public projects financed through the PPRF in amounts in excess of $1 million per project require specific authorization by the Legislature. As of June 30, 2008, the NMFA had made 709 PPRF loans totaling approximately $1.45 billion. To implement the PPRF Program, the NMFA has been granted the following specific powers:

(a) to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA;

(b) to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (1) a loan to a qualified entity, (2) a purchase or sale of securities individually or on a pooled basis, or (3) the performance of its duties and execution of any of its powers under the Act;

(c) to purchase, hold or sell securities at prices and in a manner the NMFA considers advisable, giving due consideration to the financial capability of the qualified entity, and sell securities acquired or held by it at prices without relation to cost and in a manner the NMFA considers advisable;

(d) to prescribe the form of application or procedure required of a qualified entity for a loan or purchase of its securities, fix the terms and conditions of the loan or purchase and enter into agreements with qualified entities with respect to loans or purchases;

(e) 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, whether or not the loan is made or the securities purchased;

(f) to fix and establish terms and provisions with respect to: (1) a purchase of securities by the NMFA, including date and maturities of the securities; (2) redemption or payment before maturity; and

(3) any other matters that in connection with the purchase are necessary, desirable or advisable in the judgment of the NMFA;

(g) to the extent permitted under its contracts with the holders of bonds of the NMFA, consent to modification of the rate of interest, time and payment of installment of principal or interest, security or any other term of a bond, contract or agreement of any kind to which the NMFA is a party;

(h) 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;

(i) to acquire fee simple, leasehold, mortgagor's or mortgagee's interests in real and personal property and to sell, mortgage, convey or lease that property for NMFA purposes; and

(j) in the event of a default by a qualifying entity, enforce its rights by suit or mandamus or use all of the available remedies under State law.

Contingent Liquidity Account. In an effort to pursue its policy of maintaining a sufficient cash balance to meet the borrowing needs of eligible entities and improving the fund and cash balances of the PPRF program, the NMFA established a contingency account (the "Contingent Liquidity Account"). Although it will not be pledged to the Series 2008B Bonds, or any other NMFA bonds, the Contingent Liquidity Account is intended to enhance the NMFA's ability to meet the cash-flow needs of the PPRF program. Funds from the Contingent Liquidity Account may be used to pay debt service on NMFA bonds; however, such use is within the sole discretion of the NMFA and such funds may also be used for other purposes, including but not limited to payments of unforeseen expenses of the Authority, urgent economic development projects, loan originations, or addressing other purposes as determined by the NMFA. The Contingent Liquidity Account is funded to an amount of $32,000,000. Upon approval of the NMFA, the Contingent Liquidity Account may receive annual increases thereafter in an amount at least equal to 25% of the NMFA Portion of the Governmental Gross Receipts Tax funds at the end of the fiscal year. In future years, the NMFA plans to annually evaluate the level of the Contingent Liquidity Account to determine the amount, if any, of subsequent deposits.

Temporary Borrowing. The NMFA entered into an arrangement with Bank of America, N.A. (the "Short-term Lender") for the Short-term Lender to provide to the NMFA an amount up to $100,000,000 to reimburse the NMFA for Loans made to eligible entities that are incurred prior to the issuance of a Series of Bonds. Once the amounts are advanced, the NMFA has up to 180 days to repay the advancement. The short-term borrowings are secured by proceeds of Bonds that are anticipated to be issued subsequent to the advances. The NMFA is entering into such an arrangement to assist it with its cash flows. Such short-term borrowings are not secured by the Trust Estate.

Other Bond Programs and Projects

The NMFA also participates in or administers other bond programs designed to provide financing to local governmental entities and state agencies for public projects. Such programs are not secured by the Trust Estate but are secured by other sources of revenues. The following table sets forth the different types of bond programs and the amount of bonds outstanding under such programs.

Program	Project	Original Principal Amount	Amount Currently Outstanding	Scheduled Final Maturity
Worker's Compensation	Administrative Building	$4,310,000	$2,315,000	9/1/2016
Cigarette Tax	University of New Mexico Health Sciences Building	39,035,000	22,460,000	4/1/2019
Cigarette Tax	University of New Mexico Health Sciences Building	10,000,000	8,460,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	2,250,000	5/1/2026
Transportation	Highways	700,000,000	700,000,000	6/15/2024
Transportation	Highways	237,950,000	149,160,000	6/15/2014
Transportation	Highways	115,200,000	115,200,000	6/15/2024
Transportation	Highways	220,000,000	220,000,000	12/15/2026
Transportation	Highways	84,800,000	84,8000,000	6/15/2024
Transportation	Highways	50,400,000	50,400,000	12/15/2026

(Source: The NMFA.)

LITIGATION

To the knowledge of 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 2008B 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 2008B Bonds or in any way contesting or affecting the validity or enforceability of the Series 2008B Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. The NMFA will deliver a non-litigation certification as to the foregoing prior to the issuance of the Series 2008B Bonds.

SALE OF SERIES 2008B BONDS

The Series 2008B Bonds are being sold to Piper Jaffray & Co., the successful bidder of a competitive bidding process that was held on October 23, 2008, at an aggregate purchase price of $36,636,647.85 (being the par amount of the Series 2008B Bonds plus a net original issue premium of $133,309.15, and less an underwriting discount of $41,661.30). The Series 2008B Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2008B Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the cover page of this Official Statement and such public offering prices may be changed from time to time.

TAX MATTERS

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2008B Bonds for interest thereon to be excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2008B Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2008B Bonds. The NMFA and the Governmental Units have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2008B Bonds from gross income for Federal income tax purposes.

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, interest on the Series 2008B Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2008B Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, the interest on the Series 2008B Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Interest on the Series 2008B Bonds owned by corporations will, however, be taken into account in determining the alternative minimum tax imposed by Section 55 of the Code on 75 percent of the excess of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction).

In rendering its opinion, Bond Counsel will rely on, and will assume the accuracy of, certain representations and certifications, and compliance with certain covenants of the NMFA and the Governmental Units. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the NMFA and the Governmental Units. In addition, Bond Counsel has not been engaged, and will not undertake, to monitor the NMFA's and the Governmental Units' compliance with the covenants or to inform any person as to whether the covenants are being complied with; nor has Bond Counsel undertaken to determine or to inform any person as to whether any actions taken or not taken, or events occurring or not occurring, after the date of the issuance of the Series 2008B Bonds may affect the federal tax-exempt status of the interest on the Series 2008B Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2008B Bonds maturing on June 1 in the years 2021 through 2035, both dates inclusive (collectively, the "Discount Bonds"), and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Series 2008B Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Series 2008B Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Bond Counsel is also of the opinion that the difference between the principal amount of the Series 2008B Bonds maturing on June 1 in the years 2009 through 2020, both dates inclusive (collectively, the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Series 2008B Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Interest on the Series 2008B Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate tax payer identification number to any person required to collect such information pursuant to Section 6049 of the Code.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2008B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2008B Bonds. Prospective purchasers of the Series 2008B Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2008B Bonds may affect the tax status of interest on the Series 2008B Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2008B Bonds from gross income for Federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Series 2008B Bonds, or the interest thereon, if any action is taken with respect to the Series 2008B Bonds or the proceeds thereof upon the advice or approval of bond counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Series 2008B Bonds is excluded from gross income for Federal income tax purposes, a Series 2008B Bondholder's Federal, State or local tax liability may otherwise be affected by the ownership or disposition of the Series 2008B Bonds. The nature and extent of these other tax consequences will depend upon the Series 2008B Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2008B Bonds should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2008B Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2008B Bonds, (iii) interest on the Series 2008B Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Series 2008B Bonds, may be subject to Federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2008B Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Unless separately engaged, Bond Counsel is not obligated to defend the NMFA, the Governmental Units or the Series 2008B Bondholders regarding the tax-exempt status of the Series 2008B Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the NMFA, the Governmental Units and their respective appointed counsel, including the Series 2008B Bondholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of the IRS positions with which the NMFA or the Governmental Unites legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2008B Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2008B Bonds, and may cause the NMFA, the Governmental Units or the Series 2008B Bondholders to incur significant expense.

Bond Counsel is also of the opinion that interest on the Series 2008B Bonds is exempt from State of New Mexico personal income taxes as described herein.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as "APPENDIX D—FORM OF OPINION OF BOND COUNSEL."

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Series 2008B Bonds. Prospective purchasers or owners should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability, inclusion of Social Security or other retirement payments in taxable income and the state and local tax rules in New Mexico and other states.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2008B Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel to the NMFA, will deliver its opinion in substantially the form included in APPENDIX D. Certain legal matters will be passed upon for the NMFA by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the NMFA. Certain legal matters will be passed upon for the NMFA by

Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Disclosure Counsel to the NMFA. General Counsel to the NMFA will deliver a non-litigation certification for the NMFA. The counsel involved in this transaction have not participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA contained in this Official Statement.

FINANCIAL ADVISOR

The NMFA has retained Western Financial Group, LLC, as financial advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2008B Bonds. Western Financial Group, 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, 2007, included in APPENDIX A of this Official Statement, have been audited by Meyners & Company, LLP, certified public accountants, Albuquerque, New Mexico, as set forth in their report thereon dated September 19, 2007. Meyners & Company, LLP has consented to the use of its name and audited financial reports of the NMFA in this Official Statement.

CONTINUING DISCLOSURE UNDERTAKING

In order to assist the underwriter in complying with the requirements of the Rule, the NMFA will execute and deliver a Continuing Disclosure Undertaking in connection with the issuance of the Series 2008B Bonds pursuant to which it will agree to provide the following information:

- to each nationally recognized municipal securities information repository ("NRMSIR") by March 31 of each fiscal year, or the next succeeding business day if March 31 is not a business day (and to the Trustee and to each holder of the Series 2008B Bonds who requests such information):

- annual financial information and operating data concerning the Revenues, such information to be of the type set forth under the table captioned "Governmental Gross Receipts Tax Collections – Fiscal Years 2003-2004 Through 2007-2008" under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate—The Governmental Gross Receipts Tax—Collection and Distribution Information" in the Official Statement;

- with respect to any Governmental Unit expected by the NMFA, on the last business day that is at least 45 days prior to the date specified for providing such information to each NRMSIR, to have Loan repayment obligations in the then-current fiscal year constituting more than 20% of the estimated Revenues for the then-current fiscal year (the "20% Test"), and each additional Governmental Unit designated by the NMFA by such business day, information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues, or such shorter period for which such information is available;

- audited financial statements for the NMFA, any Governmental Unit meeting the 20% Test and each additional Governmental Unit designated by the NMFA, or, if audited financial statements are not available by March 31 of each fiscal year, or the next succeeding business day if March 31 is not a business day, unaudited financial statements;

- in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") and to each State information depository, if any, notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking;

- in a timely manner to 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 2008B Bonds, 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 2008B Bonds;
  7. modification of rights of owners of the Series 2008B Bonds;
  8. bond calls;
  9. defeasances;
  10. release, substitution, or sale of property securing repayment of the Series 2008B 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 2008B Bonds. 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.

The NMFA will provide its annual report to Digital Assurance Certification, L.L.C. ("DAC"), as dissemination agent, to file with each NRMSIR and with the State information depository, if any. The NMFA will provide the notices of material events to DAC to file with each NRMSIR or the MSRB, and with the State information repository, if any.

The NMFA reserves the right to modify from time to time the Continuing Disclosure Undertaking, including 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 2008B Bonds and will be enforceable by the Owners; provided that the right to enforce the provisions of this undertaking are limited to a right to obtain specific performance of the NMFA's obligations, and any failure by the NMFA to comply with the provisions of the undertaking will not be an event of default with respect to the Series 2008B Bonds.

Continuing disclosure undertakings previously entered into by the NMFA with respect to certain of the Bonds called for it to file certain annual financial information and operating data and audited financial statements for the NMFA and any Governmental Unit meeting the objective criteria described in those undertakings with each NRMSIR no later than March 31 of each fiscal year or the next succeeding business day if March 31 is not a business day. In September 2004, the NMFA discovered that for fiscal years 2000-2001 and 2001-2002 only the audited financial statements of the NMFA were filed with the NRMSIRs. For fiscal year 2002-2003 annual financial information and operating data and audited financial statements for the NMFA were filed with each NRMSIR, but the audited financial statements for the Governmental Units meeting the objective criteria were not filed. On October 1, 2004, the NMFA notified the MSRB of its failure to file the annual financial information and operating data and the audited financial statements for the Governmental Units meeting the objective criteria. The NMFA filed annual financial information and operating data and the audited financial statements for the City of Albuquerque, New Mexico and the Energy, Minerals and Natural Resources Department of the State of New Mexico on October 4, 2004. The NMFA believes that, since October 4, 2004, it has been in compliance with its continuing disclosure undertakings.

None of the Governmental Units have represented annual Loan repayment obligations exceeding 20% of estimated Revenues in the first full year immediately following issuance of the Series 2008B Bonds. See APPENDIX F for a discussion of Loans to Governmental Units with the largest outstanding principal loan balances.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Group ("S&P") and Fitch Ratings ("Fitch") have assigned municipal bond ratings of "Aa2," "AA+" and "AA," respectively, to the Series 2008B Bonds. An explanation of the significance of such ratings may be obtained from Moody's, S&P and Fitch, respectively.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2008B 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 2008B Bonds may have an adverse effect on the market price of the Series 2008B Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2008B Bonds any proposed revision or withdrawal of the ratings on the Series 2008B Bonds, or to oppose any such proposed revision or withdrawal. The NMFA undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings or other actions by a rating agency may have an adverse effect on the market price of the Series 2008B Bonds.

INVESTMENT CONSIDERATIONS

Availability of Revenues

The amount of Revenues actually received by the NMFA may be affected by several factors. Among other things, the amount of governmental gross receipts taxes that will be collected and distributed to the NMFA is subject to fluctuation based on the activities that generate those taxes. There can be no guarantee that the NMFA's Portion of the Governmental Gross Receipts Taxes collected in the future will be consistent with historical collection trends. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Governmental Gross Receipts Tax."

Pursuant to Section 7-9-4.3, NMSA 1978, revisions to laws of the State affecting, among other things, tax rates, taxed activities and distributions of governmental gross receipts taxes could be adopted in the future by the State legislature. There is no assurance that any future revisions to State laws will not adversely affect, among other things, tax rates, activities now subject to the governmental gross receipts tax or distribution of governmental gross receipts tax revenues to the NMFA. However, the State has pledged to and agreed with holders of any bonds or notes issued under the Act that the State will not limit or alter the rights vested by the Act in the NMFA to fulfill the terms of any agreements made with the holders thereof or in any way impair the rights and remedies of those holders until the bonds or notes 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.

As previously stated, the Series 2008B Bonds are also payable from Agreement Revenues. Agreement Revenues are derived from a variety of different sources including enterprise system revenues, property taxes and specific taxes. Those sources of Agreement Revenues may be adversely affected by a variety of factors including, but not limited to, general economic conditions, the demand and cost of certain services and governmental actions. There can be no guarantee that Agreement Revenues will be consistent with historical receipts.

ADDITIONAL INFORMATION

This Official Statement speaks only as of its date, and the information in this Official Statement is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained in this Official Statement 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 to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 207 Shelby Street, Santa Fe, New Mexico 87501, Attention: Chief Executive Officer.

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated as such, 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 2008B Bonds.

NEW MEXICO FINANCE AUTHORITY

By /s/ Stephen R. Flance
Stephen R. Flance,
Chairman

By /s/ William C. Sisneros
William C. Sisneros,
Chief Executive Officer

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NEW MEXICO

FINANCE AUTHORITY

Financial Statements

for the Year Ended

June 30, 2007,

and Independent

Auditors' Report

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Year Ended June 30, 2007

Governing Board

Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Gary Bland, Member
John A. Carey, Member
Paul Gutierrez, Member
Ron Curry, Member
Ed Garcia, Member
Fred Mondragon, Member
Katherine Miller, Member
Joanna Prukop, Member
Craig Reeves, Member
Jennifer Taylor, Member

Chief Executive Officer
William C. Sisneros

Chief Operating Officer
John Duff

Chief Financial Officer
Joseph Gosline

MEYNERS + COMPANY, LLC
Certified Public Accountants/ Consultants to Business
500 Marquette NW, Suite 800
Albuquerque, NM 87102
P 505/842-8290
F 505/842-1568
E cpa@meyners.com

INDEPENDENT AUDITORS' REPORT

New Mexico Finance Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Mexico Finance Authority (Authority), a component unit of the State of New Mexico, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Authority's non-major governmental funds, presented as supplementary information in the accompanying combining fund financial statements, as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2007, and the respective changes in the financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

An Independent Member of the BDO Seidman Alliance with offices in principal cities around the world

New Mexico Finance Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Authority as of and for the year ended June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2007, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, presented on pages 4 through 15, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and combining and individual fund financial statements of the Authority. The supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements, including the Agency Funds - Schedule of Changes in Assets and Liabilities. In addition, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Meyners + Company, LLC

September 19, 2007

The New Mexico Finance Authority's (Authority) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position (ability to address future year challenges), identify any material deviations from the financial plan, and identify any fund issues of concern.

The Management's Discussion and Analysis (MD&A) is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the transmittal letter at the front of this report and the Authority's financial statements and notes which follow this section.

Financial Highlights

- The Authority's government-wide net assets increased by $11,665,335 in fiscal year 2007 from 2006.
- The Authority's total revenues increased by $31,187,930 in fiscal year 2007 from 2006.
- The total cost of all Authority programs was $94,213,879, an increase of $24,050,842 over 2006.

Authority Highlights

The New Mexico Finance Authority, created in 1992, assists qualified entities in financing capital equipment and infrastructure projects at any stage of completion, from pre-planning through construction, by providing low-cost funds and technical assistance. It does so through its six main financing sources: Public Project Revolving Fund (PPRF), Water and Wastewater Grant Fund (W/WWGF), the Drinking Water Revolving Loan Fund (DWRLF), the Primary Care Capital Fund (PCCF), the Water Planning Fund, and State Buildings and Automation Project Financing. The Water Trust Fund is administered by the Authority and the Authority provides staff support to the Water Trust Board.

The Authority's core program, the PPRF loan program, has provided financing for a variety of infrastructure and equipment projects. In FY2007, the PPRF program made approximately 93 loans totaling approximately $211.3 million, compared to 72 loans totaling approximately $177.4 million in FY2006.

In cooperation with the New Mexico Environment Department (NMED), the Authority administers the DWRLF program, a federally funded loan program to provide local authorities with low-cost financing and technical assistance in the construction, renovation or expansion of necessary drinking water facilities. In FY2007, the DWRLF made three loans totaling $3.73 million compared to one loan totaling $6.56 million in FY2006. The FY2007 binding commitments numbered six, approximating $23.8 million, compared to four totaling approximately $14.2 million, in FY2006.

Authority Highlights - continued

The PCCF program helps qualified non-profit primary care clinics in medically indigent and underserved areas by providing low-cost financing for capital equipment and infrastructure projects. Since the inception of the program through June 30, 2007, the Authority Board has approved 15 loans totaling $8.05 million. In FY 2007, the PCCF program made one loan totaling $300,000.

During FY2007, the Authority issued $130.3 million in bonds to provide reimbursement to the Public Projects Revolving Loan Fund and to refund the State Building GRT bonds issued in 2002.

The Authority's grant program, the Water/Waste Water Grant Fund Program, was created in 1999 to help qualified disadvantaged entities fund critical water and wastewater projects. In FY2007, seven grants closed for a total of $4,281,000, compared to 15 grants totaling $4,182,000 in FY2006.

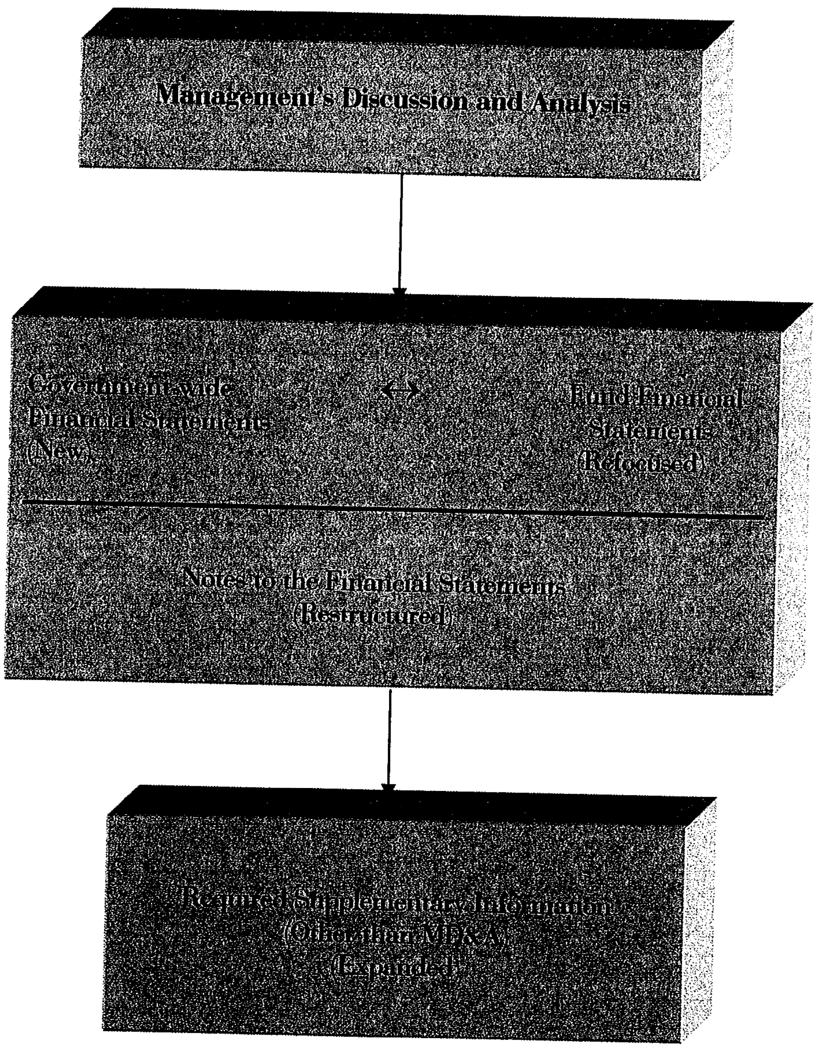
The 2001 Legislature passed the Water Project Finance Act to provide a financing mechanism to promote water use efficiency, water resource conservation, and protection, fair distribution and the allocation of water to all users. To this end, the Act created the Water Trust Fund and the Water Project Fund to provide the necessary financial framework, and created a 15-member Water Trust Board. The Water Trust Fund is created in the State Treasurer's office to be invested by the State Investment Officer in a manner similar to land grant permanent funds. Money in the Water Trust Fund may not be expended for any purpose, but an annual distribution is made to the Water Project Fund.

The Water Project Fund is created in the Authority, which provides staff support to the Water Trust Board and makes loans or grants to qualified entities for projects prioritized by the Board, approved by the Legislature and on terms and conditions established by the Water Trust Board. The Authority is authorized to recover from the fund the costs of administering the fund and originating loans and grants. In FY 2003, House Bill 88, as amended, appropriated $22.5 million for identified regional projects, as well as an appropriation for future use to the Water Project Fund in FY2004. In FY2004, the Water Trust Board reviewed 28 applications for funding. Beginning with FY2005, funding comes from severance tax.

Using This Annual Report

With the implementation of GASB #34, the presentation of the financial statements is significantly different from the previous general-purpose financial statements. The primary focus in State government's financial statements for the last twenty years or so, (summarized fund type information) has been discarded with implementation of GASB #34. The new focus is on both the Authority (government-wide) and the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison and enhance accountability. Although the Authority is one of several agencies within the State of New Mexico Government, the primary Government focus in this financial report is the Authority and not the State of New Mexico as a whole. The following is a graphic presentation of the new accounting model:

Using This Annual Report - continued



Management's Discussion and Analysis

MD&A should provide an objective and easily readable analysis of the Authority's financial activities based on currently known facts, decisions or conditions. It should provide an analysis of the Authority's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it should provide an analysis of significant changes that occur in funds and significant budget variances.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Fiduciary activities whose resources are not available to finance the government's programs are excluded from the government-wide statements.

GASB #34 requires that infrastructure assets (roads, bridges, traffic signals, etc.) be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either depreciate these assets over their estimated useful life or develop a system of asset management designed to maintain the service delivery potential. The Authority does not own a material interest in any infrastructure assets and, therefore, is not required to implement this portion of GASB #34.

Government-Wide Financial Statements - continued

The government-wide financial statements of the Authority are divided into two categories:

- Governmental Activities - All of the Authority's stand-alone bond financings and grant programs are included in the governmental activities. State dedicated revenues and grant appropriations finance most of these activities. The funds included in Governmental Activities for the Authority are the Metro Court Financing, State Building Program Financing, State Building Purchase Financing, University of New Mexico (UNM) Health Sciences Financing, Water Project Financing, Water/Wastewater Grant Fund, Economic Development Financing, Emergency Drought Relief Grant Fund, Water Planning Fund, Workers Compensation Building Financing, State Capital Improvement Financing, Equipment COP Financings and the Insurance Department Financings.

- Business-type Activities - The Authority's revolving fund programs and operating fund are included in the business-type activities. The funds included in the business-type activities are the Public Projects Revolving Fund, Federal Drinking Water Loan Revolving Fund, Primary Care Loan Revolving Fund, Behavioral Health Clinic Financing, GRIP Administrative Fund, Child Care Revolving Loan Fund, Local Road Fund, Cigarette Tax Revenue Bond Fund, New Mexico Tax Credits Fund, Energy Efficiency Fund and General Operating Fund.

Fund Financial Statements

Fund financial statements consist of a series of statements that focus on information about the major governmental and proprietary funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (enterprise funds) are prepared using the economic resources measurement focus and the accrual basis of accounting.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

Fund Financial Statements - continued

Governmental Fund Types:

Most of the Authority's services are included in governmental funds, which focus on (a) how cash and other financial assets that can be readily converted to cash flow in and out, and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view and help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.

- Special Revenue Funds - The Special Revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. The Authority's funds classified as Special Revenue funds are the UNM Cancer Center Bond Fund, the Water/Wastewater Grant Fund, the Water Planning Fund, the Emergency Drought Relief Fund, the Water Projects Fund (accounted for within the Water Trust Fund) and the Economic Development Fund.

- Debt Service Funds - The Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs. The funds classified as Debt Service funds are the UNM Health Sciences Fund, the Metro Court Financing Fund, the Workers Compensation Building Financing Fund, the State Capitol Improvement Financing Fund and the Equipment Certificate of Participation (COP) Funds.

Proprietary Fund Types:

- Enterprise Funds - Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services, and the activity is a) financed with debt that is solely secured by a pledge of the net revenues, b) has third party requirements that the costs of providing services including capital costs be recovered with fees and charges, or c) has a pricing policy designed for the fees and charges to recover similar costs. The fund classified as Proprietary or Enterprise funds are the General Operating Fund, Public Projects Revolving Fund, Drinking Water State Revolving Loan Fund, Primary Care Capital Fund, GRIP Administrative Fund, Child Care Revolving Loan Fund, Cigarette Tax Revenue Bond Fund, Local Road Fund, New Mexico Tax Credits Fund, Energy Efficiency Fund and Behavioral Health Clinic Fund.

Notes to the Financial Statements

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

Budgetary Comparisons

The Authority does not have any legally adopted budgets and, therefore, does not present any budgetary statements.

Required Supplementary Information (Other than MD&A)

In addition to the basic statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees.

Financial Analysis of the Authority as a Whole

Net Assets: Table A-1 summarizes the Authority's net assets for the fiscal year ending June 30, 2007. FY2007 net assets for Governmental Activities and Business-type Activities were $(75,078,101) and $193,154,850, respectively. Total Authority net assets for fiscal year 2007 are $118,076,749. However, most of those net assets are restricted as to the purposes for which they can be used.

Table A-1
The Authority's Net Assets

		Governmental Activities		Business-Type Activities		Total	
		2007	2006	**2007**	2006	**2007**	2006
Current and other assets	$	**45,024,418**	53,624,471	**84,608,587**	32,697,069	**129,633,005**	86,321,540
Capital and non-current assets		**2,396,886**	3,608,898	**955,034,773**	862,702,716	**957,431,659**	866,311,614
Total assets	$	**47,421,304**	57,233,369	**1,039,643,360**	895,399,785	**1,087,064,664**	952,633,154
Current liabilities	$	**8,187,482**	11,947,088	**154,767,837**	143,670,717	**162,955,319**	155,617,805
Long-term liabilities		**114,311,923**	118,756,977	**691,720,673**	571,846,958	**806,032,596**	690,603,935
Total liabilities		**122,499,405**	130,704,065	**846,488,510**	715,517,675	**968,987,915**	846,221,740
Net Assets:							
Invested in capital assets		**145,503**	232,249	**292,268**	360,882	**437,771**	593,131
Restricted		**(75,223,604)**	(73,702,945)	**187,200,507**	176,161,533	**111,976,903**	102,458,588
Unrestricted		**-**	-	**5,662,075**	3,359,695	**5,662,075**	3,359,695
Total net assets		**(75,078,101)**	(73,470,696)	**193,154,850**	179,882,110	**118,076,749**	106,411,414
Total liabilities and net assets	$	**47,421,304**	57,233,369	**1,039,643,360**	895,399,785	**1,087,064,664**	952,633,154

Changes in Net Assets: The Authority's change in net assets for fiscal year 2007 was an increase of $11,665,335 (Table A-2). A significant portion, twenty-five percent (25%), of the Authority's revenue comes from Tax Revenue. Six percent (6%) comes from other operating grants and contributions, and thirteen percent (13%) from interest and investment income. Twenty-six percent (26%) comes from state general fund appropriations, and charges for services and other revenue comprise thirty percent (30%) of total revenue.

Table A-2
Changes in the Department's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program	6,041,563	845,680	33,949,508	24,051,276	39,991,071	24,896,956
General	23,207,646	21,676,344	42,680,497	28,031,916	65,888,143	49,708,260
Total revenues	29,249,209	22,522,024	76,630,005	52,083,192	105,879,214	74,605,216
Expenses	29,628,373	35,036,050	64,585,506	35,040,919	94,213,879	70,076,969
Net revenues (loss) before transfers and reversions	(379,164)	(12,514,026)	12,044,499	17,042,273	11,665,335	4,528,247
Transfers and reversions	(1,228,241)	21,495	1,228,241	(21,495)	-	-
(Decrease) increase in net assets	(1,607,405)	(12,492,531)	13,272,740	17,020,778	11,665,335	4,528,247
Net assets, beginning of year	(73,470,696)	(60,978,165)	179,882,110	162,861,332	106,411,414	101,883,167
Net assets, end of year $	(75,078,101)	(73,470,696)	193,154,850	179,882,110	118,076,749	106,411,414

The decline in governmental net assets is the result of certain grant funds (water wastewater grant fund, emergency drought relief, water project fund) "winding down". There are no additional funds being appropriated to these programs and, as grant recipients draw down funds on their grants, there is an on-going decline in the assets (cash). Business-type (enterprise) activities continue to grow in terms of net assets because of the expansion of the PPRF program and the continual growth in the loan portfolio.

Governmental-Type Activities

The Authority's total expenditures for governmental-type activities during the fiscal year 2007 were $29,628,373. The highest area of expenditures, $18,978,452, sixty-four percent (64%), was in the area of grant expense. As noted above, expenditures decreased due to the winding down of certain grant funds. The primary reason for greater revenues in the current year is the increase in State General Fund Appropriations and remaining grant fund draws for the Water Project Fund.

The second highest area of expenditures within the Authority is in the category of debt service.

Business Type Activities

The Authority's total expenditures for business-type activities during the fiscal year were $64,585,506. The majority of business-type expenditures, $29,430,731, forty-six percent (46%), was in the area of debt service. As noted above, expenditures and revenues increased due to the expansion of the PPRF program and continued growth in the loan portfolio.

Business Type Activities - continued

Within the operating cost category, salaries and benefits comprised four percent (4%) of total expenditures, and all other operating costs such as professional services, repairs and maintenance, travel, supplies, etc., were six percent (6%) of total expenditures.

Capital Assets and Debt Administration

At the end of fiscal year 2007, the Authority had invested a total of $292,268 net of depreciation in business-type activities and $145,503 in capital assets for government-type activities. During FY2007, capital outlay expenditures totaled $28,984. This amount represents purchases for technical upgrades, office equipment and leasehold improvements. More detailed information about the Authority's capital assets is presented in Note 7 to the financial statements.

GASB #34 requires the recording and depreciation of infrastructure assets such as roads, bridges, traffic signals, etc. The Authority does not own any infrastructure assets.

Long-Term Debt

The Authority's long-term debt is all outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2007, the total amount outstanding was $810.2 million (excluding the $1.520 billion in GRIP bonds which are administered by but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 8 to the financial statements.

During the fiscal year, the Authority issued $130.3 million in PPRF debt, primarily to directly fund loans, reimburse the PPRF loan fund for loans already made or to advance refund certain earlier bond issues.

Bond Ratings

The Authority's insured bond ratings are as follows:

Moody's	Aaa
Standard & Poor's	AAA
Fitch	AAA

The Authority's uninsured bond ratings are:

Moody's	Aa2
Standard & Poor's	AA
Fitch	AA

Bond Ratings - continued

The Authority received bond ratings increases from both Moody's and Standard and Poor's during FY2006.

Economic Factors and Next Year's Budgets and Rates

The FY2007 budget accommodates the Authority's administration of eight programs paid from different sources of revenue:

- General operations of the Authority, funded from administration fees and cigarette tax revenue;
- Administration of the Water Trust Board, funded from the Water Project Fund:
- Administration of the Water Trust Board;
- Water and Wastewater Grant Fund (W/WWGF) program operations, funded from the W/WWGF;
- Drinking Water Revolving Loan Fund (DWRLF) program operations, funded from the federal capitalization grant;
- PPRF Loan Servicing, funded from the PPRF;
- The Water and Wastewater Planning Fund (WPF), funded from the WPF;
- The Economic Development Fund, funded from administration fees and cigarette tax revenue.

The Authority's primary operating budget for FY2007 was $6,649,027, compared to the FY2006 budget of $6,179,829, a 7.6% increase. This was due to the addition of new programs, increased staffing levels, the addition of office space and major upgrades in both computer hardware and software.

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

New Mexico Finance Authority (NMFA)
207 Shelby Street
Santa Fe, New Mexico 87505

FINANCIAL STATEMENTS

AS OF JUNE 30, 2007

		Governmental Activities	Business-type Activities	Total
ASSETS:				
Cash and equivalents:				
Unrestricted	$	20,243,985	20,101,488	40,345,473
Restricted		20,819,276	209,977,807	230,797,083
Receivables:				
Tax revenue		800,580	6,130,908	6,931,488
Interest		7,634	5,526,729	5,534,363
Grant and other		731,312	6,301,546	7,032,858
Due from other funds (Note 5) [Internal Balances]		-	1,139,242	1,139,242
Administrative fees receivable		55	130,206	130,261
Loans receivable, net of allowance (Note 3)		2,421,576	687,422,802	689,844,378
Securities (Note 4)		-	10,609,203	10,609,203
Restricted asset - escrow		-	83,593,073	83,593,073
Capital Assets, net of depreciation (Note 7)		145,503	292,268	437,771
Deferred costs, net of accumulated amortization		2,251,383	8,367,006	10,618,389
Other assets		-	51,082	51,082
TOTAL ASSETS	$	47,421,304	1,039,643,360	1,087,064,664
LIABILITIES:				
Accounts payable and accrued liabilities	$	145,326	905,360	1,050,686
Accrued payroll		9,816	69,287	79,103
Compensated absences (Note 13)		-	192,088	192,088
Accrued interest		667,838	2,179,331	2,847,169
Debt service payable		23,703	43,601,688	43,625,391
Notes payable (Note 9)		1,855,346	-	1,855,346
Line of Credit (Note 10)		-	31,338,974	31,338,974
Funds held for others		-	74,937,419	74,937,419
Due to other state agencies (Note 5)		-	1,739,664	1,739,664
Due to other funds [Internal Balances]		1,139,242	-	1,139,242
Bonds payable, current, net (Note 8)		6,051,000	31,143,000	37,194,000
Bonds payable, non-current, net of bond discount/premium (Note 8)		112,607,134	660,381,699	772,988,833
TOTAL LIABILITIES		122,499,405	846,488,510	968,987,915
NET ASSETS:				
Invested in capital assets		145,503	292,268	437,771
Restricted for:				
Debt service		(110,576,933)	-	(110,576,933)
Program funds		35,353,329	187,200,507	222,553,836
Unrestricted		-	5,662,075	5,662,075
TOTAL NET ASSETS		(75,078,101)	193,154,850	118,076,749
TOTAL LIABILITIES AND NET ASSETS	$	47,421,304	1,039,643,360	1,087,064,664

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

		Governmental Activities	Business-type Activities	Total
EXPENSES:				
Capital financing	$	29,628,373	64,585,506	94,213,879
PROGRAM REVENUES:				
Charges for services		-	27,412,010	27,412,010
Operating grants and contributions		6,041,563	6,537,498	12,579,061
NET PROGRAM EXPENSES		(23,586,810)	(30,635,998)	(54,222,808)
GENERAL REVENUES:				
Governmental gross receipts and gross receipts taxes		-	34,033,375	34,033,375
Investment earnings		2,715,241	8,647,122	11,362,363
State General Fund Appropriations		20,492,405	-	20,492,405
TOTAL GENERAL REVENUES		23,207,646	42,680,497	65,888,143
TRANSFERS		(1,228,241)	1,228,241	-
CHANGE IN NET ASSETS		(1,607,405)	13,272,740	11,665,335
NET ASSETS, BEGINNING OF FISCAL YEAR		(73,470,696)	179,882,110	106,411,414
NET ASSETS, END OF FISCAL YEAR	$	(75,078,101)	193,154,850	118,076,749

See Notes to Financial Statements.

AS OF JUNE 30, 2007

		Economic Development Fund	State Building Program Cigarette Tax Fund	State Office Building Financing Fund	UNM Health Sciences Fund	Water Project Fund	Water and Wastewater Project Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:									
Unrestricted:									
Cash and cash equivalents	$	3,411,361	5,925,291	6,143,689	46,012	971,241	1,349,666	2,396,725	20,243,985
Receivables:									
Tax receivable		-	172,871	590,000	-	-	-	37,710	800,581
Interest		-	-	-	-	-	-	7,634	7,634
Other receivables		-	-	-	731,312	56	-	-	731,368
Loans receivable		1,724,445	-	-	-	190,131	-	507,000	2,421,576
		5,135,806	6,098,162	6,733,689	777,324	1,161,428	1,349,666	2,949,069	24,205,144
Restricted:									
Cash and cash equivalents held for others by trustee:									
Debt service		-	-	-	-	-	-	644,085	644,085
Bond reserve		-	220,940	-	1,283,486	-	-	-	1,504,426
Investments		-	-	-	-	6,472,367	12,198,398	-	18,670,765
TOTAL ASSETS	$	5,135,806	6,319,102	6,733,689	2,060,810	7,633,795	13,548,064	3,593,154	45,024,420
LIABILITIES:									
Accounts payable	$	4,345	-	-	-	63,359	2,633	84,807	155,144
Debt service payable		-	-	-	-	-	-	23,703	23,703
Notes payable		-	1,855,346	-	-	-	-	-	1,855,346
Due to other funds		1,103,063	-	-	-	23,864	7,202	5,113	1,139,242
TOTAL LIABILITIES		1,107,408	1,855,346	-	-	87,223	9,835	113,623	3,173,435
FUND BALANCES:									
Reserved for debt service		-	-	6,733,689	2,060,810	-	-	714,554	9,509,053
Unreserved:									
Special revenue funds		4,028,398	4,463,756	-	-	7,546,572	13,538,229	2,764,977	32,341,932
TOTAL FUND BALANCES		4,028,398	4,463,756	6,733,689	2,060,810	7,546,572	13,538,229	3,479,531	41,850,985
TOTAL LIABILITIES AND FUND BALANCES	$	5,135,806	6,319,102	6,733,689	2,060,810	7,633,795	13,548,064	3,593,154	45,024,420

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	$	41,850,985
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
The cost of capital assets is		257,677
Accumulated depreciation is		(112,174)
Total capital assets, net of depreciation		145,503
Bond issuance costs are included in the current period and, therefore, not capitalized as assets in the funds, amortized over the life of the respective bond. Deferred costs, net, are		2,251,383
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term and other liabilities at year end consist of:		
Bonds payable, net of premium of $ 2,071,134		(118,658,134)
Accrued interest payable		(667,838)
Total long-term and other liabilities		(119,325,972)
Net assets of governmental activities (Statement of Net Assets)	$	(75,078,101)

YEAR ENDED JUNE 30, 2007

	Economic Development Fund	State Building Program Cigarette Tax Fund	State Office Building Financing Fund	UNM Health Sciences Fund	Water Project Fund	Water and Wastewater Project Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:								
Grant revenue	$ -	-	-	-	6,041,563	-	-	6,041,563
Interest on loans	235,806	-	-	-	-	-	37,298	273,104
Interest on investments	-	213,206	385,213	125,075	565,569	1,013,343	139,731	2,442,137
Other revenue	-	-	-	-	282	-	-	282
TOTAL REVENUES	235,806	213,206	385,213	125,075	6,607,414	1,013,343	177,029	8,757,086
EXPENDITURES:								
Current:								
Administrative fee	-	-	43,275	152,756	-	-	15,894	211,925
Professional services	117,887	6,731	-	44,930	151,650	3,304	13,964	338,466
Salaries and fringe benefits	174,599	-	-	-	187,768	83,261	50,790	496,418
In-state travel	8,222	-	-	-	4,993	934	2,199	16,348
Out-of-state travel	6,949	-	-	-	-	-	-	6,949
Maintenance and repairs	1,448	-	-	-	1,371	769	493	4,081
Operating costs	49,800	-	-	-	40,894	23,800	14,473	128,967
Grant expenses	-	-	-	-	10,064,455	8,875,508	38,489	18,978,452
Capital outlay	12,000	-	-	-	9,187	3,192	4,605	28,984
Debt service - principal	-	-	1,380,000	4,445,000	-	-	1,107,000	6,932,000
Debt service - interest	-	-	1,436,475	1,200,135	-	-	1,446,560	4,083,170
TOTAL EXPENDITURES	370,905	6,731	2,859,750	5,842,821	10,460,318	8,990,768	2,694,467	31,225,760
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(135,099)	206,475	(2,474,537)	(5,717,746)	(3,852,904)	(7,977,425)	(2,517,438)	(22,468,674)
OTHER FINANCING SOURCES (USES):								
State General Fund appropriations	4,900,000	714,128	6,090,000	6,835,217	-	-	1,953,059	20,492,404
Transfers (to) from other funds	-	120,238	(4,240,086)	489,381	(1,039)	-	2,403,265	(1,228,241)
Transfers (to) other state agencies	-	(94,150)	(2,019,029)	(1,806,503)	-	-	(848,752)	(4,768,434)
NET OTHER FINANCING SOURCES (USES)	4,900,000	740,216	(169,115)	5,518,095	(1,039)	-	3,507,572	14,495,729
NET CHANGE IN FUND BALANCES	4,764,901	946,691	(2,643,652)	(199,651)	(3,853,943)	(7,977,425)	990,134	(7,972,945)
FUND BALANCES, June 30, 2006	(736,503)	3,517,065	9,377,341	2,260,461	11,400,515	21,515,654	2,489,397	49,823,930
FUND BALANCES, June 30, 2007	$ 4,028,398	4,463,756	6,733,689	2,060,810	7,546,572	13,538,229	3,479,531	41,850,985

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	$	(7,972,945)
Amounts reported for governmental activities in the Statement of Activities are different because:		
In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The decrease (increase) in the liabilities for the fiscal year was:		
Governmental Funds report principal payments on debt service as expenditures. However, in the Statement of Activities, these payments are reported as a reduction of the liability. In the current period, these principal payment amounts were		6,932,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the Governmental Funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the net result of two factors: accrued interest on bonds and notes payable. The decrease in the liability for the fiscal year was:		39,709

YEAR ENDED JUNE 30, 2007

Change from prior year in amortization of bond issuance costs:		
Deferred issuance costs FY06 (p. 17 PY)	$ 2,869,649	
Deferred issuance costs FY07 (p. 17 CY)	2,251,383	
		(618,266)
Change from prior year in amorization of bond premium/discount:		
Amortization of bond premium/discount FY06 (p. 65 PY)	2,169,977	
Amortization of bond premium/discount FY07 (p. 70 CY)	2,071,134	
		98,843
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:		
Capital outlay	28,984	
Depreciation expense	(46,860)	
Excess of depreciation expense over capital outlay		(17,876)
Decrease in capital assets		(68,870)
Change in net assets of governmental activities (Statement of Activities)		$ (1,607,405)

See Notes to Financial Statements.

AS OF JUNE 30, 2007

		Operating Fund	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund	GRIP Administrative Fund	Primary Care Capital Fund
ASSETS:						
Current:						
Cash and cash equivalents	$	446,105	10,013,692	6,060,246	1,538,067	-
Receivables:						
Tax revenue		-	6,107,009	3,460	-	20,439
Interest		-	5,433,651	91,241	-	-
Grant and other		-	3,085,197	2,158,931	1,057,418	-
Due from other state agencies		-	-	-	-	-
Due from other funds		1,777,305	-	-	-	-
Administrative fees receivable		-	-	10,205	119,833	-
Total current assets		2,223,410	24,639,549	8,324,083	2,715,318	20,439
Loans receivable, net of allowance		-	661,146,524	21,571,511	-	4,303,779
Securities		-	10,609,203	-	-	-
Restricted assets - cash and cash equivalents		-	192,139,790	11,403,224	-	3,279,427
Escrow		-	83,593,073	-	-	-
Depreciable property and equipment, net		85,713	116,838	20,995	58,853	1,223
Deferred charges		-	8,367,006	-	-	-
Other assets		51,082	-	-	-	-
TOTAL ASSETS	$	2,360,205	980,611,983	41,319,813	2,774,171	7,604,868
LIABILITIES:						
Accounts payable and other liabilities	$	23,685	722,853	150,575	5,618	256
Accrued payroll, fringe benefits and compensated absences		210,736	34,590	6,528	6,464	868
Accrued interest payable		-	2,157,520	-	-	-
Debt service payable		-	43,335,916	198,752	-	59,800
Funds held for others		-	74,268,792	395,550	-	22,312
Due to other state agencies		34,757	-	1,704,907	-	-
Due to other funds		-	285,703	28,050	25,597	42,350
Line of Credit			31,338,974			
Bonds payable, current, net		-	31,018,000	-	-	-
Bonds payable, noncurrent, net		-	658,131,699	-	-	-
TOTAL LIABILITIES		269,178	841,294,047	2,484,362	37,679	125,586
NET ASSETS:						
Invested in capital assets		85,713	116,838	20,995	58,853	1,223
Restricted for:						
Program funds		-	139,201,098	38,814,456	-	7,478,059
Unrestricted		2,005,314	-	-	2,677,639	-
TOTAL NET ASSETS		2,091,027	139,317,936	38,835,451	2,736,492	7,479,282
TOTAL LIABILITIES AND NET ASSETS	$	2,360,205	980,611,983	41,319,813	2,774,171	7,604,868

Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
122,025	-	1,921,353	-	-	-	20,101,488
-	-	-	-	-	-	6,130,908
1,837	-	-	-	-	-	5,526,729
-	-	-	-	-	-	6,301,546
-	-	-	-	-	-	-
-	-	-	-	-	-	1,777,305
168	-	-	-	-	-	130,206
124,030	-	1,921,353	-	-	-	39,968,182
400,988	-	-	-	-	-	687,422,802
-	-	-	-	-	-	10,609,203
16,499	264,457	-	2,874,410	-	-	209,977,807
-	-	-	-	-	-	83,593,073
2,197	1,574	1,369	-	2,455	1,051	292,268
-	-	-	-	-	-	8,367,006
-	-	-	-	-	-	51,082
543,714	266,031	1,922,722	2,874,410	2,455	1,051	1,040,281,423
721	310	540	-	660	142	905,360
494	199	772	-	724	-	261,375
-	-	-	21,811	-	-	2,179,331
7,220	-	-	-	-	-	43,601,688
765	250,000	-	-	-	-	74,937,419
-	-	-	-	-	-	1,739,664
8,626	71,538	1,429	-	164,531	10,239	638,063
						31,338,974
-	-	-	125,000	-	-	31,143,000
-	-	-	2,250,000	-	-	660,381,699
17,826	322,047	2,741	2,396,811	165,915	10,381	847,126,573
2,197	1,574	1,369	-	2,455	1,051	292,268
523,691	(57,590)	1,036,012	215,162	-	(10,381)	187,200,507
-	-	882,600	262,437	(165,915)	-	5,662,075
525,888	(56,016)	1,919,981	477,599	(163,460)	(9,330)	193,154,850
543,714	266,031	1,922,722	2,874,410	2,455	1,051	1,040,281,423

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

		Operating Fund	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund	GRIP Administrative Fund	Primary Care Capital Fund
OPERATING REVENUES:						
Tax revenue	$	-	34,033,375	-	-	-
Federal grant revenue		-	-	6,537,498	-	-
Administrative fees		1,522,755	-	34,397	2,359,916	-
Interest on loans		-	23,156,489	323,506	-	-
Interest on investments		58,082	7,329,051	763,246	83,683	208,344
TOTAL OPERATING REVENUES		1,580,837	64,518,915	7,658,647	2,443,599	208,344
OPERATING EXPENSES:						
Grant expense		-	258,678	-	-	-
Bond issuance costs		-	450,454	-	-	-
Administrative fees		-	137,250	-	-	-
Professional services		96,079	1,616,730	49,116	192,046	92,287
Salaries and fringe benefits		455,823	1,211,554	219,040	307,810	28,698
In-state travel		3,085	24,259	4,998	11,001	280
Out of state travel		2,564	7,322	6,572	13,610	-
Utilities		-	-	-	-	4
Maintenance and repairs		3,437	10,238	5,324	2,890	262
Supplies		29,722	100	3,243	5,759	244
Operating costs		96,323	271,606	119,244	116,495	6,088
Depreciation		21,924	22,785	12,239	17,352	167
Debt service - interest expense		-	29,294,129	-	-	-
TOTAL OPERATING EXPENSES		708,957	33,305,105	419,776	666,963	128,030
OPERATING INCOME (LOSS)		871,880	31,213,810	7,238,871	1,776,636	80,314
NON-OPERATING REVENUES (EXPENSES):						
Miscellaneous revenue		-	-	-	-	-
TOTAL NON-INTEREST EARNINGS (EXPENSE) BEFORE TRANSFERS		871,880	31,213,810	7,238,871	1,776,636	80,314
TRANSFERS:						
Transfers in (out)		(392,988)	1,348,480	-	(990,500)	-
Transfers from (to) other state agencies		-	(2,386,518)	(3,008,527)	-	-
Transfers (to) local governments		-	(23,562,228)	-	-	-
TOTAL TRANSFERS		(392,988)	(24,600,266)	(3,008,527)	(990,500)	-
INCREASE (DECREASE) IN NET ASSETS		478,892	6,613,544	4,230,344	786,136	80,314
TOTAL NET ASSETS, June 30, 2006		1,612,135	132,704,392	34,605,107	1,950,356	7,398,968
TOTAL NET ASSETS, June 30, 2007	$	2,091,027	139,317,936	38,835,451	2,736,492	7,479,282

See Notes to Financial Statements.

Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
-	-	-	-	-	-	34,033,375
-	-	-	-	-	-	6,537,498
1,246	-	-	-	-	-	3,918,314
13,701	-	-	-	-	-	23,493,696
5,359	11,902	48,811	138,644	-	-	67,982,883
20,306	11,902	48,811	138,644	-	-	135,965,766
-	-	-	-	-	-	258,678
-	-	-	-	-	-	450,454
-	-	-	-	-	-	137,250
35,948	11,406	2,252	184	79,143	1,788	2,176,979
12,141	6,045	5,648	-	65,381	4,852	2,316,992
442	272	204	-	1,746	22	46,309
-	56	258	-	-	-	30,382
2	2	-	-	13	-	21
32	-	106	-	512	76	22,877
486	223	-	-	-	-	39,777
7,250	3,091	3,295	-	16,332	2,425	642,149
333	167	167	-	333	167	75,634
-	-	-	136,602	-	-	29,430,731
56,634	21,262	11,930	136,786	163,460	9,330	35,628,233
(36,328)	(9,360)	36,881	1,858	(163,460)	(9,330)	100,337,533
-	-	-	-	-	-	-
(36,328)	(9,360)	36,881	1,858	(163,460)	(9,330)	100,337,533
49,445	-	1,000,500	213,304	-	-	1,228,241
-	-	-	-	-	-	(5,395,045)
-	-	-	-	-	-	(23,562,228)
49,445	-	1,000,500	213,304	-	-	(27,729,032)
13,117	(9,360)	1,037,381	215,162	(163,460)	(9,330)	72,608,501
512,771	(46,656)	882,600	262,437	-	-	120,546,349
525,888	(56,016)	1,919,981	477,599	(163,460)	(9,330)	193,154,850

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

		Operating Fund	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund	GRIP Administrative Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash paid for employee services	$	(772,536)	(6,439,964)	(217,384)	(308,176)
Cash paid to vendors for services		(172,402)	(4,103,658)	(189,293)	(334,385)
Bond issuance costs		-	(450,454)	-	-
Interest expense paid		-	(26,001,106)	-	-
Grants awarded		-	(258,678)	-	-
Tax revenue		-	34,033,375	-	-
Cash received from federal government for revolving loans		-	-	9,198,984	-
Interest income received		58,082	30,485,540	1,086,752	83,683
Administrative fees received		1,522,755	-	34,397	1,255,583
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		635,899	27,265,055	9,913,456	696,705
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITES:					
Operating transfers, net		(392,988)	1,348,480	-	(990,500)
Cash paid to subrecipients for services		-	(25,948,746)	(3,008,527)	-
Cash provided (used) by funds held for others		-	7,103,532	(1,212,200)	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES		(392,988)	(17,496,734)	(4,220,727)	(990,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Securities		-	1,096,174	-	-
Escrow		-	(23,427,062)	-	-
Loans funded		-	(158,925,077)	(6,145,636)	-
Loan payments received		-	49,591,504	1,903,706	-
Bonds issued		-	130,270,000	-	-
Payment of bonds		-	(46,379,000)	-	-
Debt service		-	9,232,653	42,349	-
Line of credit		-	31,338,974	-	-
Capital asset purchases		(26,252)	(62,129)	(5,760)	(18,427)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(26,252)	(7,263,963)	(4,205,341)	(18,427)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		216,659	2,504,358	1,487,388	(312,222)
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, June 30, 2006		229,446	199,649,124	15,976,082	1,850,289
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, June 30, 2007	$	446,105	202,153,482	17,463,470	1,538,067
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY *OPERATING ACTIVITIES* - OPERATING INCOME:	$	478,892	6,613,544	4,230,344	786,136
Adjustments to operating income:					
Depreciation and amortization		21,924	22,785	12,239	17,352
Net capital assets expensed in 2007		40,027	37,072	16,046	23,606
Net transfers		392,988	24,600,266	3,008,527	990,500
(Increase) decrease in prepaids and receivables		(316,713)	(7,143,775)	1,629,326	(1,104,334)
Increase (decrease) in payables and other accrued liabilities		18,781	3,135,163	1,016,974	(16,555)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	$	635,899	27,265,055	9,913,456	696,705

Primary Care Capital Fund	Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits Fund	Energy Efficiency Fund	Total
(27,830)	(11,647)	(5,846)	(4,876)	-	(64,657)	(4,710)	(7,857,626)
(57,481)	(34,736)	(14,932)	(3,908)	(184)	(96,556)	-	(5,007,535)
-	-	-	-	-	-	-	(450,454)
-	-	-	-	(137,750)	-	-	(26,138,856)
-	-	-	-	-	-	-	(258,678)
-	-	-	-	-	-	-	34,033,375
-	-	-	-	-	-	-	9,198,984
205,813	17,055	11,902	48,811	138,644	-	-	32,136,282
-	1,246	22,782	-	-	164,531	6,192	3,007,486
120,502	(28,082)	13,906	40,027	710	3,318	1,482	38,662,978
-	49,445	-	1,000,500	213,304	-	-	1,228,241
-	-	-	-	-	-	-	(28,957,273)
4,363	37	-	-	-	-	-	5,895,732
4,363	49,482	-	1,000,500	213,304	-	-	(21,833,300)
-	-	-	-	-	-	-	1,096,174
-	-	-	-	-	-	-	(23,427,062)
(300,000)	-	-	-	-	-	-	(165,370,713)
537,636	30,382	-	-	-	-	-	52,063,228
-	-	-	-	-	-	-	130,270,000
-	-	-	-	(125,000)	-	-	(46,504,000)
24,930	-	-	-	-	-	-	9,299,932
-	-	-	-	-	-	-	31,338,974
(1,655)	(3,061)	(2,006)	(1,800)	-	(3,318)	(1,482)	(125,890)
260,911	27,321	(2,006)	(1,800)	(125,000)	(3,318)	(1,482)	(11,359,357)
385,776	48,721	11,900	1,038,727	89,014	-	-	5,470,321
2,893,651	89,803	252,557	882,626	2,785,396	-	-	224,608,974
3,279,427	138,524	264,457	1,921,353	2,874,410	-	-	230,079,295
80,314	13,117	(9,360)	1,037,381	215,162	(163,460)	(9,330)	13,272,740
167	333	167	167	-	333	167	75,634
265	531	265	264	-	530	264	118,870
-	(49,445)	-	(1,000,500)	(213,304)	-	-	27,729,032
(2,530)	(2,005)	-	-	-	-	-	(6,940,031)
42,286	9,387	22,834	2,715	(1,148)	165,915	10,381	4,406,733
120,502	(28,082)	13,906	40,027	710	3,318	1,482	38,662,978

See Notes to Financial Statements.

AS OF JUNE 30, 2007

		Agency Funds
ASSETS:		
Cash at Trustee:		
Program funds	$	589,393,873
Expense funds		5,145,512
Bond reserve funds		41,365,202
TOTAL ASSETS	$	635,904,587
LIABILITIES:		
Accounts payable	$	1,659,650
Debt service payable		588,374,034
Funds held for the New Mexico Department of Transportation		45,870,903
TOTAL LIABILITIES	$	635,904,587

See Notes to Financial Statements.

NATURE OF ORGANIZATION

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico 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, appoints to the Authority Board, 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 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 Standards Board (GASB) Statement No. 39. 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 its ability to issue tax-exempt debt.

NATURE OF ORGANIZATION - continued

The financial reporting entity as defined by GASB No. 39 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government". The Authority is, however, considered to be a discretely presented component unit of the State of New Mexico. The Authority does not have any component units.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The financial statements for the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standard Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

The Authority has implemented the provisions of GASB No. 34. As a part of this statement, there is a reporting requirement regarding the local government's infrastructure (roads, bridges, etc.) The Authority does not own any infrastructure assets and, therefore, is unaffected by this requirement.

♦ *Basic Financial Statements*

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The new reporting model focus is on either the Authority as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis by column, and is reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Government-wide and Fund Financial Statements*

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units, if any. For the most part, the effect of interfund activity has been removed from these statements. ***Governmental activities***, which normally are supported by taxes and intergovernmental revenues, are reported separately from ***business-type activities***, which rely to a significant extent on fees and charges for support. Likewise, the ***primary government*** is reported separately from certain legally separate ***component units*** for which the primary government is financially accountable.

The government-wide statement of activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Authority includes only one function (infrastructure financing). Inter-fund balances have been eliminated in the government-wide financial statements within government funds and enterprise funds. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipt taxes, grants and appropriations. On an accrual basis, revenue from gross receipts taxes is recognized when the underlying transaction has occurred. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. ***Direct expenses*** are those that are clearly identifiable with a specific function or segment. ***Program revenues*** include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as ***general revenues.***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statement. Major individual enterprise funds are reported as separate columns in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ Government-wide and Fund Financial Statements - continued

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Authority's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

The Government-wide financial statements are prepared using the economic resources measurement focus and the accrued basis of accounting. The fund financial statements should be presented using the current financial resources measurement focus and the modified accrual basis of accounting.

♦ Basis of Presentation - Fund Accounting

The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

The following fund types and account groups are used by the Authority:

> ***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) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. All government funds are non-reverting.

The Authority reports the following major governmental funds:

- Economic Development Fund
- State Building Program Cigarette Tax Fund
- State Office Building Financing Fund
- UNM Health Sciences Fund
- Water Project Fund
- Water and Wastewater Project Grant Fund

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specific purposes.

Special Revenue Fund - State Building Program-Cigarette Tax. This fund 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 were 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 the amount of 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 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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Special Revenue Funds - continued

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.

Special Revenue Fund - Water and Wastewater Project Grant Fund. This grant fund is to use the net proceeds of the sale of bonds, pursuant to the provisions of Section 6-21-6.1, NMSA, 1978 Compilation, for the purposes of water and wastewater projects and payable from the public project revolving fund. Money in the water and wastewater project grant fund is appropriated to the Authority to make grants to qualified entities for water and wastewater public projects pursuant to special authorization by law for each project, and to pay administrative costs of the water and wastewater project grant program. Any unexpended or unencumbered balances remaining at the end of the fiscal year shall not revert to the State's general fund.

Special Revenue Fund - Water Project Fund. This fund was created with the passage of Senate Bill 169 during the 2001 Legislative Session. The purpose of this fund is to provide for water use efficiency, resource conservation and protection and fair distribution and allocation of water. The Water Project Fund was created in the Authority and consists of distributions made from the Water Trust Fund and payments of principal and interest on loans approved for water projects. The fund also consists of any other money appropriated, distributed or otherwise allocated to the fund for the purpose of supporting water projects pursuant to the provisions of the Water Projects Finance Act.

Special Revenue Fund - Water and Wastewater Planning Grant Fund. The 2002 New Mexico Legislature authorized the Authority to establish the new Water and Wastewater Planning Grant fund. This fund will provide grant money to qualified entities on a sliding scale for the creation of planning documents such as preliminary engineering reports, feasibility studies and master plans. Each grant must not exceed $25,000 and must be repaid if the project in the planning document eventually receives funding. The initial capitalization of $1 million was provided from the 2002A PPRF revenue bonds issued on July 2, 2002.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Special Revenue Funds - continued

Special Revenue Fund - Emergency Drought Water Program. Executive Order 02-19 declared a statewide drought disaster due to the severe statewide drought conditions. The Water Trust Board has been designated as the coordinator of all assistance requests from public water systems during the drought. Based on initial requests, the Water Trust Board may direct a strike team to investigate the water problem. Strike team members include State Engineer's personnel and other technical personnel as deemed necessary. The strike team will assess the situation and provide the Water Trust Board with an action plan to immediately alleviate the problem through the next legislative session. If the action plan implementation is beyond local control and requires the resources of the State, the Water Trust Board will recommend the project to the Governor for disaster funding. Each emergency disaster declaration by the Governor will release $750,000 in funding to alleviate the emergency conditions.

Special Revenue Fund - Economic Development. This fund was created with the passage of Senate Bill 932 - Statewide Economic Development Finance Act (SWEDFA) during the 2003 legislative session. The purpose of this fund is to provide a comprehensive package of financing tools to stimulate economic development projects and fill the gap between public and private financing.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

Debt Service Fund - Metro Court Financing Fund. The Laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. The bonds were issued on August 1, 2001. The pledged revenues for the project consist of a portion of the docketing fees and costs collected by 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. There was an additional bond issuance in September 2002 (2002A).

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Debt Service Funds - continued

Debt Service Fund - Workers' Compensation Financing Fund. This fund 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 the 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 power agreement to accomplish this purpose. A total of $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 irrevocable 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 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, any surplus bond proceeds and interest will be used for the project.

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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Debt Service Funds - continued

Debt Service Fund - State Capitol Improvement Financing Fund. The Laws of 1997, Chapter 178, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $10,155,000 for the purpose of repairing, remodeling, constructing and equipping a state building located adjacent to the State Capitol in Santa Fe known as the New Mexico State Library, and for relocation-associated renovations in the State Capitol. A total of $510,000 of revenue bonds were issued on May 17, 1999 and $8,805,000 of revenue bonds were issued on June 1, 1999, for a total outstanding of $9,315,000. Monthly, all income and distributions creditable to the capitol buildings repair fund shall be distributed by the State Treasurer to the Authority, and are appropriated to the Authority to be pledged irrevocable for the payment of the bonds.

Debt Service Fund - Equipment Loan Fund. 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, the Authority issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A, the proceeds of which were loaned to 18 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. 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ Basis of Presentation - Fund Accounting - continued

Debt Service Funds - continued

Debt Service Fund - State Office Building Financing Fund. The Laws of 2001, Chapters 166 and 199, authorized the Authority to issue revenue bonds for the financing of acquisition, construction, equipping and otherwise improving land and buildings for the General Services Department of the State of New Mexico. The initial project consists of 1) purchasing the National Education Association Building on South Capitol Street in Santa Fe, New Mexico, 2) paying the costs of planning, designing, constructing and furnishing a new office building with integrated parking at the West Capitol Complex on Cerrillos Road in Santa Fe, New Mexico, and 3) purchasing land adjacent to the District Five Office of the New Mexico State Highway and Transportation Department on Cerrillos Road in Santa Fe, New Mexico. In addition, to the extent proceeds of the Bonds are not used for the projects listed in the preceding sentence, the Project may include the acquisition of the Public Employees Retirement Association Building on Paseo de Peralta in Santa Fe, New Mexico. The General Services Department of the State is responsible for obtaining any required approvals to proceed with the project and to negotiate the purchases of a portion of the project and to pursue the completion of the project. The Director of the Property Control Division of the General Services Department has certified that the project is needed and can be completed within a reasonable time. Planning and negotiations have begun by the Property Control Division to complete the project.

Debt Service Fund - UNM Health Sciences Fund. Chapters 341, Laws of New Mexico 2003 (the Authorizing Act) authorized the State of New Mexico to distribute amounts equal to 1) 14.37% of the net receipts of a cigarette excise tax to the Authority on behalf and for the benefit of the University of New Mexico Health Sciences Center, and 2) 15.79% of the net Cigarette Tax receipts collected each month for bond credit enhancement purposes. The Authorizing Act also permitted the Authority to issue Cigarette Tax revenue bonds in an amount not to exceed $60,000,000 for the purpose of designing, constructing, equipping and furnishing additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Proprietary Fund Types - The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The Authority does not apply FASB pronouncements issued after November 30, 1989, to its proprietary funds or business-type activity accounting. The only proprietary fund types the Authority has are enterprise funds.

Enterprise Funds - Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services, and the activity is a) financed with debt that is solely secured by a pledge of the net revenues, b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or c) has a pricing policy designed for the fees and charges to recover similar costs. The enterprise funds are as follows:

Enterprise Fund - Operating Fund. The operating fund of the Authority accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Enterprise Fund - Public Projects Revolving Fund. This 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 75% 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 35% shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the water and wastewater project grant fund, 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 be approved by the Legislature.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ *Basis of Presentation - Fund Accounting - continued*

Enterprise Funds - continued

Enterprise Fund - New Mexico Drinking Water State Revolving Loan Fund. The New Mexico Drinking Water State Revolving Loan Fund Act (Act) created 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 of 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.

Enterprise Fund - 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 under-served 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

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Enterprise Funds - continued

Enterprise Fund - Primary Care Capital Fund - continued. for assistance to the Department and administration of the Primary Care Capital Fund.

Enterprise Fund - GRIP Administrative Fund. The purpose of this fund is to record the administrative expenditures and fee revenue related to the New Mexico Department of Transportation (NMDOT) Series 2004A, B and C bond issues completed by the Authority on behalf of the NMDOT. Pursuant to a memorandum of understanding between the Authority and the NMDOT, the Authority is to receive an annual fee of 25 basis points on the outstanding debt on the 2004A Bonds for issuing the NMDOT debt, managing the outstanding debt portfolio and investing the proceeds until drawn down by the NMDOT.

Enterprise Fund - Child Care Revolving Loan Fund. Created by the 2003 Legislature, the Child Care Revolving Loan Fund partners the Authority with the New Mexico Children, Youth and Families Department to provide low-cost financing to licensed child care providers. The program received $250,000 in funding from an allocation of federal funds during fiscal year 2004.

Enterprise Fund - Behavioral Health Capital Fund. This fund was created with the passage of Senate Bill 248 in the 2004 legislative session. The purpose of this fund is to support the physical improvement, repair, safety and maintenance of licensed child care facilities throughout New Mexico by providing long-term, low interest funding through a revolving loan fund, so as to ensure availability of healthy and safe teaching environments.

Enterprise Fund - Cigarette Tax Revenue Bond – Behavioral Health Capital Fund (BHCF). The BHCF was set up to provide funding for capital projects to non-profit providers to increase health care services to sick and indigent patients. The 2004 Legislature created this fund to provide low cost financing to non-profit behavioral health clinics for their capital equipment and infrastructure projects. The Authority was authorized to issue up to $2,500,000 in bonds, secured by a portion of the net cigarette tax receipts collected by the State and distributed to the Authority. A private placement of $2,500,000 in bonds was issued during fiscal year 2006.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ Basis of Presentation - Fund Accounting - continued

Enterprise Funds - continued

Enterprise Fund – Local Transportation Infrastructure Fund (Local Road Fund). This fund was created to provide local government not eligible for Federal funding, whose needs have not been met by the existing Local Government Road Fund, with grants and low cost financial assistance for transportation projects. The program is jointly administered by the Authority and the NMDOT. The NMDOT determines feasibility and priority of recommended projects and the Authority makes loans and grants to the recommended projects. Grants are capped at 25 percent of the project cost.

Enterprise Fund – New Market Tax Credits Fund. During FY 2007 a team comprised of staff from the Authority, the New Mexico Economic Development Department and the City of Albuquerque successfully submitted an application for the federal New Market Tax Credits. The Authority has requested an allocation of $150,000,000. The status of these allocations is generally made in October and it is anticipated that the program would go through a "ramp up" period during the remainder of FY 2008. The fund was created to accumulate costs associated with the application process and other program start-up costs. Ultimately, this program will be accounted for and operated as an LLC separate and distinct from the Authority.

Enterprise Fund – Energy Efficiency Fund. This fund was established as an innovative financing mechanism for state agencies, universities and public schools to fund and implement renovations to existing facilities that will promote renewable energy and other energy efficiency improvements to these facilities. This fund will be jointly administered by the Authority and the Department of Energy, Minerals and Natural Resources. The Authority will issue PPRF bonds that are backed by State GRT and sized to the cash flow energy savings generated from the projects. This program is in a start-up phase and as yet, has not issued any bonds.

The Authority's fiduciary funds are agency funds. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The Authority's agency fund is used to account for cash at trustee related to certain bond issues that the Authority completed on behalf of the NMDOT (see Note 14).

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Measurement Focus and Basis of Accounting*

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes, grants and appropriations. On an accrual basis, revenue from gross receipts taxes is recognized when the underlying transaction has occurred. Revenue from grants and appropriations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Governmental fund types follow the modified accrual basis of accounting for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period). For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Interest earned is accrued currently by the appropriate funds. Contributions, gross receipts tax and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures, other than vacation, compensatory, and sick pay, are recorded when they are incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources. Interest expense is recognized when paid. Total interest expense incurred during the year ended June 30, 2007, was $35,559,546.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Measurement Focus and Basis of Accounting - continued*

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are charges to customers for interest and fees. Operating expenses for enterprise funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted net assets are available for expenses, unrestricted funds are applied first.

♦ *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, Wells Fargo and with banks acting as bond trustees. Cash in the various programs on deposit with the State Treasurer is invested by the New Mexico State Treasurer in the "overnight" repurchase program.

For pooled funds on deposit with the New Mexico State Treasurer, interest is credited to the various programs based on the program's average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50%. Separate financial statements of the State Treasurer indicate collateral, categories of risk and market value of purchased investments which may differ from the cash deposited by the Authority. Funds held by the banks and the Authority acting as trustees are invested in money market accounts that invest in United States Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. Repurchase agreements are collateralized at 102% in accordance with the Authority's internal policy.

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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ *Securities*

The Authority has purchased State of New Mexico Department of Energy, Minerals and Natural Resources, Jemez Springs, and New Mexico Interstate Stream Commission bonds that are recorded at cost, which approximates market value.

♦ *Loans*

Loans are stated at their principal amount. Interest on loans is accrued 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. There are no material loans past due for more than 90 days at the end of the fiscal year, which would be required to be placed on non-accrual status.

♦ *Allowance for Loan Losses*

The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors, including collateral value, past loan loss experience, current facts and economic conditions. The allowance is based on management's estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and any necessary adjustments are reported in income in the period they become known. At June 30, 2007, it was management's opinion that all governmental fund receivables, as well as outstanding receivables from the Drinking Water State Revolving Fund, Primary Care Capital Fund and Behavioral Health Capital Fund, were fully collectible and, therefore, no allowance was provided for at June 30, 2007. The Authority has not experienced any losses on its loan portfolio.

♦ *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 "expense fund" account is used to cover professional expenses incurred during the bond offering process.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Budgets and Budgetary Accounting*

The Authority prepares a budget for the operations fund and for the DWRLF. These budgets are approved by the Authority's board but are not legally binding, and therefore are not presented in the financial statements. These budgets may also be amended by the Authority's board. The budgets are prepared on a non-GAAP basis. The differences between the budgetary basis and GAAP basis are that capital outlay expenditures are included as a budgetary expenditure and depreciation expense is not a budgetary expenditure.

♦ *Capital Assets*

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays exceeding $5,000 that significantly extend the useful life of an asset are capitalized. Computer software is included in furniture and equipment. In addition, furniture and equipment with lives of three years or less, and repairs and maintenance that do not extend the useful lives of premises and equipment are expensed as incurred. The Authority does not have any internally developed software.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on estimated useful lives ranging from three to seven years.

♦ *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.

♦ *Compensated Absences*

Full-time employees are entitled to fifteen days vacation leave with ten years or less employment with the Authority. Employees with more than ten years receive twenty days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid vacation leave as of the date of termination.

Full-time employees are entitled to twelve days of sick leave each fiscal year. When employees terminate, they are compensated at twenty-five (25%) of their current hourly rate of accumulated unpaid sick leave up to 300 hours. Part-time employees accrue vacation leave and sick leave on a prorated basis based on the number of hours they work. Accrued compensated absences are recorded and liquidated in the operating fund.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ ***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.

♦ ***Bond Discounts, Premiums and Issuance Costs***
In governmental fund types, bond discounts, premiums and issuance costs are recognized in the period incurred. 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 straight line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs.

♦ ***Fund Equity***
Reserves represent those portions of fund equity appropriated or legally segregated for a specific future use. Debt service fund balances are reserved based on the language in the trust agreements, which require the bond proceeds be used for the specific purposes of the fund. Special revenue funds are reserved based on the statutory or bond trust restrictions.

♦ ***Net Assets***
The government-wide and business type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investment in capital assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority has no capital asset related debt.

Restricted assets are liquid assets that have third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.

Unrestricted assets represent liquid assets.

♦ ***Use of Estimates***
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Interfund and Interagency Transactions*

Interfund and interagency transactions 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other transfers are recorded as operating transfers in (out) to other state agency under the other financing sources (uses) category.

2. *CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE*

Funds held for others and short-term investments are held at the trustees in the names of the applicable government entity and the Authority. The repurchase agreements are overnight only. The following is a reconciliation of cash and cash equivalents to the financial statements.

		Book Balance	Bank Balance
Government-wide statement of net assets:			
State Treasurer Local Government Investment Pool	$	108,307,967	108,307,967
The Primary Care Capital Fund held at the State Treasurer's Office		3,197,026	3,197,633
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts		24,646,795	24,646,795
Bank of Albuquerque trust accounts		134,270,636	134,270,636
Reserve on Bond Payable held in Bank of America		274,027	274,027
Wells Fargo operating accounts		446,105	476,236
		271,142,556	271,173,294
Agency Fund:			
Money market accounts invested in Bank of Albuquerque		635,904,587	635,904,587
	$	907,047,143	907,077,881

2. *CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE - continued*

The New Mexico State Treasurer's Office is responsible for ensuring that all accounts held by any bank for all State governmental entities have collateral at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Authority.

The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States, are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contribution entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested.

Participation in the local government investment pool is voluntary. The investments are valued at fair value based on quoted market prices as of the valuation date.

The Authority's State Treasurer funds are contained in the New Mexico *GROW* LGIP, and at June 30, 2007 are AAAm rated and valued at $108,307,967, with a 38-day WAM.

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 sources of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts that 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.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its collateral securities that are in the possession of an outside party. The Authority's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the Authority's name.

2. *CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE - continued*

Credit Risk. The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10F NMSA 1978, 6-10-10 NMSA 1978.

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer.

Interest Rate Risk. Interest rate risk is the risk that interest rate fluctuations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the value of securities held in a collateral portfolio will decline if market interest rates rise. In this event, the financial institution is required to provide additional collateral necessary to comply with New Mexico State Statute. Therefore, funds are not susceptible to interest rate risk as they are all fully collateralized.

3. *LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES*

Loan receivable balances consist of the following at June 30, 2007:

Enterprise funds:	
Public Projects Revolving Loan Fund, net of allowance of $667,848	$ 661,146,524
Drinking Water State Revolving Loan Fund	21,571,511
Primary Care Capital Fund	4,303,779
Behavioral Health Capital Fund	400,988
	687,422,802
Governmental funds:	
Smart Money Loans	1,724,445
C.O.P.S.	507,000
Water Trust Board Loan/Grants	190,131
	2,421,576
	$ 689,844,378

3. *LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued*

♦ *Public Projects Revolving Loan Fund*

The Public Projects Revolving Loan Fund loans receivable balance at June 30, 2007 is $661,146,524, net of an allowance for loan loss of $667,848, and consists of loans made to various entities.

Terms for the Public Projects Revolving Loans 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, 2007 to June 30, 2008	$	43,234,506	23,599,723	66,834,229
July 1, 2008 to maturity		618,579,866	213,195,458	831,775,324
	$	661,814,372	236,795,181	898,609,553

♦ *Drinking Water State Revolving Loan Fund*

Terms for the Drinking Water State Revolving loans vary with interest rates ranging from 0% to 3%. 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, 2007 to June 30, 2008	$	1,070,634	332,186	1,402,820
July 1, 2008 to maturity		20,500,877	2,560,714	23,061,591
	$	21,571,511	2,892,900	24,464,411

No allowance for uncollectible loans has been established as the loans are secured by applicable sources of pledged receivables.

3. *LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued*

♦ *Primary Care Capital Fund*

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, 2007 to June 30, 2008	$	473,223	137,636	610,859
July 1, 2008 to maturity		3,830,556	557,716	4,388,272
	$	4,303,779	695,352	4,999,130

No allowance for uncollectible loans has been established as the loans are secured by applicable sources of pledged receivables.

♦ *Behavioral Health Capital Fund*

The Behavioral Health Capital loan has an interest rate of 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, 2007 to June 30, 2008	$	31,296	11,027	42,323
July 1, 2008 to maturity		369,692	58,398	428,090
	$	400,988	69,425	470,413

No allowance for uncollectible loans has been established as the loan is secured by applicable sources of pledged receivables.

3. *LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued*

♦ ***"SMART" Money Loans***

The "SMART" Money Loan Participation Program brings the Authority and "SMART Partner Banks" together as partners to share risk while lowering the overall cost of borrowing for the business by the Authority offering below-market rates on its portion of the loan to a New Mexico business. The Authority participates in 49% of the total loan amount. Interest rates range from 5% to 8%.

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, 2007 to June 30, 2008	$	-	-	-
July 1, 2008 to maturity		1,724,445	-	1,724,445
	$	1,724,445	-	1,724,445

No allowance for uncollectible loans has been established at this time. The loans are secured by commercial real estate mortgages.

♦ ***C.O.P.S.***

The C.O.P.S. loans vary, with interest rates ranging from 4.75% to 6.618%. 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, 2007 to June 30, 2008	$	96,000	30,000	126,000
July 1, 2008 to maturity		411,000	92,859	503,859
	$	507,000	122,859	629,859

No allowance for uncollectible loans has been established as the loan is secured by applicable sources of pledged receivables.

3. *LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued*

♦ ***Water Trust Board Loan/Grants***

The Water Trust Board established a loan element whereby grantees are required to repay 10% of the total amount they receive. Interest rates vary, based on the borrower's ability to repay, but range from 4% to 5%.

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, 2007 to June 30, 2008	$	13,020	-	13,020
July 1, 2008 to maturity		177,111	-	177,111
	$	190,131	-	190,131

Allowance has not yet been established as these loans were established late in fiscal year 2007 and repayments have not been made. An appropriate allowance will be made in fiscal year 2008.

4. *SECURITIES*

At June 30, 2007, securities for the Public Project Revolving Fund (PPRF) consisted of $10,354,290 of Department of Energy, Minerals, and Natural Resources Bonds (Series 1995A, 1995B, 1996A, 1996B, 1997A, 1997B, 1998A, 1998B and 2003B); and $254,913 of Interstate Stream Commission Bonds (Series 1998). The Department of Energy, Minerals, and Natural Resources Bonds have interest rates ranging from 3% to 5.6%, with final maturity on May 1, 2018. The Jemez Springs Bonds have interest rates ranging from 4.20% to 5.45%, with a final maturity on May 1, 2008. The New Mexico Interstate Stream Commission Bonds have interest rates ranging from 5.92% to 6.19%, with final maturity on May 1, 2008. The securities are carried at cost, which approximates market value.

4. *SECURITIES - continued*

The following is a summary of future principal and interest to be collected based on contractual maturity of the securities after year-end:

		Principal	Interest	Total	Weighted Average Maturity (Years)
July 1, 2007 to June 30, 2008	$	1,136,658	501,020	1,637,678	1.0 years
July 1, 2008 to maturity		9,472,545	2,883,281	11,854,806	8.9 years
	$	10,609,203	3,384,301	13,492,484	

Credit Risk. The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10F NMSA 1978, 6-10-10 NMSA 1978.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, The Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in The Authority's name. The Authority's investments in securities listed above are not collateralized.

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer.

5. DUE FROM AND DUE TO OTHER FUNDS AND TRANSFERS

These amounts represent interfund receivables and payables arising from interfund transactions within the Authority. These balances are netted as part of the reconciliation to the government-wide columnar presentation.

Interfund receivables and payables as of June 30, 2007 consist of the following:

			Due To:		
				Enterprise Funds	
			PPRF 200s	Operating Fund 101	Total
Due From:					
Governmental Funds:					
Metro Court	304	$	-	-	-
Water and Wastewater Grant	307		-	7,202	7,202
Water Project Fund	309		-	23,864	23,864
Emergency Drought Relief	312		-	-	-
Water Planning Grant	313		-	5,113	5,113
Economic Development	314		-	1,103,063	1,103,063
Total Governmental Funds			-	1,139,242	1,139,242
Enteprise Funds:					
GRIP Fund	104	$	-	25,597	25,597
Drinking Water	500		-	28,050	28,050
Child Care	319		-	71,538	71,538
Behavioral Health	311		-	8,626	8,626
Local Road Fund	504		-	1,429	1,429
Primary Care	501		-	42,350	42,350
NM Tax Credit	600		-	164,531	164,531
Energy Efficiency	601		-	10,239	10,239
PPRF	200s		-	285,703	285,703
Total Enterprise Funds			-	638,063	638,063
		$	-	1,777,305	1,777,305

5. *DUE FROM AND DUE TO OTHER FUNDS AND TRANSFERS - continued*

Transfers between funds for the year ended June 30, 2007 are as follows:

		Transfers Out: UNM Health Sciences 103/105	Metro Court 304	State Building 100	Water and Wastewater Project 307	Water Project Fund 309	Other	Total
Transfers In:								
Governmental Funds:								
UNM Health Sciences	103/105	$ -	-	-	-	-	7,151,932	7,151,932
Metro Court	304	-	-	-	-	-	2,403,004	2,403,004
State Building	100	-	-	-	-	-	6,417,627	6,417,627
Emergency Drought Relief	312	-	-	-	-	1,220	-	1,220
Water Planning Grant	313	-	-	-	-	-	-	-
Equipment Loan Fund	400s	-	-	-	-	-	-	-
Other		6,662,550	-	6,297,388	-	-	779	12,960,717
Total Governmental Funds		6,662,550	-	6,297,388	-	1,220	15,973,342	28,934,500

		Operating Fund 101	GRIP Admin 104	Drinking Water 500	Cigarette Tax Revenue 321	PPRF 200s	Other	Total
Transfers In:								
Enterprise Funds:								
Operating Fund	101	-	-	-	-	-	5,106,464	5,106,464
GRIP Admin.	104	10,000	-	-	-	-	-	10,000
Drinking Water	500	-	-	6,713,687	-	-	-	6,713,687
Behavioral Health	311	-	-	-	49,445	-	-	49,445
Local Road Fund	504	-	1,000,500	-	-	-	-	1,000,500
Cigarette Tax Revenue	321	-	-	-	-	-	262,750	262,750
PPRF	200s	-	-	-	-	-	14,327,709	14,327,709
Other		5,489,452	-	-	-	12,979,230	-	18,468,682
Total Enterprise Funds:		5,499,452	1,000,500	6,713,687	49,445	12,979,230	19,696,923	45,939,237
Total Governmental and Enterprise Funds		$ 12,162,002	1,000,500	13,011,075	49,445	12,980,450	35,670,265	74,873,737

Transfers in and out of the governmental funds are legilsatively appropriated revenues to pay debt service.

Enterprise fund transfers in and out are primarily movement of loan proceeds out to the borrowers to pay for program and construction costs.

$1,228,241 was transferred from the Governmental Funds to the Enterprise Funds for fiscal year ending 2007.

The following Enterprise Fund owed the following amount to other state agencies at June 30, 2007:

The Drinking Water Revolving Loan Fund owed $1,704,907 to the Environment Department for technical set-asides.

6. *OPERATING TRANSFERS*

Governmental Funds Operating Transfers from (to) Other State Agencies

State Agency	Agency Fund Number	Economic Development Fund	State Building Program Cigarette Tax Fund	State Office Building Financing Fund	UNM Health Sciences Fund	Other Governmental Funds	Total
Dept. of Finance & Administration	34100	$ 4,900,000	714,128	6,090,000	6,835,217	1,953,059	20,492,404
University of New Mexico	95100	-	-	-	(1,806,503)	-	(1,806,503)
New Mexico Department of Labor	63100	-	-	-	-	(848,752)	(848,752)
New Mexico State University	95200	-	-	(2,019,029)	-	-	(2,019,029)
University of NM Law Library	95100	-	(94,150)	-	-	-	(94,150)
		4,900,000	619,978	4,070,971	5,028,714	1,104,307	15,723,970

Enterprise Funds Operating Transfers from (to) Other State Agencies

State Agency	Agency Fund Number	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund
Bernalillo Metropolitan Court	24400	$ (330,211)	-
NM Environment Department	66700	-	(3,008,527)
NM Department of Health	66500	(2,056,307)	-
		(2,386,518)	(3,008,527)

The Authority received $20,492,404 in New Mexico state general fund appropriations from the Department of Finance and Administration.

6. *OPERATING TRANSFERS - continued*

The following debt service funds made the following transfers to other state agencies during the year ended June 30, 2007:

The UNM Health Sciences 2004A transferred $1,806,503 for revenue rebate to UNM from cigarette tax collections.

The Workers' Compensation Series 1996 transferred $848,752 for revenue rebate to Workers' Compensation.

The State Building GRT Purchase Fund transferred $2,019,029 in program fund requests to project draw requests, debt service payments and final debt service payment for NMSU building.

The following special revenue fund made the following transfer to other state agencies during the year ended June 30, 2007:

The State Building Program Cigarette Tax Fund transferred $94,150 for the UNM Law Library debt service.

The following enterprise funds made the following transfers to other state agencies during the year ended June 30, 2007:

The PPRF Series 2005 C & D Metro Court Refunding transferred $330,211 for project draw requests to Metro Court.

The Drinking Water Revolving Fund transferred $3,008,527 to the New Mexico Environment Department for billings.

The PPRF Series 2006 D Fund transferred $23,562,228 for project draw requests.

The PPRF Direct Cash Loans transferred $2,056,307 for revenue rebate to Department of Health Primary and Secondary Accounts.

7. *CAPITAL ASSETS*

A summary of changes in capital assets follows:

Business-type Activities		Balance June 30, 2006	Additions	Adjustments/ Deletions	Balance June 30, 2007
Depreciable assets:					
Furniture and fixtures at historical cost	$	157,526	-	(59,360)	98,166
Computer hardware and software		359,324	103,545	(74,167)	388,702
Machinery and equipment		25,563	-	(795)	24,768
Leasehold improvements		10,557	17,545	(1,170)	26,932
		552,970	121,090	(135,492)	538,568
Accumulated depreciation:					
Furniture and fixtures		(134,196)	(13,785)	3,922	(144,059)
Computer hardware and software		(48,788)	(54,585)	15,530	(87,843)
Machinery and equipment		(6,024)	(3,478)	990	(8,512)
Leasehold improvements		(3,080)	(3,786)	980	(5,886)
		(192,088)	(75,634)	21,422	(246,300)
Net total	$	360,882	45,456	(114,070)	292,268

Depreciation expense was $21,924 in the Operating Fund, $22,785 in the Public Project Revolving Fund, $12,239 in the Drinking Water Revolving Loan Fund, $17,352 in the GRIP Administrative Fund, $167 in the Primary Care Fund, $333 in the Behavioral Health Capital Fund, $167 in the Child Care Revolving Loan Fund, $167 in the Local Road Fund, $333 in the Tax Credits Fund and $167 in the Energy Efficiency Fund for the year ended June 30, 2007.

7. *CAPITAL ASSETS - continued*

Governmental Activities		Balance June 30, 2006	Additions	Adjustments/ Deletions	Balance June 30, 2007
Depreciable assets:					
Furniture and fixtures at historical cost	$	157,670	-	(57,034)	100,636
Computer hardware and software		116,875	24,867	(22,368)	119,374
Machinery and equipment		24,880	-	(531)	24,349
Leasehold improvements		10,470	4,117	(1,269)	13.318
		309,895	28,984	(81,202)	257,677
Accumulated depreciation:					
Furniture and fixtures		(45,628)	(18,301)	4,808	(59,121)
Computer hardware and software		(21,849)	(21,709)	5,704	(37,854)
Machinery and equipment		(7,313)	(4,428)	1,163	(10,578)
Leasehold improvements		(2,856)	(2,422)	657	(4,621)
Accumulated depreciation		(77,646)	(46,860)	12,332	(112,174)
Net total	$	232,249	(17,876)	(68,870)	145,503

8. *BONDS PAYABLE*

Bonds outstanding as of June 30, 2007, for the Authority's enterprise funds consist of the following:

Public Project Revolving Funds (PPRF)

PPRF Series 1997A. 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 1997A Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1998 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 investments securities.

PPRF Series 1999A, 1999B, 1999C and 1999D. On January 1, 1999, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1999A and 1999B (tax exempt) and Series 1999 and 1999D (taxable), in the aggregate principal amounts of $13,135,000, $3,025,000, $2,265,000 and $4,875,000, respectively. The Series 1999 Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1999 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1999 bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources and the New Mexico Interstate Stream Commission's 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.

PPRF Series 2000A. On January 1, 2000, the Authority issued its Public Project Revolving Fund, Series 2000A Bonds, in the aggregate principal amount of $4,715,000 to finance a loan to Valencia County, New Mexico, to construct, purchase, furnish and equip an adult correctional facility for the County and to finance the cost of issuance of the Series 2000A Bonds.

PPRF Series 2000B and C. On September 1, 2000, the Authority issued $7,670,000 of Public Project Revolving Fund, Series 2000B and $28,850,000 Series 2000C Bonds. The Series 2000B and C bonds were issued to reimburse the Public Project Revolving Fund for loans made by the Authority to various Governmental Units and to reimburse the Authority for and to finance the costs of issuance of the Series 2000B and C Bonds.

8. *BONDS PAYABLE - continued*

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2002A. On July 2, 2002, the Authority issued $55,610,000 of Public Project Revolving Fund, Series 2002A Bonds. The Series 2002A Bonds were issued to reimburse the Public Project Revolving Fund for loans made by the Authority to various governmental units and to reimburse the Authority for and to finance the costs of issuance of the Series 2002A Bonds.

PPRF Series 2003A. On April 3, 2003, the Authority issued $39,945,000 of Public Project Revolving Fund, Series 2003A Bonds. The Series 2003A Bonds were issued to reimburse the Public Project Revolving Fund for loans made by the Authority to various governmental units and to reimburse the Authority for and to finance the costs of issuance of the Series 2003A Bonds.

PPRF Series 2003B. On June 5, 2003, the Authority issued $25,370,000 of Public Project Revolving Fund, Series 2003B Bonds. The Series 2003B Bonds were issued to 1) refund the Authority's outstanding Public Project Revolving Fund Revenue Bonds, Series 1995A, maturing on and after June 1, 2006, and Public Project Revolving Fund Revenue Bonds, Series 1996A, maturing on and after June 1, 2007; and 2) finance the costs of issuance of the Series 2003B Bonds and the refunding of the Series 1995A and 1996A Bonds.

PPRF Series 2004A. On January 28, 2004, the Authority issued $43,400,000 of Public Project Revolving Fund, Series 2004A Bonds. The Series 2004A Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the Authority to certain governmental entities for the purpose of financing public projects; and 2) finance the costs of issuance of the Series 2004A Bonds.

PPRF Series 2004B. On June 9, 2004, the Authority issued $49,540,000 of Public Project Revolving Fund, Series 2004B Revenue Bonds. The Series 2004B Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the Authority to certain governmental entities for the purpose of financing public projects; and 2) finance the costs of issuance of the Series 2004B Bonds.

8. *BONDS PAYABLE - continued*

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2004C. On October 1, 2004, the Authority issued $168,890,000 of Public Project Revolving Fund Series 2004C Revenue Bonds. The Series 2004C Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the Authority to certain governmental entities for the purpose of financing public projects, 2) fund the loan to the Albuquerque Bernalillo County Water Utility Authority, and 3) finance the costs of issuance of the Series 2004C Bonds.

PPRF Series 2005A and B. On August 1, 2005, the Authority issued $19,015,000 of Public Project Revolving Fund Series 2005A Revenue Bonds and $13,500,000 of Public Project Revolving Fund Series 2005B Refunding Revenue Bonds. The Series 2005A and B Bonds were issued to 1) advance refund certain outstanding Public Project Revolving Fund Bonds, 2) reimburse the Public Project Revolving Fund for loans made by the Authority to governmental entities for the purpose of funding public projects, and 3) finance the costs of issuance of the Series 2005A and B Bonds.

PPRF Series 2005C and D. On April 5, 2005, the Authority issued $50,395,000 of Subordinate Lien Public Project Series 2005C and $8,660,000 of Taxable Subordinate Lien Public Project Series 2005D Revolving Fund Refunding Revenue Bonds. The Series 2005C and D Bonds were issued to 1) purchase the Authority's Court Facilities Fee Refunding Revenue Bonds, and 2) finance the costs of issuance of the Series 2005C and D Bonds.

PPRF Series 2005E. On August 30, 2005, the Authority issued $23,630,000 of Subordinate Lien Public Project Revolving Fund Series 2005E Revenue Bonds. The Series 2005E Bonds were issued to 1) purchase the Authority's Subordinate Lien Cigarette Tax Revenue Bonds (UNM Health Sciences Center Project), Series 2005, and 2) finance the costs of issuance of the Series 2005E Bonds.

PPRF Series 2005F. On December 7, 2005, the Authority issued $21,950,000 of Subordinate Lien Public Project Revolving Fund Series 2005 F Revenue Bonds. The 2005 F Series Bonds were issued to 1) directly fund, or to reimburse the Public Projects Revolving Fund for, loans made by the NMFA to certain governmental entities for the purpose of financing public projects, 2) purchase a Reserve Instrument, and 3) pay the cost of issuance of the Series 2005 F Bonds.

8. *BONDS PAYABLE - continued*

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2006A. On March 28, 2006, the Authority issued $49,545,000 of Subordinate Lien Public Project Revolving Fund Series 2006 A Revenue Bonds. The 2006 A Series Bonds were issued to 1) originating loans or reimbursing the NMFA for moneys used to originate loans to, or purchase securities from, certain governmental entities that will be or were used to finance certain projects for such governmental units, 2) purchase a reserve surety bond for deposit to the debt service reserve account established for the Series 2006 A Bonds, and 3) pay costs incurred in connection with the issuance of the Series 2006 A Bonds.

PPRF Series 2006B. On June 27, 2006, the Authority issued $38,260,000 of Senior Lien Public Project Revolving Fund Series 2006 B Revenue Bonds. The 2006 B Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for or to originate loans made or to be made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units and, 2) pay costs incurred in connection with the issuance of the Series 2006 B Bonds.

PPRF Series 2006C. On November 7, 2006, the Authority issued $39,860,000 of Subordinate Lien Public Project Revolving Fund Series 2006 C Revenue Bonds. The 2006 C Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, including a $21,650,229 loan to the Jicarilla Apache Tribal Utility Authority; 2) purchasing a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2006 C Bonds; and 3) paying costs incurred with the issuance of the Series 2006 C Bonds.

PPRF Series 2006D. On September 6, 2006, the Authority issued $54,600,000 of Senior Lien Public Project Revolving Fund Series 2006 D Revenue Bonds. The 2006 D Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, 2) purchase contemporaneously with the issuance of the Series 2006 D Bonds the NMFA State Building Tax Revenue Bonds, Series 2006 A (PERA Building Acquisition) (the "2006A Bonds") to finance the acquisition and improvement of a public building for use by the State with proceeds of the 2006 A Bonds, 3) purchase contemporaneously with the issuance of the Series 2006 D Bonds the NMFA State Building Tax Revenue bonds Series 2006 B (Refunding Project) (the "2006 B Bonds") to refund the outstanding NMFA State Office Building Bonds Series 2002 A

8. *BONDS PAYABLE - continued*

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2006D - continued.
with proceeds of the Series 2006 B Bonds, and 4) pay costs incurred in connection with the issuance of the Series 2006 D Bonds.

PPRF Series 2007A. On February 27, 2007, the Authority issued $34,010,000 of Subordinate Lien Public Project Revolving Fund Series 2007 A Revenue Bonds. The 2007 A Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by NMFA to certain governmental entities for the purpose of funding public projects for such governmental units; 2) purchasing a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 A Bonds; 3) paying accrued interest; and 4) paying costs incurred with the issuance of the Series 2007 A Bonds.

Bonds outstanding as of June 30, 2007, to be paid out of the Authority's debt service funds consist of the following:

Workers' Compensation Financing Fund. 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.

State Capitol Improvement Financing Fund. On May 11, 1999, the Authority issued $9,315,000 of New Mexico Finance Authority State Capitol Building Improvement Revenue Bonds, Taxable Series 1999. The bonds were issued for the purpose of repairing, remodeling, constructing and equipping the New Mexico State Library and for relocation associated renovations in the State Capitol.

8. BONDS PAYABLE - continued

Metro Court Financing Fund. The Laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. On August 1, 2001, the Authority issued $21,600,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001A (Tax Exempt), and $11,400,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001B (Taxable). The Series 2001A Bonds were issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2001A Bonds. The taxable Series 2001B Bonds were issued by the Authority for the purpose of financing the acquisition of land for, and the design, construction, furnishing and equipping of a parking facility adjacent to the new Bernalillo County Metropolitan Court and to finance the costs of issuance of the taxable Series 2001B Bonds.

On September 1, 2002, the Authority issued $24,900,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2002 (Tax Exempt). The Series 2002 Bonds were issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2002 Bonds. The Series 2002 Bonds were issued pursuant to the bond resolution with a lien on the Pledged Court Facilities revenues on parity, with the liens thereon of the $21,600,000 Authority Court Facilities Fee Revenue Bonds, Series 2001A, and the $11,400,000 Authority Taxable Court Facilities Fee Revenue Bonds, Series 2001B.

Equipment Loan Fund. 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 that 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.

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 18 governmental entities in the state. On August 29,1995, the Authority issued $2,904,000 aggregate principal amount of its Pooled 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

8. *BONDS PAYABLE - continued*

Equipment Loan Fund - continued.
principal amount of its Pooled Equipment Program Certificates of Participation, Series 1996A. The net proceeds were loaned to 13 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 19965B. The net proceeds were loaned to various governmental entities in the state. Interest rates on the equipment loans range from 4.5% to 6.3%.

State Office Building Financing Fund. The Laws of 2001, Chapters 166 and 199, authorized the Authority to issued revenue bonds for the General Services Department (GSD) of the State of New Mexico. The State Office Building Tax Revenue Bonds, Series 2002A, were issued on December 15, 2001, for purpose of financing the costs of acquiring, constructing, equipping and otherwise improving land and buildings for the GSD. The Series 2002A Bonds are payable from and secured only by amounts on deposit in the Authority's State Office Building Fund, which consists of money appropriated and transferred to the Fund from the net receipts attributable to the gross receipts tax of the State in the amount of $500,000 per month.

UNM Health Sciences Fund. Cigarette Tax Series 2004A Revenue Bonds. On April 1, 2004, the Authority issued $39,035,000 of Cigarette Tax Series 2004A Revenue Bonds (UNM Health Services Center Project). The Series 2004A Bonds were issued to 1) finance a portion of the costs of the design, construction, equipping and furnishing of additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico; and 2) finance the costs of issuance of the Series 2004A bonds.

UNM Health Sciences 2004B. On September 22, 2004, the Authority issued $10,000,000 of Cigarette Tax Revenue Series 2004B Revenue Bonds. The Series 2004B Bonds were issued to 1) finance a portion of the costs of the design, construction, equipping and furnishing of additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico; and 2) finance the costs of issuance of the Series 2004B Bonds.

Bonds outstanding are direct obligations of the Authority for which its full faith and credit are pledged and are payable from pledged tax revenues of various entities.

8. *BONDS PAYABLE - continued*

Bonds payable and related premium/discount balances consist of the following at June 30, 2007:

		Amount	Interest Rate	Final Maturity
Enterprise Funds:				
PPRF 1997A	$	-	4.25 - 5.00	6/1/2007
PPRF 1999A, B, C and D		11,360,000	3.30 - 6.30	6/1/2018
PPRF 2000A		1,055,000	4.10 - 5.30	6/1/2009
PPRF 2000B and C		9,950,000	4.35 - 5.60	6/1/2009
PPRF 2002A		23,170,000	2.00 - 5.00	6/1/2026
PPRF 2003A		23,799,000	2.00 - 4.75	6/1/2025
PPRF 2003B		21,470,000	2.00 - 5.00	6/1/2021
PPRF 2004A		34,925,000	1.125 - 5.00	6/1/2031
PPRF 2004B		41,355,000	3.00 - 5.125	6/1/2033
PPRF 2004C		151,540,000	2.50 - 5.00	6/1/2024
PPRF 2005C and D		52,920,000	3.05 - 5.00	6/15/2025
PPRF 2005A		16,595,000	3.00 – 4.25	6/1/2025
PPRF 2005B		13,225,000	3.00 – 4.25	6/1/2020
PPRF 2005E		23,630,000	4.00 - 5.00	6/15/2025
PPRF 2005F		21,215,000	4.00 - 5.00	6/15/2025
PPRF 2006A		49,490,000	4.00 - 5.00	6/15/2035
PPRF 2006B		37,605,000	4.00 - 5.00	6/1/2036
PPRF 2006C		39,095,000	4.00 - 5.00	6/15/2027
PPRF 2006D		52,645,000	4.00 - 5.00	6/1/2036
PPRF 2007A		33,695,000	4.00 - 5.00	6/15/2027
CIG TAX 2006 – Behavioral Health		2,375,000	5.51	5/1/2026
		661,114,000		
Bond premium and discount, net on enterprise funds		30,410,699		
Total	$	691,524,699		

8. BONDS PAYABLE – continued

		Amount	Interest Rate	Final Maturity
To be paid out of Debt Service Funds:				
UNM Health Sciences	$	25,225,000	2.00 - 5.00	4/1/2019
UNM Health Sciences 2004B		8,915,000	2.10 - 5.50	4/1/2019
Workers' Compensation Financing Fund		2,750,000	5.00 - 5.60	3/1/2017
Metro Court		45,765,000	5.50 - 5.80	6/15/2011
State Capitol Improvement Financing Fund		5,955,000	7.00	6/1/2021
State Building Purchase Fund		27,470,000	4.00 - 5.00	11/1/2006
COP-Equipment Loan Fund Series 95A, 95B		208,000	4.05 - 5.40	10/1/2016
COP-Equipment Loan Fund Series 96A		62,000	3.85 - 5.20	4/1/2016
COP-Equipment Loan Fund Series 96B		237,000	4.50 - 5.70	4/1/2012
Cigarette Tax Revenue Bond		-	3.95 - 5.25	6/1/2006
		116,587,000		
Bond premium and discount, net on Debt Service Funds		2,071,134		
Total	$	118,658,134		

The requirements to amortize the bonds payable and the related premium/discount outstanding are as follows:

		Principal	Interest	Total
2008	$	37,194,000	36,808,177	74,002,177
2009		48,245,000	35,351,346	83,596,346
2010		42,345,000	33,291,533	75,636,533
2011		86,238,000	31,474,520	117,712,520
2012		45,262,000	29,379,803	74,641,803
2013 - 2017		217,599,000	105,880,381	323,479,381
2018 - 2022		159,981,000	58,167,272	218,148,272
2023 - 2027		89,427,000	23,580,020	113,007,020
2028 - 2032		27,440,000	10,200,556	37,640,556
2033 - 2037		23,970,000	2,862,050	26,832,050
Total	$	777,701,000	366,995,658	1,144,696,658

8. *BONDS PAYABLE - continued*

The bonds payable activity for the year is as follows:

		Balance, July 1, 2006	Additions	Deletions	Balance, June 30, 2007
Enterprise Funds	$	577,348,000	130,270,000	(46,504,000)	661,114,000
Debt Service Funds		123,519,000	-	(6,932,000)	116,587,000
Total	$	700,867,000	130,270,000	(53,436,000)	777,701,000

The amount of bonds payable due within one year is $37,194,000.

The following bonds were issued by the Authority in an agency capacity and are not included in the Authority's financial statements (see Note 14):

State Transportation Series 2004A Revenue Bonds. On May 20, 2004, the Authority issued $700,000,000 of State Transportation, Series 2004A, Revenue Bonds. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2004B Revenue Bonds. On May 20, 2004, the Authority issued $237,950,000 of State Transportation, Series 2004B, Refunding Revenue Bonds. The Series 2004B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the Authority and the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2004C Revenue Bonds. On May 20, 2004, the Authority issued $200,000,000 of State Transportation, Series 2004C, Refunding Revenue Bonds. The Series 2004C Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the Authority and the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

8. *BONDS PAYABLE - continued*

State Transportation Series 2006A Revenue Bonds. On September 19, 2006, the Authority issued $150,000,000 of State Transportation, Series 2006A Revenue Bonds. The Series 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2006B Revenue Bonds. On September 19, 2006, the Authority issued $39,005,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The Series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2006C Revenue Bonds. On September 19, 2006, the Authority issued $220,000,000 of State Transportation, Series 2006C Revenue Bonds. The Series 2006C bonds were issued as adjustable rate securities and were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2006D Revenue Bonds. On September 19, 2006, the Authority issued $50,680,000 of State Transportation, Series 2006D Revenue Bonds. The Series 2006D Bonds were issued to provide funds for an escrow account required to be maintained by the New Mexico Department of Transportation pursuant to a Joint Use Agreement between the New Mexico Department of Transportation and the BNSF Railway Company. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not on the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

9. *NOTE PAYABLE*

In November 2002, the Authority issued the 2002A Bond. Part of the 2002A Bond proceeds were given to UNM for their Law Library, and the remaining portion of $2,000,000 was loaned to UNM. To offset this loan receivable, the Authority was issued a note payable in conjunction with the 2002A Debt Service requirement. The terms of this note are outlined below:

$2,000,000 variable interest rate (3.820% at June 30, 2007), note due in annual installments of $150,557 (currently), including interest, through May 2015. Note is offset by cigarette tax proceeds received from the State of New Mexico.	$	1,855,346
		1,855,346
Less current maturities		150,557
	$	1,704,789

Long-term debt maturities on note payable to PPRF Fund as of June 30, 2007, are as follows:

Years ending June 30:

2008	$	150,557
2009		156,941
2010		163,848
2011		171,223
2012		179,102
2013 - 2017		1,033,675
	$	1,855,346

10. *LINE OF CREDIT*

The Authority maintains an unsecured credit facility which provides for a borrowing limit of up to $100,000,000. The terms of the credit facility require payment in full or renewal by May 31, 2009. Interest is due monthly on the outstanding balance, and accrues at the BBA LIBOR rate plus basis points (3.628% at June 30, 2007). Basis points are calculated quarterly based on the ratio of funded debt to operating cash flow. Additional borrowings must be made at a minimum amount of $5,000,000. The Authority shall pay the unused commitment fee on a quarterly basis beginning June 30, 2007, at a rate between 6 to 9 basis points pursuant to the line of credit agreement. At June 30, 2007, $31,338,974 had been borrowed on this line, providing for an unused commitment of $68,661,026.

	Balance, July 1, 2006	Additions	Deletions	Balance, June 30, 2007	Short-term Portion
Line of Credit	$ -	31,338,974	-	31,338,974	31,338,974

11. *OPERATING LEASE COMMITMENT*

The Authority is committed under various lease agreements for office space and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2007 amounted to approximately $277,000.

Future minimum lease payments for these leases are as follows:

Years ending June 30:	
2008	$ 299,121
2009	307,598
2010	319,902
2011 and thereafter	-
	$ 926,621

12. *RETIREMENT PLAN*

The Authority 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 Revenue 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%

12. RETIREMENT PLAN - continued

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 contributions for this retirement plan were $301,983, $263,313 and $204,975 for the years ended June 30, 2007, 2006 and 2005, respectively. Substantially all full time employees participate in this plan.

Presented below is the June 30, 2007, Statement of Fiduciary Net Assets and Statements of Change in Net Assets:

Statement of Fiduciary Net Assets

Assets:		
Cash	$	-
Self-directed accounts (cash and investments)		1,667,625
Guaranteed Account		10,520
Participant loan receivable		32,721
Total assets	$	1,710,866
Net assets:		
Pension plan participants' benefits	$	1,710,866

Statement of Changes in Net Assets

Additions:		
Investment earnings	$	241,715
Employer contributions		301,982
Rollover contributions		42,447
Employee contributions		104,087
Total additions		690,231
Deductions:		
Distributions to participants		128,600
Investment expenses		12,493
Total deductions		141,093

12. *RETIREMENT PLAN - continued*

Change in net assets	$	549,138
Net assets - beginning		1,161,748
Net assets - ending	$	1,710,886

During the year ended June 30, 2005, the Authority adopted a retirement plan in accordance with an "eligible deferred compensation plan" pursuant to Section 457 of the Internal Revenue Code for its Executive Director and its Chief Operating Officer. The Authority contributes nine percent of compensation to the plan. The contributions are made regardless of the number of hours worked or the employment status on the last day of the plan year. Employer contributions are limited by IRS Code Section 457(e)(15)(A). The employee is fully vested at all times. Employer contributions for the year ended June 30, 2007 were $21,664.

13. *COMPENSATED ABSENCES*

During the year ended June 30, 2007, the following changes occurred in the compensated absences liabilities:

	Balance, July 1, 2006	Additions	Deletions	Balance, June 30, 2007
$	162,277	190,065	160,254	192,088

The portion of compensated absences due after one year is not material and, therefore, not presented separately. Compensated absences are liquidated from the operating fund. There are no compensated absences for the governmental funds.

14. *AGENCY TRANSACTIONS*

Bond Issues

The Authority, on behalf of the New Mexico Department of Transportation (NMDOT), issued $700,000,000 State Transportation Revenue Bonds (Senior Lien), Series 2004A in May 2004. The gross proceeds to the Authority were $738,787,815, including $43,556,815 of an original issue premium. The cost of issuance including underwriter fees was $6,368,367. The Bonds are special, limited obligations of the NMDOT, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and the NMDOT has determined to be necessary or desirable.

NMDOT is responsible for the Authority's issuance costs and must annually pay the Authority twenty-five basis points on the outstanding principal balance. Principal of the bonds is payable as follows on June 15. Interest with rates ranging from 3.8% to 5.25% per annum is payable semi-annually on June 15 and December 15 through the year 2024.

The Authority, on behalf of the NMDOT, issued $237,950,000 and $200,000,000 (Authority) State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B and Series 2004C in May 2004. The gross proceeds to the Authority for both issuances were $451,069,205, including $16,347,187 of an original issue premium. The cost of issuance including underwriter fees was $4,228,696. Following is the detail of the Series 2004B and Series 2004C bonds issued.

The $237,950,000 Series 2004B Bonds are special, limited obligations of the NMDOT, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds are being issued through the Authority at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding bonds of the Authority and the Commission.

The NMDOT is responsible for the Authority issuance costs. Principal of the bonds is payable as follows on June 15. Interest with rates ranging from 2% to 5% per annum is payable semi-annually on June 15 and December 15 through the year 2014.

14. *AGENCY TRANSACTIONS - continued*

Bond Issues - continued

The Series 2004C Bonds are special, limited obligations of the NMDOT payable, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees required by law to be paid into the Highway Infrastructure Fund. The lien on the bonds on such revenues is subordinate to the lien thereon securing other bonds issued concurrently with the 2004C Bonds or which may hereafter be issued through the Authority. The bonds are being issued through the Authority at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding debt.

The Authority is responsible for its issuance costs. Principal of the Bonds is payable as follows on June 15 with interest payable semi-annually on June 15 and December 15 through the year 2023. Interest is fixed at 3.393% based on a swap agreement in place at June 30, 2004.

For the year ended June 30, 2007, the Authority recorded $2,313,000 in administrative fees related to the three bonds in the GRIP Administrative Fund (Proprietary Fund).

At June 30, 2007, the Authority had $231,353,435 in cash at trustee related to these three bonds offset by accounts payable, debt service payable and funds held for the New Mexico Department of Transportation. The Authority has recorded these amounts in an agency fund.

Refunding

The Authority, on behalf of the NMDOT, used the 2004B and 2004C Bonds to advance refund certain older debt issues of the NMDOT, and the New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 2001 and New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 1999. The net proceeds of $408,855,872 plus an additional $7,285,997 were used to purchase U.S. governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt is considered to be defeased and the liability for those bonds has been removed from long-term obligations. $317,880,000 of the bonds outstanding was considered defeased as of June 30, 2007.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps

State Transportation Revenue Bonds, Series 2006

Objective of the Swaps. In April of 2004, the Authority entered into two forward starting swaps (Swap Agreements), each with a different counterparty and each designed to hedge future interest rates. The intention of the Swap Agreements was to take advantage of historically low interest rates for tax-exempt bonds to be issued in 2006. The State Transportation Revenue Bonds, Series 2006 (2006 Bonds) were issued by the Authority to fund part of the Governor Richardson's Investment Partnership (GRIP), which is a $1.6 billion statewide transportation expansion and infrastructure improvement project. The Swap Agreements each contain a knock-out option that begins on the settlement date and ends on the maturity date of each agreement and that allows each counterparty to cancel the agreement at no cost to the counterparty. The intention of the option was to reduce the synthetic fixed rate. The Authority typically has between $175 million and $200 million in cash and short-term investments which will act as a natural hedge for any outstanding variable rate bonds that may result from the exercise of any knock-out option.

Terms. The Swap Agreements were entered into with J. P Morgan Chase Bank and UBS AG (J. P. Morgan and UBS, respectively, and collectively the Counterparties). The Swap Agreements were effective on December 15, 2006 and they mature on December 15, 2026. On the trade date, April 22, 2004, J. P. Morgan was rated AA- by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies (S&P); Aa2 by Moody's Investor's Service, Inc. (Moody's); and UBS was rated AA+ S&P and Aa2 Moody's. The Swap Agreements were priced at a fixed rate of 5.072% based on an amortizing notional schedule with a combined initial notional amount of $220,000,000. Under the Swap Agreements, each month commencing on June 15, 2007, the Authority shall make an interest payment based on a fixed rate of 5.072% and the Counterparties shall make an interest payment based on the SIFMA municipal swap index reset weekly. The knock-out option embedded in each of the Swap Agreements was struck at 7% and it is exercisable each day beginning on the settlement date and ending on the maturity date of the Swap Agreements. Each month, the Counterparties shall make an option premium payment to the Authority in an amount that is equal to 0.34% per annum and that will result in a synthetic fixed cost of borrowing of 4.732%. By making the option premium payment to the Authority, the Counterparties have paid to have the right (but not the obligation) to terminate the swap should the 180 day average of the SIFMA municipal swap index move above 7%. The variable rate due on the 2006 Bonds is based on market conditions and not on an index.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

State Transportation Revenue Bonds, Series 2006 - continued

Fair Value: As of June 30, 2007, the Swap Agreements, excluding the option value, had a negative fair value of $21,763,409.28. The options had a positive value of $5,547,825.32 in isolation of the swaps. The Swap Agreements, including the value of the options, had a total negative fair market value of $16,215,583.96. Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair market value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Basis Risk. The possibility of a mismatch between actual variable rate bond debt service payments and variable rate receipts. The variable rate on the 2006 Bonds is expected to closely match SIFMA municipal swap index.

Counterparty / Credit Risk. The possibility of counterparty non-performance or the possibility of an event occurring that modifies the credit quality or credit rating of the Authority and its counterparty. As of June 30, 2007, the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the Counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on Counterparties ratings as set forth in the CSA. J. P. Morgan and UBS were rated AA/Aaa and AA+/Aaa by S&P/Moody's, respectively, as of June 30, 2007.

Interest Rate Risk. The possibility that the debt service costs associated with variable rate debt and negatively affect coverage ratios and cash flow margins. The knock-out option in the swaps leaves the Authority open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then Swap Agreements could be cancelled by the Counterparties and the Authority would have outstanding unhedged variable rate debt in a 7% interest rate environment.

Tax Risk. The possibility that a tax event could affect sufficiency of swap receipts. Because the floating leg of the Swap Agreements is tied to the SIFMA municipal swap index and not to LIBOR, there is no tax risk.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

State Transportation Revenue Bonds, Series 2006 - continued

Termination Risk. The possibility that an interest rate swap agreement must be terminated prior to its stated final cash flow date, and that the Authority cannot obtain a replacement transaction with substantially similar terms, including because of a deterioration of the Authority's own credit. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's, respectively. The swap also includes an additional termination event related to non-issuance of the associated bonds. That is, the swap may be terminated if the related bonds are not issued on the effective date. Should the counterparties exercise the option to terminate the swap per the knock-out option, the Authority would become subject to variable rate risk on the outstanding bonds. However, historically the BMA index has yet to reset above the barrier set forth in the swap agreement. In addition, the Authority has substantial cash reverses which will mitigate this risk by generating variable rate income. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate lien), Series 2004 C-1,C-2 and C-3 (2004 Refunding Bonds)

Objective of the Swap. In April of 2004, the Authority entered into three (3) swaps (the Swap Agreements) with three (3) counterparties to synthetically refund outstanding bonds, which provided the Authority with present value savings of $11,524,206.49, or 3.02% of the refunded bonds. The Swap Agreements were structured to increase the Authority's savings, when compared against fixed-rate alternatives at the time of issuance. In addition, through this structure, the Authority was able to release several restrictive covenants as set forth by the old indenture, thus providing future flexibility. The intention of the Swap Agreements was to effectively change the Authority's interest rate on the bonds to a fixed rate.

Terms. The Swap Agreements were executed with Goldman Sachs Mitsui Marine Derivative, Lehman Brothers Derivative Products Inc. and Royal Bank of Canada (Goldman, Lehman and RBC, respectively, and collectively the Counterparties) in the respective initial amortizing notional amounts of $50,000,000, $50,000,000 and $100,000,000. The Counterparties were, at the trade date, rated AA+/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's, respectively. The Swap Agreements commenced on May 20, 2004 and mature on June 15, 2024. Under the Swap Agreements, the Authority shall

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2 and C-3 - continued

Terms – continued.
pay a fixed rate of 3.934% and received a variable rate computed as the SIFMA municipal swap index until June 15, 2006, on which date the variable interest rate received switches to 68% of the one month London Interbank Offered Rate (LIBOR) until maturity. The 2004 Refunding Bonds' variable rate coupons are not based on an index but on market conditions.

Fair Value. As of June 30, 2007, the Swap Agreements had a negative fair market value of $220,948.54 (Lehman $62,523.12, Goldman $52,808.44, and RBC $105,616.98). Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the 2004 Refunding Bonds do not have a corresponding fair value increase. The fair value on the Swap Agreements was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Basis Risk. The possibility of a mismatch between actual variable rate bond debt service payments and variable rate receipts. As of June 30, 2007, the Authority is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and the 68% of one month LIBOR rate received on the swap. The synthetic fixed rate is the fixed rate (3.94%) plus or minus the difference between the variable bond payments and the variable swap payments. The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the swaps. As of June 30, 2007, the rate on the bonds was 3.89%, whereas 68% on month LIBOR was 3.6176%.

Counterparty / Credit Risk. The possibility of counterparty non-performance or the possibility of an event occurring that modifies the credit quality or credit rating of the Authority and its counterparty. As of June 30, 2007, the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the Counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on Counterparties ratings as set forth in the CSA. Goldman, Lehman and RBC were rated AAA/Aaa, AAA/Aaa and AA-/Aaa by S&P/Moody's, respectively, as of June 30, 2007.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2 and C-3 - continued

Tax Risk. The possibility that a tax event could affect sufficiency of swap receipts. The Authority is exposed to tax risk where the Authority is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rated causes the rate paid on the outstanding bonds to be greater than 68% of LIBOR received on the swap.

Termination Risk. The possibility that an interest rate swap agreement must be terminated prior to its stated final cash flow date, and that the Authority cannot obtain a replacement transaction with substantially similar terms, including because of deterioration of the Authority's own credit. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. Furthermore, the swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's, respectively. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has negative fair value, the Authority would be liable to the counterparty for payment equal to the swap's fair value.

$100 Million of the $200 Million GRIP 2004 Floating-to-Synthetic Fixed Rate Refunding Swaps (2004 Swaps)

Objective of the Swap. In August of 2006, the Authority entered into a constant maturity swap (the Swap or CMS) with Citibank, N.A. (the Counterparty) to lower the Authority's cost of funds and diversify tax risk.

Terms. The Authority will be a floating rate payor, paying the Counterparty a floating rate equal to 68.0% of one month LIBOR on the outstanding notional amount, and the Counterparty will be a floating rate payor, paying the Authority a floating rate equal to 63.05% of the 5 year USD ISDA-SWAP constant maturity index on the outstanding notional amount. Payments of amounts due under the CMS will be made on the first day of each calendar month commencing on October 1, 2006. The aggregate notional amounts of the swap will be reduced on June 1, 2023 in an amount equal to the amortization schedule set forth in the transaction confirmation entered into by the Authority with the Counterparty. The stated termination date under the swap is June 15, 2024.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

$100 Million of the $200 Million GRIP 2004 Floating-to-Synthetic Fixed Rate Refunding Swaps (2004 Swaps) - continued

Fair Value. As of June 30, 2007, the swap had a negative fair value of $1,130,726.70. The fair value on the swaps was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Basis Risk. The possibility of a mismatch between actual variable rate bond debt service payments and variable rate receipts. As of June 30, 2007, the Authority is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and the 63.05% of the 5 year USD ISDA-SWAP constant maturity index received on the swap. The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the swaps. As of June 30, 2007, the rate on the bonds was 3.89%, whereas 63.05% of the 5 year USD ISDA-SWAP constant maturity index was 3.4873%.

Counterparty / Credit Risk. The possibility of counterparty non-performance or the possibility of an event occurring that modifies the credit quality or credit rating of the Authority and its counterparty. As of June 30, 2007, the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the Counterparty will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on Counterparty ratings as set forth in the CSA. Citibank, N.A. was rated AA+/Aaa by S&P/Moody's, respectively, as of June 30, 2007.

Tax Risk. The possibility that a tax event could affect sufficiency of swap receipts. The Authority is exposed to tax risk where the Authority is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rated causes the rate paid on the outstanding bonds to be greater than 63.05% of the 5 year USD ISDA-SWAP constant maturity index received on the swap.

Termination Risk. The possibility that an interest rate swap agreement must be terminated prior to its stated final cash flow date, and that the Authority cannot obtain a replacement transaction with substantially similar term, including because of deterioration of the Authority's own credit. The swap uses the International Swap Dealers Association Master Agreement, which includes standard

14. AGENCY TRANSACTIONS - continued

Interest Rate Swaps - continued

$100 Million of the $200 Million GRIP 2004 Floating-to-Synthetic Fixed Rate Refunding Swaps (2004 Swaps) - continued

Termination Risk - continued.
termination events. Furthermore, the swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's, respectively. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has negative fair value, the Authority would be liable to the counterparty for payment equal to the swap's fair value.

15. SUBSEQUENT EVENTS

After June 30, 2007, the Authority issued the following PPRF Direct Loans, Water Project Fund/Water Trust Board Grants, and Subordinate Lien PPRF Revenue Bonds:

	Closing Date		Amount
PPRF Cash Loans:			
DL - New Mexico Junior College	7/6/2007	$	4,563,720
DL - Las Cruces City	7/6/2007		6,311,058
DL - Las Cruces City	7/6/2007		2,139,117
DL - Las Cruces City	7/6/2007		1,111,112
DL - Aztec Municipal School District 3	7/13/2007		15,000,000
DL - San Felipe Pueblo	7/20/2007		10,854,786
DL - Bloomfield School District 6	7/20/2007		20,000,000
DL - Santa Rosa City	7/27/2007		127,778
DL - Las Vegas City School District 2	7/27/2007		2,000,000
DL - Gila Regional Medical Center	8/10/2007		3,000,000
DL - Eagle Nest Village	8/10/2007		200,000
DL - Logan Village	8/17/2007		260,000
DL - Deming City	8/17/2007		1,024,005
DL - Bloomfield City	8/17/2007		1,727,552
DL - Sierra County	8/31/2007		5,075,223
DL - Gadsden Independent School District 16	9/14/2007		8,900,000
DL - Gadsden Independent School District 16	9/14/2007		2,350,000
DL - Cobre Consolidated School District 2	9/14/2007		2,800,000
DL - Albuquerque Bernalillo County Water Utility Authority	9/26/2007		77,005,000
Water Project Fund/Water Trust Board:			
WPF/WTB – Elephant Butte	8/3/2007		121,175
WPF/WTB – Anthony WSD	9/14/2007		75,000

15. SUBSEQUENT EVENTS - continued

PPRF Series 2007B. On July 19, 2007, the Authority issued $38,475,000 of Subordinate Lien Public Project Revolving Fund Series 2007 B Revenue Bonds. The 2007 B Series Bonds were issued to 1) reimburse the Public Project Revolving fund for loans made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, 2) retire a borrowing of the NMFA incurred in anticipation of the issuance of the 2007 B Bonds, 3) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 B bonds, and 4) pay costs incurred with the issuance of the Series 2007 B Bonds.

16. DEFICIT FUND / NET ASSETS

There are deficit fund balances of $56,016 in the Child Care Revolving Loan Fund, $163,460 in the New Mexico Tax Credits Fund and $9,330 in the Energy Efficiency Fund. The operating fund will cover the deficits in these funds.

There is a deficit in net assets of $75,078,101 in the governmental activities in the Statement of Net Assets. The decline in governmental net assets is the result of the decline in certain grant funds.

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 defined terms in and provisions of the Indenture. These extracts do not purport to be complete. Please refer to the Indenture itself for a full and complete statement of such provisions. During the offering period of the Series 2008B Bonds, copies of the Indenture will be available at the principal office of the Representative. Subsequent to the offering of the Series 2008B Bonds, copies of the Indenture may be obtained from the Trustee. See "ADDITIONAL INFORMATION."

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, in compliance with the Indenture, except for the Series l995A-B 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 will 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.

"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 Tax Exempt 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 Percentages
CATEGORY I	100%
CATEGORY II	80
CATEGORY III	50
CATEGORY IV	0

"Authorized Denominations" means, with respect to the 2008B Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Seventieth Supplemental Indenture, $5,000 and any other dollar amount in excess of $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.

"Beneficial Owner" means, while DTC or its nominee is the registered owner of the Series 2008B Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2008B Bonds and otherwise exercise ownership rights with respect to Series 2008B Bonds.

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

"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 commencing June 2 of each year and ending on the next succeeding June 1.

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

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

"Business Day" means 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 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:

(A) 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;

(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 the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds one hundred percent (100%) of the aggregate of the amounts set forth in clause (C) of the definition.

For purposes of the foregoing definition the following assumptions will apply:

(i) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year will 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;

(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.

"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 Agencies.

"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 Agencies.

"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 Agencies, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Nonperforming 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 or loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agencies.

"Cede" means Cede & Co. and any substitute nominee of DTC who becomes the Registered Owner of any 2008B Bonds.

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

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the NMFA and the Trustee dated the date of issuance and delivery of the Series 2008B Bonds, as originally executed as it may be amended from time to time in accordance with the terms thereof.

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

"DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York.

"Expense Fund" means the fund by that name established by the Indenture to be held by the Trustee.

"Funds and Accounts" means collectively, the Debt Service Account and the Accounts created in the Indenture, 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 as the same may be amended and supplemented.

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

"Interest Payment Date" means, with respect to the Series 2008B Bonds, each June 1 and December 1, commencing December 1, 2008.

"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 seventy-five percent (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 2008B Bonds, the date of delivery thereof.

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

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

(b) any Bond (or any portion thereof) (i) for the payment or redemption of which there will 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 will be given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

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

(d) 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 2008B Bonds as Securities Depository.

"Participating Underwriters" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Paying Agent," when used with respect to the Series 2008B Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2008B Bond on behalf of the NMFA, and initially is the Trustee.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Account 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 and GNMA-guaranteed pass-through obligations (participation certificates);

(v) US. Maritime Administration Guaranteed Title Xl financing;

(vi) U.S. Department of Housing and Urban Development (HUD) Project Notes and 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") rated AAA by Standard & Poor's and Aaa by Moody's. 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 S&P of "AAAmG," "AAAm" or "Aam" or by Moody's of "Aaa" including funds from which the Trustee or its affiliates revenue fees for investment advisory or other services to such funds.

(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 Agencies;

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

"Purchaser" means, with respect to the Series 2008B Bonds, Piper Jaffray & Co.

"Rating Agencies" means Moody's Investors Service, Standard & Poor's Ratings Group and Fitch Ratings or their successors 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(0(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(0(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 2008B Bonds maintained by the Registrar.

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

"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).

"Representation Letter" means the blanket representations letter from the NMFA to DTC in substantially the form attached to the Sixtieth Supplemental Indenture of Trust as Exhibit B.

"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.

"Securities Depository" means the person who operates the computerized book entry system through which ownership interest in the Series 2008B Bonds may be recorded. Such entity shall at all times be a registered clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, and in good standing thereunder.

"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" means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefore.

"Series 2008B Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008B, in an initial aggregate principal amount of $36,545,000.

"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 Bank of Albuquerque, 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 under the Indenture.

THE INDENTURE

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds will 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 will be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal corporate trust 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 will execute and the Trustee will 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 will constitute full and due authorization of such denomination, and the Trustee will thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee will 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 will be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond will 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 will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Trustee will 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 are not presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond are 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 will forthwith cease, determine and be completely discharged, and thereupon it will 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 will 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 will, 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 will 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 will 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 will 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 under the Indenture 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 will take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and will comply with 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 under the Indenture.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions, Further Assurance. The NMFA and the Trustee will 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 will not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and will, from time to time, execute and deliver such further instruments and will take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee will 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 in 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 will 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 will execute or cause to be executed any and all further instruments as may reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and will furnish satisfactory evidence to the Trustee that such actions have been taken and will 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 has been paid. The Trustee will 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 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 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 of Bonds 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 Tax-exempt 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 do 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 will deposit the proceeds of the Bonds to the Accounts created under the Indenture and will make the advances of funds thereunder to fund the Program and the NMFA will 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.

Loan Agreement and Securities - Loan Payments

The Loan Payments will 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 will be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement will 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 will be defined in the Loan Agreement or Securities. The Term will not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Security will provide that the related Governmental Unit will pay Loan Payments directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee (less a quarter of one percent (0.25%) administration fee retained by the NMFA for the payment of Program Costs) prior to each Interest Payment Date. In the case of Securities, the Securities will 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 the 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 will be made in multiples of the minimum Authorized Denomination. Each Prepayment will 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 will 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 will 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 Account and within such fund a separate Account for each Agreement, which separate Account is established and maintained by the NMFA;

(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 (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 Account for such Additional Pledged Loans.

Flow of Funds

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

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

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."

Pursuant to the Supplemental Indenture authorizing the Series 2000A Bonds, the payments required to be made by the 2000A Governmental Unit pursuant to the 2000A Agreement are to be paid directly to the Trustee from the New Mexico Taxation and Revenue Department pursuant to an Intercept Agreement between NMFA and the 2000A Governmental Unit, and the Trustee is to deposit all such payments immediately upon receipt thereof as follows:

(i) moneys identified by the NMFA as being from the receipt of the Correctional Facility Tax will be deposited into the Series 2000A Correctional Facility Tax Account and moneys identified by the NMFA as being from the receipt of the 2000A Governmental Unit Gross

Receipts Tax will be deposited into a Series 2000A Governmental Unit Gross Receipts Tax Account, both in the Series 2000A Tax Revenue Fund;

(ii) moneys on deposit in the Series 2000A Correctional Facility Tax Account will be applied as follows:

First: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Debt Service Account 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 2000A Agreement;

Second: to the extent moneys are available for such purpose, to the payment of Program Costs;

Third: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Agreement Reserve Fund until such time as the balance on deposit in said Account equals the Agreement Reserve Requirement of such Account; and

Fourth: to the extent moneys are available for such purpose, to the Series 2000A Correctional Facility Tax Redemption Fund to annually redeem Series 2000A Bonds on or as soon as is reasonably practicable after June 2 from moneys deposited prior to the preceding June 1 in accordance with the Supplemental Indenture. Any excess Correctional Facility Tax revenues not applied to redemption will be returned to the 2000A Governmental Unit Debt Service Account.

(iii) moneys on deposit in the Series 2000A Governmental Unit Gross Receipts Tax Account will be applied as follows:

First: to the extent moneys from the Series 2000A Correctional Facility Tax Account deposited into the 2000A Governmental Unit Debt Service Account and the 2000A Governmental Unit Agreement Reserve Account in the Agreement Reserve Fund are insufficient to meet the then required principal and interest payments due or to next become due with respect to the 2000A Agreement, to the 2000A Governmental Unit's Debt Service Account the amount necessary 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 2000A Agreement;

Second: to the extent money from the Series 2000A Correctional Facility Tax Account are insufficient to pay the 2000A Governmental Unit's share of Program Costs, an amount necessary to pay such Program Costs; and

Third: to the 2000A Governmental Unit, the balance of the moneys remaining in the Series 2000A Governmental Unit Gross Receipts Tax Account as soon as reasonably practicable after June 2 of each year.

All income earned from the investment of moneys in the respective Accounts of the Debt Service Account and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), will be deposited in the related Account of the Debt Service Account 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 will be allocated solely to the benefit of such Governmental Unit. The Trustee will 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 will apply such Prepayments to the mandatory redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture, except with respect to the Series 2004B and each series of Bonds issued thereafter, which are subject to the provisions of the Indenture discussed in the forepart of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Application of Loan Prepayments."

At least once a year the Trustee will 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 will return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or will credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to Loans relating other than to the Series 2000A Bonds, any such excess will be disbursed as follows:

(a) Any excess attributable to earnings on funds and accounts for the Governmental Unit will be returned to the Governmental Unit or will 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 relevant Bonds will be deposited into the Revenue Fund; and, provided further, however, that with respect to the Series 2000A Loan Agreement, any such excess will be disbursed as provided in the second paragraph under this heading "Application of Loan Payments" above.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement will be transferred at least annually to the related Accounts of the Debt Service Account 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 will 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 related Account of the Debt Service Account.

All moneys held by the Trustee in the Bond Fund will 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 will 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 will 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 will 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 will be held by or under the control of the Trustee. The Trustee will 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 will invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys held (i) as part of a Governmental Unit's Account in any of the Funds established under the Indenture or (ii) by the NMFA as agent for the Trustee will be invested and reinvested by the NMFA or the Trustee, as the case may be, at the direction of the related Governmental Unit in Permitted Investments as directed by the Loan Agent or the Securities and in accordance with the following provisions.

The Trustee or the NMFA will 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.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund will 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 will be held by or under the control of the Trustee. The Trustee will 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 will 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 will be credited to, and losses thereon will be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments will 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 of the Indenture.

The principal of the investments and the interest, income, and profits received in respect thereof will 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 will (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 will (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 will 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 will 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 will be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there has been paid, or provisions for payment have been 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 has 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 estate and rights granted by the Indenture will cease, determine and be void, whereupon the Trustee will cancel and discharge the lien of the Indenture and on demand of the NMFA will execute such documents to evidence such release as will be reasonably required by the NMFA and will 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 will 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) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent has 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 (3) 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 have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond is deemed to be paid under the Indenture, as aforesaid, it will 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.

Notwithstanding anything in the Indenture to the contrary, 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 amount and at times as set forth in the Indenture, 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 have been so deposited, will 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) will 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 will be withdrawn or used for any purpose other than, and will 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 are 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 will 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.

Notwithstanding anything in the Indenture to the contrary, 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 have not in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture will 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 is paid by a bond insurer with respect to such Series of Bonds pursuant to a financial guaranty insurance policy, the Bonds of such Series will 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 and related Security Instrument Issues of such Series of Bonds will continue to exist and will run to the benefit of such bond insurer, and such bond insurer will be subrogated to the rights of such Registered Owners and related Security Instrument Issues 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 is not be made by or on behalf of the NMFA when the same becomes due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds is not be made by or on behalf of the NMFA when the same becomes 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 is for any reason rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree is 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 will not be vacated or discharged or stayed on appeal within 30 days after the entry thereof, or

(e) if any proceeding is 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 is not vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA files 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 assumes 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 is not terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA defaults 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 continues for 30 days after written notice specifying such Event of Default and requiring the same to be remedied has been given to the NMFA by the Trustee, which may give such notice in its discretion and will give such notice at the written request of the Registered Owners of not less than twenty-five percent (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, will, 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 will 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 will impair any such right or 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 may 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 will 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 under the Indenture is intended to be exclusive of any other remedy, and each such remedy is cumulative and is in addition to every other remedy given under the Indenture 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 has 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 have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture;

(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.

No one or more Owners has 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 provided in the Indenture and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond has 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 will not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture 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 is not 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, will, 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 or the NMFA under the Indenture, will be applied as follows:

(a) Unless the principal of all Bonds shall have become due and payable, all such moneys will 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 will 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 and any of the Bonds which 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 is not 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; and

Third: To be held for the payment to the persons entitled thereto as the same 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 is not sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment will be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds becomes due and payable all such moneys will 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 of principal 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 will be applied at such times, and from time to time, as the Trustee may determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee applies such moneys it will fix the date (which will be an Interest Payment Date unless it deems 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 will cease to accrue. The Trustee will 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 will not be required to make payment to the holder of any unpaid Bond until such Bond is 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 will 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 will 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 has 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 has 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 has been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners will be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission will 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 Registered 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 judgment 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 of 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 will 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 may 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 will 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 one hundred percent (100%) of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but is not 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 requests the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee will, 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 will briefly set forth the nature of the proposed supplemental indenture and will 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 have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond will 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 will be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA will 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 Agencies 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 judgment of the Trustee do 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 will 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 will 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 following economic and demographic descriptions are furnished for information only. The Bonds do not constitute a general obligation of the State and are special limited obligations of NMFA payable solely from the Trust Estate. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2008B Bonds do not constitute or give rise to a personal liability on the part of the directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

The information presented in this Appendix C relates to certain economic and demographic information relating to the State. Such information is for informational purposes and is presented to provide readers a sense of the economic and demographic composition of the State. Such information is available from the sources listed in the tables and is believed to be reliable. However, the NMFA has not verified and does not guarantee the accuracy of any such information.

Generally

The State, admitted as the forty-seventh state on January 6, 1912, is the fifth largest state by land area, containing approximately 121,593 square miles. 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 percent sunshine year-round. Humidity ranges from 60 percent (mornings) to 30 percent (afternoons). Evenings are crisp and cool in all seasons because of low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of the moisture. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains). The State is an experience in comfortable living with its clean air, blue skies and fair weather.

Governmental Organization

The Executive Branch of State government consists of a Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, Attorney General and Commissioner of Public Lands who are elected to four-year terms beginning the January 1 after their election. An elected Executive Branch Officer may succeed himself or herself in office once. The primary functions of the Executive Branch are currently carried out by the offices of each elected Executive Branch officeholder, in addition to approximately 20 cabinet departments, each headed by a cabinet secretary appointed by the Governor and approved by the Legislature.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected for four-year terms, members of the House for 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, and under certain limited circumstances, extraordinary sessions may be convened by the Legislature. Legislators receive no salary, but do receive per diem and mileage allowances while in session or performing official State business.

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

Economic and Demographic Characteristics

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1,819,046. In the 1990's, the State was the 12th fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515,069. Over the same period of time, the national population grew 13.2 percent.

Most of this population growth is occurring in or near the larger cities. There are four Metropolitan Statistical Areas (MSAs) in the State. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is comprised of Doña Ana County; the Santa Fe MSA is comprised of Santa Fe County; and the Farmington MSA is comprised of San Juan County. The fastest growing counties in the state are Sandoval, Doña Ana, Bernalillo, San Juan, Luna and Lincoln. The following table sets forth information on population growth in New Mexico and nationally over the past decade.

POPULATION
NEW MEXICO AND THE UNITED STATES
1998-2007

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1998	1,793,484	275,854,104	1.1%	1.2%
1999	1,808,082	279,040,168	0.8	1.2
2000	1,821,656	282,194,308	0.7	1.1
2001	1,829,032	285,112,030	0.5	1.0
2002	1,850,562	287,888,021	1.2	1.0
2003	1,870,113	290,447,644	1.1	0.9
2004	1,892,182	293,191,511	1.2	0.9
2005	1,916,331	295,895,897	1.3	0.9
2006	1,942,302	298,754,819	1.4	1.0
2007	1,969,915	301,621,157	1.4	1.0

(Source: Population Division, U.S. Census Bureau, June 2008.)

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, and mining. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The following table sets forth information on employment by industry over the period 1980-2006.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	1980	1990	2000	2001[1]	2006[1]	Growth 1980-1990	Growth 1990-2000	Growth 2001-2006[1]
Total employment	598,199	767,139	972,954	977,815	1,099,401	28.2%	26.8%	12.4%
Wage and salary employment	513,306	635,725	789,690	801,610	878,157	23.8	24.2	9.6
Proprietors employment	84,893	131,414	183,264	176,205	221,244	54.5	39.7	25.6
Farm proprietors employment	13,400	13,600	14,985	17,470	17,094	1.5	10.2	(2.2)
Nonfarm proprietors employment	71,493	117,814	168,279	158,735	204,150	64.8	42.8	28.6
By Industry								
Farm employment	22,191	19,766	21,760	24,091	24,319	(10.9)	10.1	1.0
Nonfarm employment	576,008	747,373	951,194	953,724	1,075,082	29.8	27.3	12.7
Private employment	428,156	568,085	748,804	748,250	860,556	32.7	31.8	15.0
Agricultural services, forestry, fishing and other	4,358	8,414	13,548	7,019	6,995	93.1	61.0	(0.3)
Mining	31,152	20,489	19,323	19,469	22,903	(34.2)	(5.7)	17.6
Oil and gas extraction	15,116	14,068	14,425	6,447	7,211	(6.9)	2.5	11.9
Mining and support activities for mining[2]	16,036	6,421	4,898	13,022	15,692	149.7	23.7	20.5
Construction	38,873	40,606	59,895	63,144	80,317	4.5	47.5	27.2
General building contractors	11,933	11,858	16,710	18,050	21,294	(0.6)	40.9	18.0
Heavy construction contractors	8,287	6,729	8,720	10,365	11,627	(18.8)	29.4	(12.2)
Special trade contractors	18,653	22,019	34,465	34,729	47,396	18.0	56.5	36.5
Manufacturing[3]	35,963	47,732	48,788	49,913	47,598	32.7	2.2	(4.6)
Durable goods	21,583	32,500	33,275	32,671	30,263	50.6	2.4	(7.4)
Nondurable goods[4]	14,380	15,232	15,513	17,242	17,335	5.9	1.8	0.5
Transportation and public utilities[5]	30,732	34,130	43,350	39,423	39,346	11.1	27.0	(0.2)
Wholesale trade	22,733	27,896	33,751	27,970	30,112	22.6	21.1	7.7
Retail trade[6]	98,075	134,482	172,516	175,525	187,547	37.1	28.3	6.9
Finance, insurance, and real estate[7]	37,945	46,955	62,905	60,113	74,519	23.7	34.0	24.0
Services[8]	128,325	207,381	294,728	308,674	371,219	61.6	42.1	20.3
Government and government enterprises	147,852	179,288	202,390	205,474	214,526	21.3	63.1	4.4
Federal, civilian	29,963	31,621	30,205	28,785	30,554	5.5	(4.5)	6.2
Military	21,794	22,552	17,167	17,106	15,764	3.5	(23.9)	(7.9)
State and local	96,095	125,115	155,018	159,583	168,208	30.2	23.9	5.4
State governmental	42,560	55,722	64,654	65,503	63,870	30.9	16.0	(2.5)
Local government	53,535	69,393	90,364	94,080	104,338	29.6	30.2	10.9

(1) Prior to 2001, the U.S. Department of Commerce employed the Standard Industrial Classification ("SIC") system for industry specific data covered in its economic research and analysis of non-agricultural wage and salary employment information. In 2001, the U.S. Department of Commerce adopted a revised and expanded industry classification system, the North American Industry Classification System ("NAICS"). Consequently, 2001 and 2006 employment by industry data is not comparable with employment by industry data for the years 2000, 1990 and 1980. NAICS Industry groups and subgroups in the 2001 and 2006 data have been combined or extracted to approximate the SIC Industry groups listed for the years before 2001.

(2) The SIC subgroups, "Metal Mining," "Coal Mining" and "Nonmetallic Minerals, except fuels" were combined to approximate the NAICS category "Mining and Support Activities for Mining."

(3) The NAICS "Manufacturing" category and the NAICS subcategories of "Information – Publishing Industries, Except Internet" and "Information – Internet Publishing and Broadcasting" have been combined to approximate the former SIC "Manufacturing" group.

(4) The NAICS "Manufacturing – Nondurable Goods" subcategory and the NAICS subcategories of "Information – Publishing Industries, Except Internet" and "Information – Internet Publishing and Broadcasting" have been combined to approximate the SIC "Manufacturing – Nondurable Goods" subcategory.

(5) The NAICS categories of "Utilities" and "Transportation and Warehousing" and the NAICS subcategories of "Information – Broadcasting, except Internet" and "Information – Telecommunications" have been combined to approximate the SIC "Transportation and Public Utilities" category.

(6) The NAICS subcategory of "Accommodation and Food Services – Food Services and Drinking Places" has been added to the NAICS "Retail Trade" category to approximate the SIC "Retail Trade" category.

(7) The NAICS categories of "Finance and Insurance" and "Real Estate and Rental and Leasing" have been combined to approximate the SIC category of "Finance, Insurance and Real Estate."

(8) The NAICS categories of "Professional and Technical Services," "Management of Companies and Enterprises," "Administrative and Waste Services," "Educational Services," "Health Care and Social Assistance," "Arts, Entertainment and Recreation," "Other Services, except Public Administration," and the subcategories of "Accommodation and Food Services – Accommodation," "Information – Motion Picture and Sound Recording Industries," "Information – ISPs, Search Portals, and Data Processing," "Information – Other Information Services" have been combined to approximate the SIC "Services" category.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 2008.)

The following tables set forth selected additional economic and demographic data with respect to the State.

EMPLOYMENT AND LABOR FORCE
NEW MEXICO AND THE UNITED STATES
1998-2007

	Civilian Labor Force (thousands)		Employed (thousands)		Unemployment Rate		
Year	New Mexico[1]	United States[1][2]	New Mexico[1]	United States[1][2]	New Mexico[1]	United States[1][2]	N.M. as % of U.S. Rate
1998	836	137,673	784	131,463	6.2%	4.5%	138%
1999	840	139,368	793	133,488	5.6	4.2	133
2000	852	142,583	810	136,891	5.0	4.0	125
2001	864	143,734	821	136,933	4.9	4.7	104
2002	872	144,863	823	136,485	5.5	5.8	95
2003[3]	888	146,510	836	137,736	5.9	6.0	98
2004[3]	904	147,401	852	139,252	5.7	5.5	104
2005[3]	920	149,320	872	141,730	5.2	5.1	102
2006[3]	937	151,428	897	144,427	4.3	4.6	93
2007[3]	943	153,124	910	146,047	3.5	4.6	76

(1) Figures rounded to nearest thousand.
(2) United States figures are unweighted averages of reported monthly figures, as annual figures were not available from the U.S. Department of Labor.
(3) The U.S. Department of Labor notes that 2003-2007 New Mexico figures reflect revised population controls and model re-estimation.
(Source: U.S. Department of Labor, Bureau of Labor Statistics, June 2008.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1998-2007

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1998	$37,045,765	$7,415,709,000	6.0%	7.4%
1999	38,045,599	7,796,137,000	2.7	5.1
2000	40,318,443	8,422,074,000	6.0	8.0
2001	44,138,165	8,716,992,000	9.5	3.5
2002	44,986,517	8,872,871,000	1.9	1.8
2003	46,650,275	9,150,320,000	3.7	3.1
2004	49,813,042	9,711,363,000	6.8	6.1
2005	53,992,896	10,284,356,000	8.4	5.9
2006	58,131,416	10,968,393,000	7.7	6.7
2007[1]	62,001,991	11,645,882,098	6.7	6.2

(1) Preliminary estimate.
(Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 2008.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1998-2007

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	N.M.	U.S.
1998	$20,656	$26,883	77%	4.9%	6.1%
1999	21,042	27,939	75	1.9	3.9
2000	22,143	29,845	74	5.2	6.8
2001	24,132	30,574	79	9.0	2.4
2002	24,310	30,821	79	0.7	0.8
2003	24,945	31,504	79	2.6	2.2
2004	26,326	33,123	79	5.5	5.1
2005	28,175	34,757	81	7.0	4.9
2006	29,929	36,714	82	6.2	5.6
2007[1]	31,474	38,611	82	5.2	5.2

(1) Preliminary estimate.
(Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 2008.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
1990, 2000, 2001 AND 2006

	New Mexico (Dollars in Thousands)				United States (Dollars in Millions)				Percent Change 2001-2006		Distribution of 2006 Wages and Salaries	
	2006[1]	2001[1]	2000	1990	2006[1]	2001[1]	2000	1990	N.M.	U.S.	N.M.	U.S.
Farm Total	237,259	176,072	179,521	95,849	19,554	17,920	16,781	11,767	34.8%	9.1%	0.8%	0.3%
Non-Farm												
Private												
Agricultural Services, Forestry, Fishing	90,353	72,008	143,971	62,663	18,343	15,968	30,886	15,164	25.5	14.9	0.3%	0.3
Mining	1,134,771	726,676	671,919	507,585	48,337	32,132	31,219	26,655	56.2	50.4	3.7	0.8
Construction	2,143,823	1,481,698	1,306,228	577,016	351,491	271,681	256,807	140,468	44.7	29.4	7.1	5.8
Manufacturing[2]	1,788,714	1,669,853	1,656,465	980,349	794,415	773,184	830,026	561,384	7.1	2.7	5.9	13.2
Transportation & Public Utilities[3]	1,409,488	1,239,195	1,351,378	884,830	318,575	295,851	313,333	179,390	13.7	7.7	4.7	5.3
Wholesale Trade	1,048,119	834,834	950,471	552,522	346,621	283,974	332,549	189,402	25.5	22.1	3.5	5.8
Retail Trade[4]	3,182,711	2,564,031	2,434,023	1,316,067	548,102	463,539	449,642	264,791	24.1	18.2	10.5	9.1
Finance, Insurance & Real Estate[5]	1,408,191	1,060,638	1,027,385	543,814	583,365	444,684	431,911	207,758	32.8	31.2	4.6	9.7
Services[6]	9,648,779	7,693,954	5,916,169	2,945,866	1,976,859	1,535,895	1,382,404	644,429	45.5	28.7	31.8	32.9
Total Private	21,854,949	16,283,154	15,458,009	8,370,712	4,986,108	4,116,908	4,058,777	2,229,441	34.2	21.1	72.1	82.9
Government												
Federal, Civilian	1,819,857	1,366,112	1,280,241	917,118	174,632	134,679	135,011	99,598	33.2	29.7	6.0	2.9
Military	676,002	495,168	477,480	440,596	83,721	54,970	50,520	46,332	36.5	52.3	2.2	1.4
State & Local	5,712,818	4,700,434	4,374,109	2,472,762	750,052	615,467	572,880	356,505	21.5	21.9	18.9	12.5
Total Government	8,208,677	6,561,714	6,131,830	3,830,476	1,008,405	805,116	758,411	502,435	25.1	25.2	27.1	16.8
Non-Farm Total:	30,063,626	22,844,868	21,589,839	12,201,188	5,994,513	4,922,024	4,817,188	2,731,876	31.6	21.8	99.2	99.7
Total	30,300,885	23,020,940	21,769,360	12,297,037	6,014,067	4,939,944	4,833,969	2,743,643	31.6%	21.7%	100.0%	100.0%

(1) Prior to 2001, the U.S. Department of Commerce employed the Standard Industrial Classification ("SIC") system for industry specific data covered in its economic research and analysis of non-agricultural wage and salary employment information. In 2001, the U.S. Department of Commerce adopted a revised and expanded industry classification system, the North American Industry Classification System ("NAICS"). Consequently, 2001 and 2006 employment by industry data is not comparable with employment by industry data for the years 2000, 1990 and 1980. NAICS Industry groups and subgroups in the 2001 and 2006 data have been combined or extracted to approximate the SIC Industry groups listed for the years before 2001.

(2) The NAICS subcategories of "Information – Publishing industries, Except Internet" and "Information – Internet Publishing and broadcasting" and the NAICS "Manufacturing" category have been combined to approximate the former SIC "Manufacturing" group.

(3) The NAICS categories of "Utilities" and "Transportation and Warehousing" and the NAICS subcategories "Information – Broadcasting, Except Internet" and "Information – Telecommunications" have been combined to approximate the SIC "Transportation and Public Utilities" category.

(4) The NAICS subcategory of "Accommodation and Food Services – Food Services and Drinking Places" has been added to the NAICS "Retail Trade" category to approximate the SIC "Retail Trade" category.

(5) The NAICS categories of "Finance and Insurance" and "Real Estate and Rental and Leasing" have been combined to approximate the SIC category of "Finance, Insurance and Real Estate."

(6) The NAICS categories of "Professional and Technical Services," "Management of Companies and Enterprises," "Administrative and Waste Services," "Educational Services," "Health Care and Social Assistance," "Arts, Entertainment and Recreation," "Other Services, Except Public Administration," and the subcategories of "Accommodation and Food Services – Accommodation," "Information – Motion Picture and Sound Recording Industries," "Information – ISPs, Search Portals, and Data Processing," "Information – Other Information Services" have been combined to approximate the SIC category "Services."

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2008.)

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Form of Opinion of Brownstein Hyatt Farber Schreck, LLP]

New Mexico Finance Authority
207 Shelby Street
Santa Fe, New Mexico 87501

Bank of Albuquerque, N.A.
Trust Division
201 Third Street, Suite 1400
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008B

We have acted as bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008B in the aggregate principal amount of $36,545,000 (the "Series 2008B Bonds"). The Series 2008B Bonds are being issued for the purpose of (i) originating or reimbursing the NMFA for moneys used to originate loans to or purchase securities from certain governmental entities ("Governmental Units") that will be or were used to finance certain Projects for such Governmental Units ("Loans"); and (ii) paying costs incurred in connection with the issuance of the Series 2008B 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 2008B Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated June 1, 1995, as previously amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Seventieth Supplemental Indenture of Trust dated as of October 1, 2008 (together with the General Indenture, the "Indenture") between the NMFA and the Bank of Albuquerque, N.A., Albuquerque, New Mexico (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, 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.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, it is our opinion that:

1. The NMFA is a public body politic and corporate, separate and apart from the State, duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 2008B Bonds.

2. The Indenture has been duly authorized, executed and delivered by the NMFA, is valid and binding upon the NMFA and creates a valid lien on the Trust Estate pledged under the Indenture to secure the payment of the principal of and interest on Series 2008B 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 2008B Bonds have been duly and validly authorized, are issued in accordance with law and the Indenture and constitute valid and binding special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a debt or liability of the State, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

4. The interest on the Series 2008B Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item

of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax on certain corporations. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on or ownership of the Series 2008B Bonds.

5. The interest on the Series 2008B Bonds is exempt from State of New Mexico personal income taxes.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2008B 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 been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2008B Bonds or any other offering material relating to the Series 2008B Bonds and we express no opinion relating thereto;

(c) our opinion represents our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of result; and

(d) our opinion is limited to the matters expressly set forth herein and we express no opinion concerning any other matters.

This letter is furnished by us as Bond Counsel, is solely for the benefit of the above addressees and may not be relied upon by any other person or entity. No conclusions or statements other than those expressly stated herein are intended nor should they be inferred. We disclaim any obligation to update, revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in the law, or in interpretations thereof, that may hereafter occur, or for any reason whatsoever. It should be noted that we are members of the Bar of the State of New Mexico and this opinion is limited in all respects to matters of New Mexico and federal law. This letter is not to be used, circulated, quoted or otherwise referred to for any other purpose without our express written permission.

Very truly yours,

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2008B Bonds, payment of principal, premium, if any, interest on the Series 2008B Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2008B Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2008B Bonds. The Series 2008B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2008B Bond certificate will be issued for each maturity of the Series 2008B Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2008B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008B 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2008B Bonds, except in the event that use of the book-entry system for the Series 2008B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2008B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008B Bonds are credited, which may or may not be the

Beneficial Owners. The Direct and Indirect 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 will be sent to DTC. If less than all of the Series 2008B Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2008B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the NMFA 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 2008B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2008B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the NMFA or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. 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 or its nominee, the Trustee or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the NMFA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2008B 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 only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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 the NMFA does not have responsibility for distributing such notices to the Beneficial Owners.

The NMFA does not 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 2008B Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2008B Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Series 2008B Bonds.

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.

APPENDIX F

2008B GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS

2008B Governmental Units

As previously stated, a portion of the proceeds of the Series 2008B Bonds are being used to reimburse the NMFA for Loans previously made to the 2008B Governmental Units. The 2008B Governmental Units, the amount of their respective Loans, the agreement reserve amounts and the maturity dates of the Loans are listed in the following table:

Governmental Unit	Original Loan Amount	Agreement Reserve Amount[1]	Loan Maturity Date
City of Rio Rancho	$231,639.00	$23,163.90	5/1/2011
Torrance County	213,506.00	21,350.60	5/1/2013
City of Sunland Park	186,690.00	18,669.00	5/1/2013
Santa Fe Solid Waste Management Agency	1,000,000.00	100,000.00	6/1/2013
Town of Carrizozo	282,415.00	28,241.50	5/1/2018
City of Las Cruces	1,708,755.00	170,875.50	5/1/2018
Village of Willard	225,933.00	22,593.30	5/1/2019
De Baca County	727,255.00	71,507.50	5/1/2020
Carrizozo Municipal School District	800,000.00	–	8/1/2020
Town of Bernalillo	1,016,321.00	76,300.30	5/1/2028
City of Santa Fe	3,610,000.00	–	6/1/2028
Otero County	162,400.00	–	5/1/2029
Hidalgo County	1,984,634.00	129,863.28	5/1/2033
City of Santa Rosa	915,538.00	62,007.22	5/1/2035
State of New Mexico - Department of Health (Southern Rehab Center)[2]	11,545,000.00	–	6/1/2028
City of Alamogordo[3]	7,365,000.00	–	6/1/2028
City of Rio Rancho[3]	5,225,000.00	–	6/1/2028
Total	$37,200,086.00		

(1) The NMFA has adopted a policy which does not require an Agreement Reserve Account for certain types of Loans including those that have an "AA" credit rating, Loans secured by a pledge of the fire protection or state law enforcement funds that produce a debt service coverage ratio of two times, and Loans secured by a general obligation pledge of the respective Governmental Unit. Each of the Loans listed that does not have an Agreement Reserve Account falls into one of the aforementioned categories.

(2) This loan is expected to be funded simultaneously with the issuance of the Series 2008B Bonds. Amount is subject to change.

(3) These loans are expected to be funded subsequent to the issuance of the Series 2008B Bonds. Amounts are subject to change.

(Source: The NMFA.)

Agreements Generating Largest Amount of Agreement Revenues

Information concerning the Agreements representing the five largest repayment obligations and their obligors is provided below.

Albuquerque-Bernalillo County Water Utility Authority Loans. In the 2003 Regular Session, the New Mexico Legislature adopted legislation (Laws 2003, Chapter 437, codified as NMSA 1978, Section 72-1-10) creating the Albuquerque-Bernalillo County Water Utility Authority (the "ABCWUA") as a joint agency of the City of Albuquerque, New Mexico (the "City") and Bernalillo County. The ABCWUA is comprised of a board of three City Councilors, three County Commissioners and the Mayor of the City and has jurisdiction over certain water facilities and properties (the "Water System") and certain sanitary sewer facilities and properties (the "Sewer System").

Pursuant to various loan agreements (the "ABCWUA Loan Agreements") between the ABCWUA and the NMFA totaling $118,415,000, the ABCWUA pledged to the NMFA, on a parity basis with other obligations of ABCWUA, water and sewer systems revenues for the purpose of: acquiring, constructing, extending, enlarging, bettering, repairing, replacing, equipping or otherwise improving the water and wastewater system, including expenses related to: regular system improvements, expansion, maintenance and upgrades to operate a water and wastewater utility pursuant to the basic capital program and diversion of surface water from the Rio Grande River under the San Juan Chama Project and delivering it for use by current and future users of the system. The NMFA has issued various series of Bonds and used proceeds from those Bonds to provide the funding for the ABCWUA Loan Agreements. The latest scheduled maturity date of the ABCWUA Loan Agreements is May 1, 2024. The outstanding principal amount of the ABCWUA Loan Agreements is $105,160,000.

State of New Mexico General Services Department. The NMFA issued a series of Bonds and used a portion of the proceeds thereof to purchase bonds for the benefit of the State of New Mexico General Services Department (the "GSD Bonds"). The General Services Department applied proceeds from the sale of the GSD Bonds to fund building projects in Santa Fe for use by the state government. The GSD Bonds are payable from and secured by a portion of gross receipts tax revenues received by the State of New Mexico and appropriated by the State Legislature or transferred to the State Building Bond Fund. The GSD Bonds are currently outstanding in the aggregate principal amount of $93,347,775 and are scheduled to mature in 2036.

Taos County. The NMFA has made a series of loans to Taos County (the "Taos Loans") to finance various types of projects within Taos County. The current aggregate outstanding principal amount of the Taos Loans totals $35,902,384. The majority of the proceeds of the Taos Loans were applied to finance the costs of acquisition of land and to finance the costs of construction of a judicial and detention center complex to be located on such land. The Taos Loans are secured by a portion of gross receipts tax revenues received by Taos County. The last scheduled maturity of the Taos Loans is scheduled to occur in 2038.

City of Las Cruces—Convention and Civic Center Loan. The NMFA made a loan to the City of Las Cruces (the "Las Cruces Loan") to finance the construction of a new Convention and Civic Center in the City of Las Cruces (the "Convention Center"). The Las Cruces Loan is outstanding in the aggregate principal amount of $27,034,527 and is scheduled to mature in 2032. The City of Las Cruces has pledged to the NMFA the City's Lodger's Tax and the Convention Center fee revenues to the repayment of the Las Cruces Loan.

State Department of Health—Cigarette Tax Bonds. The NMFA will use a portion of the proceeds of the Series 2008B Bonds to purchase and the NMFA has previously purchased cigarette tax bonds to fund improvements at certain State Department of Health facilities. On the date of initial delivery of the Series 2008B Bonds, cigarette tax bonds will be outstanding in the aggregate principal amount of $24,710,000 and will be scheduled to mature in 2028. The cigarette tax bonds will have a lien on the Department of Health's share of the cigarette tax and will have a subordinate lien on the cigarette tax credit enhancement account.

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New Mexico FINANCE AUTHORITY

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NEW MEXICO FINANCE AUTHORITY • SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2008B

NEW ISSUE – BOOK-ENTRY ONLY

Ratings: Moody's "Aa2"
S & P "AA+"
Fitch "AA"
(See "RATINGS" herein.)

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel to the NMFA, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2008C Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2008C Bonds is exempt from State of New Mexico personal income taxes as described herein. See "TAX MATTERS" regarding certain other tax considerations.

New Mexico FINANCE AUTHORITY

$29,130,000

NEW MEXICO FINANCE AUTHORITY

SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2008C

Dated: Date of Initial Delivery **Due: June 1, as shown on inside cover**

The New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008C are being issued as fully registered bonds in denominations of $5,000 or any integral multiple of $5,000. The Depository Trust Company will act as securities depository of the Series 2008C Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each maturity of the Series 2008C Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2008C Bonds will be made in book-entry form only, and beneficial owners of the Series 2008C Bonds will not receive physical delivery of bond certificates, except as described in this Official Statement. 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 2008C Bonds.

The Series 2008C Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2008C Bonds accrues from the date of initial delivery of the Series 2008C Bonds and is payable on June 1 and December 1 of each year, commencing June 1, 2009. Principal of the Series 2008C Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedule on the inside front cover.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER

The Series 2008C Bonds are subject to redemption prior to maturity.

Proceeds of the Series 2008C Bonds will be used by the NMFA for the purpose of (i) originating loans to or reimbursing the NMFA for moneys used to originate loans to or purchase securities from certain governmental entities that will be or were used to finance certain Projects for such governmental entities and (ii) paying costs incurred in connection with the issuance of the Series 2008C Bonds. The principal of and premium, if any, and interest on the Series 2008C Bonds and additional bonds issued or to be issued are payable solely from and secured solely by the Trust Estate. The NMFA has issued or incurred and expects to issue or incur parity bonds and other obligations pursuant to the Indenture.

The Series 2008C Bonds are special limited obligations of the NMFA, payable, together with additional bonds issued or to be issued, solely from and secured solely by the Trust Estate. The Series 2008C Bonds will not constitute or create a general obligation or other indebtedness of the State of New Mexico, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 2008C Bonds will be construed or interpreted 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 Series 2008C Bonds do not constitute or give rise to personal liability on the part of the members, directors or officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Certain legal matters concerning the legality of the Series 2008C Bonds will be passed on by Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, Bond Counsel to the NMFA. Certain legal matters will be passed upon for the NMFA by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the NMFA, and by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Disclosure Counsel to the NMFA. The General Counsel of the NMFA will deliver a non-litigation certification for the NMFA. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with the Series 2008C Bonds. It is expected that a single certificate for each maturity of the Series 2008C Bonds will be delivered to DTC or its agent on or about January 15, 2009.

Samuel A. Ramirez & Co., Inc.

RBC Capital Markets

Piper Jaffray & Co.

This Official Statement is dated December 18, 2008 and the information contained herein speaks only as of that date.

$29,130,000
NEW MEXICO FINANCE AUTHORITY
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
SERIES 2008C

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2009	$ 510,000	4.000%	1.250%	64711N DE 2
2010	1,045,000	4.000	2.400	64711N DF 9
2011	1,405,000	3.250	2.640	64711N DG 7
2012	1,650,000	4.500	3.040	64711N DH 5
2013	1,655,000	5.000	3.300	64711N DJ 1
2014	1,715,000	4.250	3.500	64711N DK 8
2015	1,765,000	4.500	3.750	64711N DL 6
2016	1,825,000	5.000	4.030	64711N DM 4
2017	1,185,000	5.000	4.340	64711N DN 2
2018	1,215,000	5.000	4.640	64711N DP 7
2019	995,000	5.000	4.980(c)	64711N DQ 5
2020	1,035,000	5.500	5.170(c)	64711N DR 3
2021	1,205,000	5.500	5.340(c)	64711N DS 1
2022	1,380,000	5.500	5.520	64711N DT 9
2023	1,070,000	5.500	5.600	64711N DU 6
2024	1,070,000	5.500	5.690	64711N DV 4
2025	1,140,000	5.600	5.790	64711N DW 2
2026	1,195,000	5.700	5.880	64711N DX 0
2027	1,260,000	5.800	5.950	64711N DY 8
2028	1,265,000	5.875	6.050	64711N DZ 5
2029	755,000	5.875	6.100	64711N EA 9

$2,790,000 6.000% Term Bond due June 1, 2033; price 97.493%; CUSIP Number 64711N EB 7†

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† The above referenced CUSIP numbers have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2008C Bonds. Neither the NMFA, the Underwriters, nor the Trustee is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2008C Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2008C Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

(c) Priced to call on June 1, 2018.

The information set forth herein has been obtained from the NMFA, DTC and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the NMFA, or in any other information contained herein since the date hereof.

No dealer, broker, salesman or any other person has been authorized by the NMFA to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy nor shall there be any sale of the Series 2008C Bonds by any person in any jurisdiction in which it is unlawful for such offer, solicitation or sale.

All inquiries relating to this Official Statement and the offering contemplated herein should be directed to the Financial Advisor. Prospective investors may obtain additional information from the Financial Advisor or the NMFA which they may reasonably require in connection with the decision to purchase any of the Series 2008C Bonds from the Financial Advisor.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Forward-looking statements are included in the Official Statement under the captions "THE PLAN OF FINANCING—Estimated Sources and Uses of Funds." The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

The yields at which the Series 2008C Bonds are offered to the public may vary from the initial reoffering yields on the inside front cover page of this Official Statement. In connection with this offering, the initial purchasers of the Series 2008C Bonds may engage in transactions that stabilize, maintain or otherwise affect market prices of the Series 2008C Bonds. Such transactions, if commenced, may be discontinued at any time.

The NMFA maintains a website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2008C Bonds.

THE SERIES 2008C BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. THE SERIES 2008C BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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Salt Lake City, Utah

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Bank of Albuquerque, N.A.
Albuquerque, New Mexico

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* New members appointed in January 2008 by the Governor of the State of New Mexico. Such members are still awaiting confirmation by the Senate of the State of New Mexico. See "THE NEW MEXICO FINANCE AUTHORITY—Governing Body and key Staff Members" herein.

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OFFICIAL STATEMENT

RELATING TO

$29,130,000
NEW MEXICO FINANCE AUTHORITY
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
SERIES 2008C

INTRODUCTION

This Official Statement, which includes the cover page and appendices, provides information in connection with the offer and sale of the $29,130,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008C (the "Series 2008C Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2008C Bonds, together with additional bonds the NMFA has issued or may issue in parity with them, are collectively referred to in this Official Statement as the "Bonds." Capitalized terms used and not defined in the main body of this Official Statement have the meanings specified in the General Indenture of Trust and Pledge, dated as of June 1, 1995, as previously amended and supplemented (the "General Indenture"), and as further amended and supplemented by the Seventy-First Supplemental Indenture of Trust, dated as of December 1, 2008 (the "Seventy-First Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the NMFA and the Bank of Albuquerque, N.A., Albuquerque, New Mexico, as trustee (the "Trustee"), and are presented under the caption "Definitions" in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE."

New Mexico Finance Authority

The NMFA, established by the legislature of the State of New Mexico (the "State") in 1992, is a governmental instrumentality separate and apart from the State created to coordinate the planning and financing of State and local public projects. For additional information concerning the NMFA, see "NEW MEXICO FINANCE AUTHORITY" and the NMFA's financial statements for the fiscal year ended June 30, 2007 included as APPENDIX A hereto.

Authority and Purpose

The Series 2008C Bonds are being issued under the authority of and pursuant to the laws of the State, 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—The Public Project Revolving Fund Program."

Proceeds from the sale of the Series 2008C Bonds will be used by the NMFA for the purpose of (i) originating loans to or reimbursing the NMFA for moneys used to originate loans to or purchase securities ("Loans") from certain governmental entities ("Governmental Units") that will be or were used to finance certain Projects for such Governmental Units and (ii) paying costs incurred in connection with the issuance of the Series 2008C Bonds. See "THE PLAN OF FINANCING" and "APPENDIX F" for a list of the Governmental Units and the amount of the Loans financed with the proceeds of the Series 2008C Bonds. Such Governmental Units whose Loans are being financed with proceeds of the Series 2008C Bonds are sometimes referred to herein as the "2008C Governmental Units."

Parity Obligations

Bonds with a lien on the Trust Estate in parity with the lien of the Series 2008C Bonds have been issued and may be issued to provide loans to Governmental Units, to reimburse the Public Project Revolving Fund for loans made to Governmental Units, and to purchase securities from Governmental Units. For a description of the parity Bonds currently outstanding (the "Outstanding Parity Bonds"), see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Parity Bonds."

Subordinate Obligations

Obligations with a subordinate lien on the revenues from the NMFA Portion of the Governmental Gross Receipts Tax (as defined below) and Revenues from Additional Pledged Loans released from the lien of the Indenture have been issued and may be issued to provide loans to Governmental Units, to reimburse the Public Project Revolving Fund for loans made to Governmental Units, to purchase securities from Governmental Units and to retire borrowings incurred in anticipation of the issuance of such subordinate obligations. For a description of the subordinate obligations currently outstanding, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Subordinate Lien Bonds."

The Series 2008C Bonds

The Series 2008C Bonds will be dated the date of their initial delivery. Interest on the Series 2008C Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2009. The Series 2008C Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear interest at the rates shown on the inside front cover of this Official Statement. The Series 2008C Bonds are issuable in denominations of $5,000 or integral multiples of $5,000.

Individual purchases will be made in book-entry only form, and purchasers of the Series 2008C Bonds will not receive physical delivery of bond certificates except as more fully described in "APPENDIX E—BOOK-ENTRY ONLY SYSTEM." Payments of principal of and interest on the Series 2008C 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 (as defined below) for subsequent disbursement to the beneficial owners of the Series 2008C Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2008C 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 and Indirect Participants acquire an interest in the Series 2008C Bonds, but (1) all rights of ownership must be exercised through DTC and the book-entry only system as described in APPENDIX E, and (2) except as otherwise provided in the Indenture, 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

The Series 2008C Bonds are subject to redemption prior to maturity. See "THE SERIES 2008C BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2008C Bonds, are special limited obligations of the NMFA secured by and payable solely from the Trust Estate, which includes the Revenues described below and certain funds and accounts created and maintained pursuant to the Indenture. (See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" herein.)

The Bonds do not constitute or create a general obligation or other indebtedness of the State, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE NMFA HAS NO TAXING POWERS. No provision of the Series 2008C Bonds will be construed or interpreted as a donation or lending of the credit of the NMFA, the State, or any Governmental Unit within the meaning of the Constitution of the State. The principal of and interest and premium, if any, on the Series 2008C Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

No Debt Service Reserve Account. The NMFA is not funding an Account in the Debt Service Reserve Fund with respect to the Series 2008C Bonds.

Additional Bonds. The NMFA maintains an ongoing program to provide Loans and to purchase Securities from Governmental Units and expects to finance certain of those activities with the issuance of Additional Bonds in parity with the Series 2008C Bonds. The NMFA must satisfy certain requirements set forth in the Indenture to issue such Additional Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds." The timing, amount and other details of such Additional Bonds are not known as of the date of this Official Statement.

Continuing Disclosure Undertaking

The NMFA has undertaken for the benefit of the Series 2008C Bond Owners that, so long as the Series 2008C Bonds remain outstanding, the NMFA will provide certain annual financial information, operating data and audited financial statements with respect to the NMFA, and each Governmental Unit expected by the NMFA to have loan repayment obligations in the then-current fiscal year constituting more than twenty percent (20%) of the estimated Revenues in the then-current fiscal year 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 amended (the "Rule"). See "CONTINUING DISCLOSURE UNDERTAKING" herein.

In September 2004, the NMFA discovered that for fiscal years 2000-2001, 2001-2002 and 2002-2003, certain information required to be filed under the terms of its continuing disclosure undertakings in effect at that time was not filed. The NMFA has since filed the information and believes that, since October 4, 2004, it has been in compliance with its continuing disclosure undertakings. The NMFA engaged Digital Assurance Certification, L.L.C., as dissemination agent, to assist with continuing disclosure compliance matters. The provisions of the Continuing Disclosure Undertaking may be amended under certain circumstances. See "CONTINUING DISCLOSURE UNDERTAKING."

Tax Considerations

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel to the NMFA, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2008C Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2008C Bonds is exempt from State of New Mexico personal income taxes as described herein. See "TAX MATTERS" regarding certain other tax considerations.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2008C Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel to the NMFA, will deliver its opinion in the form included in APPENDIX D. Certain legal matters will be passed upon for the NMFA by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the NMFA, and by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Disclosure Counsel to the NMFA. The General Counsel of the NMFA will deliver a non-litigation certification for the NMFA. Western Financial Group, LLC, Lake Oswego, Oregon has acted as financial advisor to the NMFA (the "Financial Advisor") in connection with its issuance of the Series 2008C Bonds. See "FINANCIAL ADVISOR."

The NMFA's audited financial statements for the fiscal year ended June 30, 2007, included in APPENDIX A, have been audited by Meyners & Company, Certified Public Accountants, Albuquerque, New Mexico. See also "FINANCIAL STATEMENTS."

Offering, Sale and Delivery of the Series 2008C Bonds

The Series 2008C Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel and the satisfaction of certain other conditions. It is anticipated that a single certificate for each maturity of the Series 2008C Bonds will be delivered to DTC or its agent on or about January 15, 2009. The Series 2008C

Bonds will be distributed in the initial offering by Samuel A. Ramirez & Co., Inc., RBC Capital Markets Corporation, and Piper Jaffray & Co. (collectively, the "Underwriters") for which Samuel A. Ramirez & Co., Inc. is acting as managing underwriter and representative of the Underwriters (in such role, the "Representative").

Other Information

This Official Statement speaks only as of its date, and the information in it is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents in this Official Statement do not purport to be complete, and reference is made to those 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 to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 207 Shelby Street, Santa Fe, New Mexico 87501, Attention: Chief Financial Officer.

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 any purchaser or holder of Series 2008C Bonds.

THE SERIES 2008C BONDS

General

The Series 2008C Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2008C Bonds from such date at the rates presented on the inside front cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months), and is payable on June 1 and December 1 of each year, commencing June 1, 2009. The Series 2008C Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2008C Bonds are issuable in denominations of $5,000 or integral multiples of $5,000 (the "Authorized Denominations").

Book-Entry Only System

The Depository Trust Company will act as securities depository for all of the Series 2008C Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount and maturity of each series of the Series 2008C Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2008C Bonds will be made in book-entry only form, and beneficial owners of the Series 2008C Bonds will not receive physical delivery of bond certificates, except as described in APPENDIX E. Upon receipt of payments of principal and interest, DTC will remit such payment to DTC participants for subsequent disbursement to the beneficial owners of the Series 2008C Bonds. For a more complete description of the book-entry only system, see "APPENDIX E—BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

Optional Redemption. The Series 2008C Bonds maturing on or after June 1, 2019 are subject to optional redemption at any time on and after June 1, 2018, 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 General Indenture and at the redemption price of 100% of the principal amount of the Series 2008C Bonds to be redeemed, but without premium.

Mandatory Sinking Fund Redemption. The Series 2008C Bonds maturing on June 1, 2033 are subject to mandatory sinking fund redemption on each of the dates set forth below, at a price equal to one hundred percent (100%) of the principal amount of each Series 2008C Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2030	$795,000
2031	840,000
2032	560,000
2033†	595,000

† Final Maturity

If less than all of the Series 2008C Bonds maturing on June 1, 2033 are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed will be credited toward a part or all of any one or more of any mandatory sinking fund payments for such Series 2008C Bonds, in such order as may be directed by the NMFA.

Notice of Redemption. In the event any of the Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of 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 redemption date.

In addition, further notice of any redemption of 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 Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Bonds. Failure to give all or any portion of such further notice will not in any manner defeat the effectiveness of a call for redemption.

If at the time of mailing of any notice of redemption there are not on deposit with the Trustee moneys sufficient to redeem all the 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 will 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 Bonds or portions thereof redeemed but who failed to deliver Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed will be conclusively presumed to have been duly given, whether or not the owner of such 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 Bonds.

Partially Redeemed Bonds. In case any Bond is redeemed in part, upon the presentation of such Bond for such partial redemption, the NMFA will execute and the Trustee will 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 Bond or Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Bond. A portion of any 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 of $5,000 and, in selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Bonds by $5,000.

Defeasance

When a Bond has been deemed to be paid under the Indenture, it will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment. Any Bond will be deemed to be paid for all purposes of the Indenture when (1) the principal of and the applicable premium, if any, on such Bond (whether at maturity or prior redemption) plus interest on the Bond to the Bond's due date either have been paid or 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 moneys sufficient to make such payment, and/or 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 (2) 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.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Limited Obligations

The Bonds, including the Series 2008C Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2008C Bonds do not constitute nor create a general obligation or other indebtedness of the State, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE NMFA HAS NO TAXING POWERS. No provision of the Series 2008C Bonds will be construed or interpreted 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 principal of and interest and premium, if any, on the Series 2008C Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

Trust Estate

In the Indenture, the NMFA pledges and assigns the Trust Estate for the equal and ratable payment of the Bonds. The Trust Estate includes (i) Agreement Revenues (as defined below) and amounts in the Agreement Reserve Accounts subject to the uses provided for in the Indenture and described herein, (ii) Additional Pledged Loans, (iii) revenues received by the NMFA from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, and (iv) other amounts in certain funds and accounts created and maintained pursuant to the Indenture, all as more fully described below.

Agreement Revenues. 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 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 (the “Agreement Revenues” or, as defined in the Indenture, 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 agrees to pay principal of and interest on its loan promptly from its Agreement Revenues and to continue such payments until its Loan is paid in full. Each Governmental Unit that has entered into a Loan Agreement or has issued Securities has pledged specific Agreement Revenues to the repayment of its Loan. It should be noted that each Governmental Unit that has entered into an Agreement with the NMFA has the ability to incur additional obligations that may be secured on a parity basis with the Agreement Revenues as long as certain conditions are satisfied. See APPENDIX F for a list of the Governmental Units and the allocable portions of the Loans financed with the Series 2008C Bonds. Also, please see APPENDIX F for information relating to the largest repayment obligations. A Governmental Unit is not required to make up any Loan Payment not paid in full by another Governmental Unit or to make up any insufficiency in any other source of revenues.

The following table lists the various types of revenues from which Agreement Revenues are derived based upon scheduled payments in fiscal year 2008-2009. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

Type of Revenue	2008-2009 Amounts	Percentage of Agreement Revenues
Local Gross Receipts Tax	$ 15,954,182	23.00%
Enterprise System Revenues	15,464,380	22.29
General Obligation (ad valorem taxes)	14,436,368	20.81
Local Special Tax	11,474,370	16.54
State Gross Receipts Tax	6,206,571	8.95
Fire Protection Funds	2,893,610	4.17
Governmental Gross Receipts Tax	2,616,232	3.77
Special Assessments	251,592	0.36
Mill Levy	43,174	0.06
Law Enforcement Protection Funds	33,113	0.05
Total	$69,373,592	100.00%

(Source: The NMFA.)

The following table lists the ten Agreements that, based on scheduled payments in fiscal year 2008-2009 and assuming no prepayments of the Agreements, are expected to generate the largest Agreement Revenues in fiscal year 2008-2009. These ten Agreements comprise 43.93% of projected Agreement Revenues for fiscal year 2008-2009.

AGREEMENTS EXPECTED TO GENERATE AGREEMENT REVENUES[(1)]

Borrower	FY 2008-2009 Debt Service	% of Total Pledged Revenues[(1)]
Albuquerque Bernalillo County Water Utilities Authority (enterprise system revenues)	$7,674,695	11.06%
General Services Department (state gross receipts taxes)	6,206,571	8.95
State Parks and Recreation Department (governmental gross receipts taxes)	2,616,232	3.77
Taos County (local gross receipts taxes)	2,595,178	3.74
Gadsden Independent Schools (ad valorem taxes)	2,577,663	3.72
Department of Health (cigarette taxes)	2,414,947	3.48
City of Las Cruces (local special taxes)	1,795,674	2.59
Bernalillo Public Schools (ad valorem taxes)	1,729,156	2.49
City of Las Cruces (local gross receipts taxes)	1,468,382	2.12
Gallup-McKinley Schools (federal payments)	1,394,915	2.01
Total	$30,473,412	43.93%

(1) Reflects a percentage of total loan agreement revenues, not including the NMFA Portion of Governmental Gross Receipts Taxes.

(Source: The NMFA.)

Although Agreement Revenues are received at various times throughout the year, they are held under the Indenture until June 1 of each year to be applied to pay debt service on the Bonds. For more information with respect to Agreement Revenues and Governmental Units, See “APPENDIX F—2008C GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS.”

The NMFA may require and has previously required the establishment and funding of an Agreement Reserve Fund in connection with certain Agreements. 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 Agreement.

Additional Pledged Loans. The NMFA may make loans from or purchase securities with available funds in the Public Project Revolving Fund. 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 the NMFA to the payment of the Bonds. See "Flow of Funds" below under this caption.

The Governmental Gross Receipts Tax. Pursuant to Section 7-1-6.38, NMSA 1978, the Public Project Revolving Fund administered by the NMFA is allocated seventy-five percent (75%) (the "NMFA Portion of the Governmental Gross Receipts Tax") of all net receipts of a governmental gross receipts tax which is levied and collected pursuant to Section 7-9-4.3, NMSA 1978. The governmental gross receipts tax was enacted into law and first imposed in 1991 at a rate of five percent (5%) on governmental gross receipts. Governmental gross receipts are defined in Section 7-9-3.2, NMSA 1978, as all receipts of the State 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 principally engaged in providing health care services, from (i) the sale of tangible personal property other than water from facilities open to the general public; (ii) the performance of or admissions to recreational, athletic or entertainment services or events in facilities open to the general public; (iii) refuse collection, refuse disposal or both; (iv) sewage services; (v) the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the State; and (vi) the renting of parking, docking or tie-down spaces or the granting of permission to park vehicles, tie-down aircraft or dock boats.

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.

Certain receipts are excluded from the governmental gross receipts tax, including (i) receipts from the sale of gas or electricity by a utility owned or operated by a county, municipality or other political subdivision, (ii) receipts from operation of a cable television system owned or operated by a municipality, (iii) receipts from the sale of livestock, receipts of growers, producers, trappers or nonprofit marketing associations from selling livestock, live poultry, and (iv) receipts from certain activities at a minor league baseball stadium.

In addition, there are certain deductions from the governmental gross receipts tax, including (i) certain receipts from selling tangible personal property to the United States or the State, (ii) receipts from selling tangible personal property to an Indian tribe, nation or pueblo, (iii) receipts from transactions in interstate commerce, (iv) certain receipts 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, and (v) 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 Taxation and Revenue Department 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 Taxation and Revenue Department. 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.

Presented below is information from the New Mexico Taxation and Revenue Department concerning collections of the governmental gross receipts tax for the fiscal years 2003-2004 through 2007-2008.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2003-2004 THROUGH 2007-2008

	Fiscal Year 2003-2004	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008
Total Net Receipts	$24,491,159	$24,582,478	$26,918,001	$27,936,430	$29,186,583
NMFA Portion of the Governmental Gross Receipts Tax	$18,368,369	$18,445,414	$19,689,576	$21,335,908	$21,431,489

(Source: State of New Mexico Taxation and Revenue Department.)

The information presented below relates to the ten top payers of the governmental gross receipts tax for fiscal years 2003-2004 through 2005-2006. Such information is for informational purposes and is presented to show trends of the receipt of governmental gross receipts tax. Such information is not publicly available from the State and has instead been obtained from each individual entity and is believed to be reliable. However, the NMFA has not verified and does not guarantee the accuracy of any such information.

TOP PAYERS OF GOVERNMENTAL GROSS RECEIPTS TAXES[(1)]
FISCAL YEARS 2004-2005 THROUGH 2006-2007

	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Fiscal Year 2006-2007
Entity	% of Total Net Receipts	% of Total Net Receipts	% of Total Net Receipts
Albuquerque Bernalillo County Water Utility Authority	24.06%	27.87%	18.68%
City of Albuquerque	8.23	8.18	8.28
City of Santa Fe	8.88	7.84	7.33
City of Las Cruces	5.13	5.17	5.03
University of New Mexico	5.23	4.45	4.47
City of Rio Rancho	3.57	3.79	4.17
City of Farmington	2.74	2.52	2.62
City of Roswell	2.16	2.15	2.06
County of Los Alamos	1.80	1.81	1.64
City of Carlsbad	1.87	1.75	1.71
Total	63.67%	65.54%	55.99%

(1) Unaudited.
(Sources: Listed entities. No representation regarding the accuracy of such information is made by the NMFA.)

Funds and Accounts

The Indenture creates a Revenue Fund, a Program Fund (with separate accounts for each Agreement or Project), a Bond Fund, a Debt Service Fund (with separate accounts for each Agreement), an Agreement Reserve Fund (with a separate account for each Agreement that has a reserve requirement), and an Expense Fund, all of which are part of the Trust Estate. Amounts on deposit in accounts in the Debt Service Fund and in each Agreement Reserve Account shall only secure repayment of the Loan made under the related Agreement.

Flow of Funds

Loan Payments. All Loan Payments and other amounts paid by Governmental Units pursuant to the Loan Agreements and Securities are to be paid directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee prior to each Interest Payment Date, and the Trustee is directed to deposit all such payments immediately upon receiving them, in the following accounts and in the following priority:

First: the Debt Service Fund in an amount required to cause the aggregate amount on deposit in that Fund 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; and

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

On each Interest Payment Date for the Bonds, the Trustee is directed 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, to the extent amounts are on deposit for such purpose. At least once each year, and more frequently if required pursuant to the provisions of a Supplemental Indenture, the Trustee must 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) in certain cases, to pay the Governmental Unit's share of Program Costs for the year. The Trustee is directed to return any excess that the Trustee does not expect to be required for such payments to the related Governmental Unit or to credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement. In certain cases, any excess attributable to the difference in interest rates on the Governmental Unit's Loans and the related Bonds (including the Series 2008C Bonds) will be deposited into the Revenue Fund.

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 directed to transfer from the related Agreement Reserve Account, if any, to that Governmental Unit's Account of the Debt Service Account, 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.

The above provisions, with respect to the flow of funds, do not apply to moneys provided pursuant to the 2000A Loan Agreement. For a description of the flow of funds with respect to the 2000A Loan Agreement, see APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—THE INDENTURE—Flow of Funds—Application of Loan Payments."

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 required to be paid by the NMFA to the Trustee prior to each Interest Payment Date 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 directed 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 Account, 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 directed to retain in the Revenue Fund, in a separate account to be created therein (to the extent of amounts remaining in the Revenue Fund), the following:

- an amount equal to any deficiency in any account in the Agreement Reserve Fund;
- with respect to Agreements for which no Agreement Reserve Account was created in the Agreement Reserve Fund and a default in the payment of principal or interest under such

Agreement has occurred and is continuing, an amount equal to the least of (i) ten percent (10%) of the proceeds of such Agreement, (ii) maximum annual debt service on such Agreement and (iii) 1.25 times average annual debt service on such Agreement; and

- 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 (i) five percent of the proceeds of the Bonds issued to finance such Grant, (ii) one-half of maximum annual debt service on the Bonds issued to finance such Grants and (iii) 0.625 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 directed to transfer the balance on deposit in the Revenue Fund to the NMFA for deposit into the Subordinate Lien Revenue Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Subordinate Lien Bonds." After the moneys have been used for the purposes specified in the Subordinated Indenture (as defined below), the NMFA may use any remaining moneys for Public Project Revolving Fund purposes; redemption of Bonds prior to maturity by depositing the same into the Bond Fund; refinancing, refunding, purchasing or advance refunding of any Bonds; or any other lawful purpose.

The balance so transferred to the Subordinate Lien Revenue Fund is no longer pledged to the payment of debt service on the Bonds.

Debt Service Reserve Fund. The Indenture permits the NMFA to establish a separate Account in the Debt Service Reserve Fund solely for the benefit of the holders of a Series of Bonds. However, the NMFA is not creating a separate Account in the Debt Service Reserve Fund with respect to the Series 2008C Bonds.

Investment Earnings. All income earned from the investment of moneys in the respective Accounts held by the NMFA and the respective Accounts of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit exceeds the related Agreement Reserve Requirement), shall be deposited in the related Account of the Debt Service Fund and applied as a credit to the Loan Payment next coming due under the Agreement, with all earnings received on the Governmental Unit's Accounts being allocated solely to the benefit of such Governmental Unit.

Application of Loan Prepayments

Covenants Applicable to the Series 2008C Bonds. The NMFA covenants pursuant to the Seventy-First Supplemental Indenture, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to Loans reimbursed or originated with proceeds of the Series 2008C Bonds with debt service payable on Series 2008C Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2008C Bonds with revenues received from Loan Payments on all outstanding Loans, to take any one or more of the following actions separately or in combination, within 365 days following the receipt of a Prepayment of a Loan financed with proceeds of Series 2008C Bonds:

For Prepayments funded with proceeds of bonds or another financing transaction the interest on which is intended by the Governmental Unit to be exempt from inclusion in gross income under the Internal Revenue Code (a "Tax-Exempt Financing"), the NMFA must either to the extent practicable, (i) originate one or more new Loans in an aggregate principal amount equal to or greater than the amount of the portion of the Prepayment to be applied, and with a final maturity date and debt service requirements approximating, to the extent practicable, the final maturity date and debt service requirements for the portion of the Loan pursuant to which the Prepayment was made (or a pro rata portion thereof if a portion of the Prepayment is to be used to originate a new Loan or Loans), or (ii) call for optional redemption Series 2008C Bonds that are subject to redemption in an aggregate principal amount equal to or greater than the amount of the Prepayment (or a pro rata portion thereof if a portion of the Prepayment is to be applied), and with a final maturity date and debt service requirements approximating the final maturity date and debt service requirements of the Loan pursuant to which the Prepayment was made (or a pro rata portion thereof if a portion of the Prepayment is to be applied). See "THE 2008C BONDS—Redemption—Optional Redemption by the NMFA."

For Prepayments funded from sources other than a Tax-Exempt Financing, the NMFA must elect either of the options described in the previous paragraph, or must defease Series 2008C Bonds, in Authorized Denominations, to their first optional redemption date as described under the caption "THE 2008C BONDS—Redemption—Optional Redemption by the NMFA," in an amount approximating the Prepayment received (or a pro rata portion thereof if a portion of the Prepayment is to be applied). The principal amount and maturity date of Series 2008C Bonds to be defeased must correspond to the principal amount and due date of the Principal Component of such Prepayment.

The NMFA will recalculate the respective Loan Payments due under any Loan Agreement in the case of a partial Prepayment of Loan Payments under such Loan Agreement in a manner consistent with the actions taken.

Historical Prepayments. In the past five fiscal years, the NMFA received Prepayments in the numbers and aggregate principal amounts presented in the following table. Because prepayment of some Loans by Governmental Units is optional for certain Governmental Units and because the Loan Payments that Governmental Units may prepay vary greatly in amount, the occurrence and aggregate principal amount of Prepayments in past fiscal years are not an indication of Prepayments to be received by the NMFA in future fiscal years.

Fiscal Year	Number of Prepayments	Aggregate Principal Amount
2003-2004	12	$10,303,000
2004-2005	12	6,096,000
2005-2006	8	2,681,000
2006-2007	9	9,145,000
2007-2008	21	2,973,716
2008-2009	15	6,159,313

(Source: The NMFA.)

Additional Bonds

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) The NMFA must deliver to the Trustee a Cash Flow Statement (as defined in the Indenture), taking into account the issuance of the Additional Bonds or other indebtedness, bonds or notes. A "Cash Flow Statement" incorporates a variety of items including revenues, debt service, loan prepayments and discount factors for certain types of Loans and is more particularly described in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE."

(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 under the Indenture 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 to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance).

(d) No Event of Default has occurred and is continuing under the Indenture, except that the foregoing will 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 Agencies to the effect that such revision or deletion will not result in the rating on the Outstanding Bonds being lowered.

The NMFA maintains an ongoing program to provide loans and to purchase securities from Governmental Units and expects to finance certain of those activities with the issuance of Additional Bonds in parity with the Series 2008C Bonds. The issuance of such Additional Bonds depends on a variety of factors, including market conditions. No assurance can be given when, or if, such Additional Bonds will be issued. The timing, amount and other details of such Additional Bonds are not known as of the date of this Official Statement.

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 will be created or incurred without the prior written consent of the Owners of one hundred percent (100%) of the Outstanding Bonds.

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Outstanding Parity Bonds

The following table presents the series of Public Project Revolving Fund Revenue Bonds that will be outstanding under the Indenture as of December 15, 2008:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as December 15, 2008[(2)]
1999A	$13,135,000	$6,255,000
1999B	3,025,000	1,075,000
1999C	2,265,000	550,000
1999D	4,875,000	1,880,000
2000B	7,670,000	360,000
2000C	28,850,000	835,000
2002A	55,610,000	19,555,000
2003A	39,945,000	21,828,000
2003B	25,370,000	19,340,000
2004A-1	28,410,000	19,240,000
2004A-2	14,990,000	12,905,000
2004B-1	48,135,000	36,770,000
2004B-2	1,405,000	1,105,000
2004C	168,890,000	146,170,000
2005A	19,015,000	15,145,000
2005B	13,500,000	12,665,000
2006B	38,260,000	36,410,000
2006D	56,400,000	51,785,000
2007E	61,945,000	60,960,000
2008A	158,965,000	157,615,000
2008B	36,545,000	36,545,000
Total Outstanding	$827,205,000	$658,993,000

(1) The official statements for the various series of bonds beginning with the Series 2002A Bonds are available at the internet site http://www.munios.com and the official statements for the various series of bonds issued prior to that time are available upon request from the NMFA.

(2) Bonds mature on June 1.

(Source: The NMFA.)

See “ANNUAL DEBT SERVICE REQUIREMENTS” for Debt Service Requirements on the outstanding Bonds and aggregate payments under Agreements relating to the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate” for a listing of the Governmental Units with Loan repayment obligations, based on scheduled payments in fiscal year 2008-2009 and assuming no prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2008-2009.

Outstanding Subordinate Lien Bonds

Pursuant to a Subordinated General Indenture of Trust and Pledge dated as of March 1, 2005 (the “Subordinated Indenture”) between the NMFA and Bank of Albuquerque, N.A., as trustee, the NMFA may incur obligations that have a lien on the revenues from the NMFA Portion of the Governmental Gross Receipts Tax and the revenues from Additional Pledged Loans (collectively, the “Subordinate Lien Revenues”) that is subordinate to the lien of the Indenture on those revenues.

Pursuant to the Subordinated Indenture, the NMFA has issued various series of bonds (the "Subordinate Lien Bonds"). The following table sets forth the various series of Subordinate Lien Bonds, the original aggregate principal amount and the aggregate principal amount of Subordinate Lien Bonds that will be outstanding as of December 15, 2008.

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of December 15, 2008[2]
2005C[3]	$50,395,000	$50,395,000
Taxable 2005D[3]	8,660,000	620,000
2005E	23,630,000	23,630,000
2005F	21,950,000	21,035,000
2006A	49,545,000	49,090,000
2006C	39,860,000	37,485,000
2007A	34,010,000	32,295,000
2007B	38,475,000	37,490,000
2007C	131,860,000	129,360,000
Total	$398,385,000	$381,400,000

(1) The official statements for the various series of bonds are available at the Internet site http://www.munios.com.

(2) Bonds mature on June 15.

(3) The Series 2005C and Series 2005D Bonds were issued to refinance bonds issued in 2001, 2002 and 2003 to finance a new Metropolitan Courthouse Complex located in downtown Albuquerque (the "Metro Court"). It should be noted that revenues that provide the source of repayment for the Series 2005C and the Series 2005D Bonds have fluctuated. In addition, indictments were handed down against various parties that are accused of engaging in a scheme of kickbacks in connection with the construction of the Metro Court. The accused parties have plead guilty to lesser offenses. The NMFA has not conducted a comprehensive investigation of the alleged kickback scheme that is the subject of the indictments. However, the NMFA is not aware of any relationship between the indictments and the decline in the revenues that provide the source of repayment for the Series 2005C and Series 2005D Bonds.

(Source: The NMFA.)

See "ANNUAL DEBT SERVICE REQUIREMENTS" for Debt Service Requirements on the Outstanding Bonds and aggregate payments under Agreements.

The NMFA may issue additional bonds pursuant to the Subordinate Lien Indenture from time to time to satisfy the financing needs of governmental entities in the State.

The Series 2008C Bonds have a lien on the Subordinate Lien Revenues senior to the lien securing the outstanding Subordinate Lien Bonds.

Supplemental Indentures and Amendments to 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 with the prior written confirmation from the Rating Agencies that such amendment will not result in the rating on the Bonds and the PPRF Secured Obligations, following such amendment, to be lower than the rating on the Bonds and the PPRF Secured Obligations immediately prior to such amendment. See "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—Supplemental Indentures."

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 Agreement, Additional Pledged Loan documents and any existing Security Documents with the prior written confirmation from the Rating Agencies that such amendment will not result in the rating on the Bonds following such amendment to be lower than the rating on the Bonds immediately prior to such amendment; or make any other change or amendment upon the delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

THE PLAN OF FINANCING

General

The proceeds of the Series 2008C Bonds will be used by the NMFA for the purpose of originating loans to or reimbursing the NMFA for moneys used to originate Loans to or purchase Securities from the 2008C Governmental Units that will be or were used to finance certain Projects for the 2008C Governmental Units. A portion of the proceeds of the Series 2008C Bonds will be used by the NMFA for the purpose of paying costs incurred in connection with the issuance of the Series 2008C Bonds. See APPENDIX F for a list of the 2008C Governmental Units and the amount of the Loans financed with the Series 2008C Bonds.

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2008C Bonds.

Sources of Funds

Principal Amount	$29,130,000.00
Net Reoffering Premium	398,357.20
Total Sources	$29,528,357.20

Uses of Funds

Public Project Revolving Fund Deposit	$16,018,039.10
Program Fund Accounts[(1)]	12,953,681.44
Costs of Issuance[(2)]	556,636.66
Total Uses	$29,528,357.20

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(1) Amounts will be used to fund Loans subsequent to the issuance of the Series 2008C Bonds. See "APPENDIX F—2008C GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS—2008C Governmental Units."

(2) Costs of Issuance include legal fees, underwriting discount, rating agency fees, Trustee fees, financial advisory fees and other costs and expenses related to the issuance of the Series 2008C Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2008C Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

DEBT SERVICE FOR THE BONDS

Fiscal Year	Series 2008C Bonds Principal	Interest	Total	Outstanding Parity Bonds	Total Debt Service
2009	$ 510,000	$561,410	$1,071,410	$67,305,475	$68,376,885
2010	1,045,000	1,465,685	2,510,685	67,020,606	69,531,291
2011	1,405,000	1,423,885	2,828,885	65,744,936	68,573,821
2012	1,650,000	1,378,223	3,028,223	67,639,979	70,668,202
2013	1,655,000	1,303,973	2,958,973	65,148,610	68,107,583
2014	1,715,000	1,221,223	2,936,223	61,541,680	64,477,903
2015	1,765,000	1,148,335	2,913,335	60,410,018	63,323,353
2016	1,825,000	1,068,910	2,893,910	57,184,513	60,078,423
2017	1,185,000	977,660	2,162,660	46,926,341	49,089,001
2018	1,215,000	918,410	2,133,410	45,332,349	47,465,759
2019	995,000	857,660	1,852,660	42,077,085	43,929,745
2020	1,035,000	807,910	1,842,910	40,583,478	42,426,388
2021	1,205,000	750,985	1,955,985	38,386,957	40,342,942
2022	1,380,000	684,710	2,064,710	34,542,013	36,606,723
2023	1,070,000	608,810	1,678,810	30,575,800	32,254,610
2024	1,070,000	549,960	1,619,960	28,936,697	30,556,657
2025	1,140,000	491,110	1,631,110	23,258,453	24,889,563
2026	1,195,000	427,270	1,622,270	22,601,909	24,224,179
2027	1,260,000	359,155	1,619,155	21,398,733	23,017,888
2028	1,265,000	286,075	1,551,075	17,525,233	19,076,308
2029	755,000	211,756	966,756	13,696,963	14,663,719
2030	795,000	167,400	962,400	13,134,656	14,097,056
2031	840,000	119,700	959,700	13,145,625	14,105,325
2032	560,000	69,300	629,300	13,127,525	13,756,825
2033	595,000	35,700	630,700	10,955,513	11,586,213
2034	–	–	–	10,225,275	10,225,275
2035	–	–	–	8,899,138	8,899,138
2036	–	–	–	8,852,250	8,852,250
2037	–	–	–	1,648,000	1,648,000
2038	–	–	–	1,643,250	1,643,250
	$29,130,000	$17,895,215	$47,025,215	$999,469,060	$1,046,494,275

(Source: Western Financial Group, LLC.)

The following table shows estimated available Revenues pledged to the payment of the Bonds, total debt service requirements for the Series 2008C Bonds and all other outstanding Bonds and the resulting estimated annual coverage ratios. Revenues for current and future fiscal years are based on fiscal year 2006-2007 collections of the NMFA Portion of the Governmental Gross Receipts Tax and scheduled payments under the Agreements and Additional Pledged Loans, and do not reflect any future Prepayments or delinquencies. The estimated annual coverage ratios are based in part on assumptions that may not be realized. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Revenues—The Governmental Gross Receipts Tax," "—The Agreements and the Agreement Pledged Revenues" and "—Additional Pledged Loans" for descriptions of the Revenues presented in the table under the headings "Governmental Gross Receipts Tax" and "Aggregate Pledged Borrower Payments." See

"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" and "INVESTMENT CONSIDERATIONS" for a list of some factors affecting Revenues.

ESTIMATED REVENUES, ANNUAL DEBT SERVICE REQUIREMENTS
AND PROJECTED COVERAGE RATIOS

June 30 Fiscal Year	Governmental Gross Receipts Tax[1]	Aggregate Pledged Borrower Payments[2][3]	Estimated Total Revenues[3]	Total Debt Service Requirement	Estimated Annual Coverage Ratios[4]
2009	$21,431,489	$69,373,592	$90,805,081	$68,376,885	1.33x
2010	21,431,489	72,029,861	93,461,350	69,531,291	1.34x
2011	21,431,489	71,159,114	92,590,603	68,573,821	1.35x
2012	21,431,489	72,830,877	94,262,366	70,668,202	1.33x
2013	21,431,489	71,317,682	92,749,171	68,107,583	1.36x
2014	21,431,489	67,386,968	88,818,457	64,477,903	1.38x
2015	21,431,489	66,534,920	87,966,409	63,323,353	1.39x
2016	21,431,489	62,169,660	83,601,149	60,078,423	1.39x
2017	21,431,489	52,235,349	73,666,838	49,089,001	1.50x
2018	21,431,489	50,088,318	71,519,807	47,465,759	1.51x
2019	21,431,489	46,281,903	67,713,392	43,929,745	1.54x
2020	21,431,489	45,191,575	66,623,064	42,426,388	1.57x
2021	21,431,489	42,527,739	63,959,228	40,342,942	1.59x
2022	21,431,489	39,050,672	60,482,161	36,606,723	1.65x
2023	21,431,489	33,354,998	54,786,487	32,254,610	1.70x
2024	21,431,489	31,596,946	53,028,435	30,556,657	1.74x
2025	21,431,489	25,621,752	47,053,241	24,889,563	1.89x
2026	21,431,489	24,710,436	46,141,925	24,224,179	1.90x
2027	21,431,489	23,767,357	45,198,846	23,017,888	1.96x
2028	21,431,489	19,191,678	40,623,167	19,076,308	2.13x
2029	21,431,489	14,757,233	36,188,722	14,663,719	2.47x
2030	21,431,489	14,164,182	35,595,671	14,097,056	2.53x
2031	21,431,489	14,174,807	35,606,296	14,105,325	2.52x
2032	21,431,489	13,811,547	35,243,036	13,756,825	2.56x
2033	21,431,489	11,628,910	33,060,399	11,586,213	2.85x
2034	21,431,489	10,258,080	31,689,569	10,225,275	3.10x
2035	21,431,489	8,932,274	30,363,763	8,899,138	3.41x
2036	21,431,489	8,934,319	30,365,808	8,852,250	3.43x
2037	21,431,489	1,728,481	23,159,970	1,648,000	14.05x
2038	21,431,489	1,728,726	23,160,215	1,643,250	14.09x

(1) Reflects NMFA Portion of the Governmental Gross Receipts Tax collections from July 1, 2007 through June 30, 2008.
(2) Includes scheduled payments under Agreements and outstanding Additional Pledged Loans and does not reflect the prepayment of any such Agreements that may occur while Bonds are Outstanding.
(3) Amounts are rounded to the nearest dollar.
(4) Calculated using the fiscal year 2007-2008 NMFA Portion of the Governmental Gross Receipts Tax assuming that no Additional Bonds will be issued under the Indenture, and are subject to change.

(Sources: the NMFA and Western Financial Group LLC.)

NEW MEXICO FINANCE AUTHORITY

General Information

The NMFA is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality of the State. The NMFA was created in 1992 pursuant to the Act 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. Pursuant to the Act, the NMFA and its corporate existence will continue until terminated by law, provided that no such law will 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 comprised of 12 members who also constitute the NMFA's board of directors and currently employs 37 persons, including a Chief Executive Officer. The Chief Executive Officer directs the business and affairs of the NMFA, subject to the policies, control and direction of the NMFA.

The NMFA staff provides a full range of services to its borrowers and other parties benefiting from or otherwise interested in the NMFA's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the NMFA's programs, accounting, program marketing and development services, application assistance to borrowers, coordination and assistance with other funding sources, coordination with taxing and regulatory authorities, and coordination with various legislative authorities.

Powers

In addition to the power to issue bonds and other obligations to finance specific programs and projects, 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:

(a) 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;

(b) 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;

(c) to accept, administer, hold and use all funds made available to the NMFA from any sources;

(d) to borrow money and to issue bonds and provide for the rights of holders of the bonds;

(e) to establish and maintain reserve and sinking fund accounts to insure against and have funds available for maintenance of other debt service accounts;

(f) to invest and reinvest its funds and to take and hold property as security for the investment of such funds;

(g) subject to any agreement with bondholders to: (1) renegotiate any loan, lease or agreement; (2) consent to any modification of the terms of any loan, lease or agreement; and, (3) purchase bonds, which may upon purchase be canceled; and

(h) to do any and all things necessary or convenient to carry out its purposes and exercise the powers given and granted in the Act.

The NMFA has no authority to impose or collect taxes.

Organization and Governance

The NMFA is composed of 12 members who serve as the governing body of the NMFA. Seven of the members are ex officio members designated in the Act and five members are appointed by the Governor with the advice and consent of the State Senate. One of the appointed members must be the chief financial officer of a state higher educational institution. The remaining four appointed members must be residents of the State. The seven ex officio members include four 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), one is a State agency official (the State Investment Officer), and two are chief executive directors of state-wide associations (the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties). The appointed members serve at the pleasure of the Governor and the appointed members serve four-year terms. Vacancies for the appointed members are filled by appointment of the Governor for the remainder of any unexpired term. Any appointed member is eligible for reappointment.

The governing body of the NMFA exercises and oversees the exercise of the powers of the NMFA. The governing body of the NMFA satisfies those responsibilities through monthly meetings and through the standing committees that the governing body has established. Those committees are advisory and have no authority to act on behalf of the governing body. Each committee reviews and makes recommendations to the governing body concerning matters assigned to it by the governing body.

The Executive Committee, which is chaired by the Chairman of the NMFA, Stephen R. Flance, provides oversight and direction relating to the operations of the NMFA. Other committees include the Audit Committee, chaired by Katherine B. Miller; the Finance/Loan Committee, chaired by Stephen R. Flance; the Economic Development Committee, chaired by Joanna Prukop; the Investment Committee, chaired by Craig Reeves; and the Contracts Committee, chaired by Fred Mondragon. The committees typically meet monthly.

The governing body has also established written policies concerning the exercise of the powers of the NMFA, including the administration of the Public Project Revolving Fund. The written policies serve as ongoing directions to staff and consultants with respect to standards to be applied in the conduct of the business of the NMFA.

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Governing Body and Key Staff Members

Current members of the NMFA, and their respective occupations and term expiration dates, are presented below:

Name	Occupation	Term Expires
Gary Bland(1)	State Investment Officer, State Investment Council	not applicable
Ron Curry(1)	Secretary, Environment Department, State of New Mexico	not applicable
Charlie Dorame(3)	Governor, Pueblo of Tesuque	03/01/09
Stephen R. Flance(2) (Chairman)	Owner/CEO, The Flance Company Santa Fe, New Mexico	12/31/09
William Fulginiti(1) (Vice-Chairman)	Executive Director, New Mexico Municipal League	not applicable
Edward Garcia(2)	President, Garcia Honda Albuquerque, New Mexico	01/01/09
Paul Gutierrez(1)	Executive Director, New Mexico Association of Counties	not applicable
Lonnie Marquez(3)	Vice President for Administration and Finance, New Mexico Institute of Mining and Technology	03/01/09
Katherine B. Miller(1)	Secretary, Department of Finance and Administration, State of New Mexico	not applicable
Fred Mondragon(1)	Secretary, Economic Development Department, State of New Mexico	not applicable
Joanna Prukop(1) (Secretary)	Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Craig Reeves(2) (Treasurer)	President, First National Bank of New Mexico Clayton, New Mexico	01/01/12

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(1) *Ex officio* member. An *ex officio* member may designate an alternative member. Alternate members may attend meetings and vote on all matters considered by the NMFA.

(2) Appointed by the Governor of the State and serves at the pleasure of the Governor.

(3) Appointed by the Governor of the State in January, 2008. Such individuals are awaiting confirmation from the Senate of the State of New Mexico and will continue to serve until the date listed if no confirmation is received. If the Senate of the State of New Mexico confirms those individuals during its next regular session (scheduled to commence in January, 2009), the terms of such individuals will expire on January 1, 2012.

Presented below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2008C Bonds and the administration of the NMFA's financing programs.

William C. Sisneros, Chief Executive Officer. Mr. Sisneros serves as the Chief Executive Officer of the NMFA. Mr. Sisneros was appointed as the principal administrative officer in June, 2004. Prior to that, Mr. Sisneros was President of WCS Consultants and Chief Executive Officer of Jenkeel, Ltd., a New Mexico corporation doing business as The Club at El Gancho. As a businessman and consultant, Mr. Sisneros provided services to public and private sector clients specializing in management and organization development and land development process consulting. He graduated from the University of Colorado at Boulder with a Master's Degree in Public Administration. In addition, Mr. Sisneros served as City Manager of Santa Fe, New Mexico; Town Manager of Taos, New Mexico; Assistant City Manager of Boulder, Colorado; and Administrative Assistant in Englewood, Colorado. In Santa Fe, Mr. Sisneros served on the Executive Board of St. Vincent Hospital, as President of the Santa Fe Chamber of Commerce, as Chairman of the Industrial Park for Santa Fe Economic Development Inc., on the Board of Directors of Open Hands, New Mexico CARES, and New Mexico First each of which are New Mexico nonprofit corporations.

Jerome L. Trojan, Chief Operating Officer. Mr. Trojan joined the NMFA in January, 2005. He has extensive experience in local government, having served as Assistant City Manager for the Cities of Las Cruces, New Mexico and Mountlake Terrace, Washington, Administrative Services Director for Santa Fe, New Mexico, Finance Director for Las Cruces, New Mexico, and Finance Director for Bay City, Michigan. In addition, Mr. Trojan has experience in higher education, having held the position of the Vice Chancellor of Administration at the University of Alaska-Fairbanks and served as an Accountant at Delta Community College in Bay City, Michigan. A Certified Public Accountant, he graduated from Central Michigan University with a Master of Business Administration with a concentration in Finance and from Western Michigan University with a Bachelor of Business Administration, with a major in Accounting and a minor in Economics. Mr. Trojan has taken the required courses for a Doctorate in International Management from Nova Southeastern University. While at the City of Las Cruces, Mr. Trojan led the City's effort to reduce electric utility costs to the community. He is active in the International City Managers Association and was instrumental in the establishment of the New Mexico Finance Officers Association.

John T. Duff, Chief Financial Officer. Mr. Duff joined the NMFA as Chief Investment Officer in February, 2006 and became Chief Operating Officer in 2007 where he served in that capacity until January, 2008 when he was appointed Chief Financial Officer. Mr. Duff has more than 22 years experience in investment management, financial management, and public accounting. He has held positions as COO and CFO of publicly held corporations and served as the Partner-In-Charge of an office of a major international CPA firm. Mr. Duff served as an investment consultant with two major investment firms. Mr. Duff has a Bachelor of Arts degree in economics from Oberlin College and a Master of Business Administration in accounting and finance from Miami University.

Marquita Russel, Chief of Programs. Ms. Russel joined the NMFA in September, 2000. Ms. Russel has 20 years of experience in the financial services industry, in both marketing and financial analysis. Prior to joining the NMFA, Ms. Russel spent 10 years at the Illinois Development Finance Authority, where she held the positions of Marketing Director and Senior Program Administrator. During that time, Ms. Russel closed more than $1 billion of transactions, ranging from $5,000 microloans to $175 million tax-exempt hospital bonds. Ms. Russel earned her Bachelor of Science degree from Marquette University, Milwaukee, Wisconsin.

Jeremy Turner, Chief Financial Advisor. Mr. Turner joined the NMFA in July, 2000 as a financial analyst and was appointed Chief Financial Advisor in September 2005. Mr. Turner has been responsible for over $300 million in financings for the NMFA. Mr. Turner earned a Bachelor of Science in Agricultural Economics/Agricultural Business and a Master of Business Administration from New Mexico State University.

Reynold E. Romero, General Counsel. Mr. Romero joined the NMFA in April, 2007 as General Counsel. Prior to joining the NMFA, Mr. Romero served as General Counsel for the New Mexico Department of Transportation (NMDOT) for over three years and previously served as Deputy General Counsel and Assistant General Counsel for NMDOT. Mr. Romero has over 28 years of legal practice in transportation law, including eminent domain, property law, and procurement. Mr. Romero handled complex litigation and was part of a team that negotiated complex transactions for the NMDOT such as the purchase of the rail line from BNSF for the commuter rail project in New Mexico. Mr. Romero received his Juris Doctorate from the University of Denver College of Law.

Scott W. Stovall, Chief Investment Officer. Mr. Stovall joined the NMFA in June, 2007. Mr. Stovall has 18 years of experience in public finance and investment management. Mr. Stovall has held positions as New Mexico Deputy State Treasurer, State Cash Manager, and New Mexico State Board of Finance Director. While at the State Treasurer's office, Mr. Stovall was responsible for the investment management of over $5 billion in general fund, local government funds and bond proceeds and was instrumental in starting the state's bond proceeds investment pool. Mr. Stovall also served a three year term as a member on the Government Finance Officers Association Governmental Debt Management Committee.

Legislative Oversight

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, among other things: (i) meets on a regular basis to receive and review reports from the NMFA; (ii) monitors and provides assistance and advice on the public project financing program of the NMFA; (iii) oversees and monitors State and local government capital planning and financing; (iv) provides advice and assistance to the NMFA on planning, setting priorities for and financing of State and local capital projects; (v) undertakes an ongoing examination of the statutes, constitutional provisions, regulations and court decisions governing State and local government capital financing in the State; and (vi) reports its findings and recommendations, including recommended legislation or necessary changes, to the Governor and to each session of the State legislature (the "Legislature"), and makes available the report and proposed legislation.

The Public Project Revolving Fund Program

General. The Act created the Public Project Revolving Fund (the "PPRF") program of the NMFA in 1992 to pay the reasonably necessary costs of originating and servicing loans, grants or securities funded by the PPRF and to make loans or grants and to purchase or sell securities to assist qualified entities in financing the acquisition, construction, improvement, alteration or reconstruction of assets of a long-term capital nature, including land; buildings; water rights; water, sewerage and waste disposal systems; streets; airports; municipal utilities; parking facilities; and machinery, furniture and equipment. Public projects financed through the PPRF in amounts in excess of $1 million per project require specific authorization by the Legislature. As of November 30, 2008, the NMFA had made 736 PPRF loans totaling approximately $1.47 billion. To implement the PPRF Program, the NMFA has been granted the following specific powers:

(a) to make loans to qualified entities that establish one or more dedicated sources of revenue to repay the loan from the NMFA;

(b) to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the NMFA or pertaining to (1) a loan to a qualified entity, (2) a purchase or sale of securities individually or on a pooled basis, or (3) the performance of its duties and execution of any of its powers under the Act;

(c) to purchase, hold or sell securities at prices and in a manner the NMFA considers advisable, giving due consideration to the financial capability of the qualified entity, and sell securities acquired or held by it at prices without relation to cost and in a manner the NMFA considers advisable;

(d) to prescribe the form of application or procedure required of a qualified entity for a loan or purchase of its securities, fix the terms and conditions of the loan or purchase and enter into agreements with qualified entities with respect to loans or purchases;

(e) 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, whether or not the loan is made or the securities purchased;

(f) to fix and establish terms and provisions with respect to: (1) a purchase of securities by the NMFA, including date and maturities of the securities; (2) redemption or payment before maturity; and

(3) any other matters that in connection with the purchase are necessary, desirable or advisable in the judgment of the NMFA;

(g) to the extent permitted under its contracts with the holders of bonds of the NMFA, consent to modification of the rate of interest, time and payment of installment of principal or interest, security or any other term of a bond, contract or agreement of any kind to which the NMFA is a party;

(h) 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;

(i) to acquire fee simple, leasehold, mortgagor's or mortgagee's interests in real and personal property and to sell, mortgage, convey or lease that property for NMFA purposes; and

(j) in the event of a default by a qualifying entity, enforce its rights by suit or mandamus or use all of the available remedies under State law.

Contingent Liquidity Account. In an effort to pursue its policy of maintaining a sufficient cash balance to meet the borrowing needs of eligible entities and improving the fund and cash balances of the PPRF program, the NMFA established a contingency account (the "Contingent Liquidity Account"). Although it will not be pledged to the Series 2008C Bonds, or any other NMFA bonds, the Contingent Liquidity Account is intended to enhance the NMFA's ability to meet the cash-flow needs of the PPRF program. Funds from the Contingent Liquidity Account may be used to pay debt service on NMFA bonds; however, such use is within the sole discretion of the NMFA and such funds may also be used for other purposes, including but not limited to payments of unforeseen expenses of the Authority, urgent economic development projects, loan originations, or addressing other purposes as determined by the NMFA. The Contingent Liquidity Account is funded to an amount of $32,200,000. Upon approval of the NMFA, the Contingent Liquidity Account may receive annual increases thereafter in an amount at least equal to 25% of the NMFA Portion of the Governmental Gross Receipts Tax funds at the end of the fiscal year. In future years, the NMFA plans to annually evaluate the level of the Contingent Liquidity Account to determine the amount, if any, of subsequent deposits.

Temporary Borrowing. The NMFA entered into an arrangement with Bank of America, N.A. (the "Short-term Lender") for the Short-term Lender to provide to the NMFA an amount up to $100,000,000 to reimburse the NMFA for Loans made to eligible entities that are incurred prior to the issuance of a Series of Bonds. Once the amounts are advanced, the NMFA has up to 180 days to repay the advancement. The short-term borrowings are secured by proceeds of Bonds that are anticipated to be issued subsequent to the advances. The NMFA has entered into such an arrangement to assist it with its cash flows. Such short-term borrowings are not secured by the Trust Estate.

Other Bond Programs and Projects

The NMFA also participates in or administers other bond programs designed to provide financing to local governmental entities and state agencies for public projects. Such programs are not secured by the Trust Estate but are secured by other sources of revenues. The following table sets forth the different types of bond programs and the amount of bonds outstanding under such programs.

Program	Project	Original Principal Amount	Amount Currently Outstanding	Scheduled Final Maturity
Worker's Compensation	Administrative Building	$4,310,000	$2,315,000	9/1/2016
Cigarette Tax	University of New Mexico Health Sciences Building	39,035,000	22,460,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	2,250,000	5/1/2026
Transportation	Highways	700,000,000	700,000,000	6/15/2024
Transportation	Highways	237,950,000	149,160,000	6/15/2014
Transportation	Highways	115,200,000	115,200,000	6/15/2024
Transportation	Highways	220,000,000	220,000,000	12/15/2026
Transportation	Highways	84,800,000	84,8000,000	6/15/2024
Transportation	Highways	50,400,000	50,400,000	12/15/2026

(Source: The NMFA.)

LITIGATION

To the knowledge of 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 2008C 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 2008C Bonds or in any way contesting or affecting the validity or enforceability of the Series 2008C Bonds, the Indenture, or any proceeding and authority of the NMFA taken with respect to the foregoing. The NMFA will deliver a non-litigation certification as to the foregoing prior to the issuance of the Series 2008C Bonds.

UNDERWRITING

The Underwriters have agreed to purchase the Series 2008C Bonds from the NMFA pursuant to a Bond Purchase Agreement dated December 18, 2008 (the "Bond Purchase Agreement"), at an aggregate price of $29,346,480.95 (being the aggregate principal amount of the Series 2008C Bonds plus a net reoffering premium of $398,357.20, and less an Underwriters' discount of $181,876.25). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2008C 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 2008C Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside front 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

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2008C Bonds for interest thereon to be excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2008C Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2008C Bonds. The NMFA and the Governmental Units have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2008C Bonds from gross income for Federal income tax purposes.

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, interest on the Series 2008C Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2008C Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, the interest on the Series 2008C Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Interest on the Series 2008C Bonds owned by corporations will, however, be taken into account in determining the alternative minimum tax imposed by Section 55 of the Code on 75 percent of the excess of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction).

In rendering its opinion, Bond Counsel will rely on, and will assume the accuracy of, certain representations and certifications, and compliance with certain covenants of the NMFA and the Governmental Units. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the NMFA and the Governmental Units. In addition, Bond Counsel has not been engaged, and will not undertake, to monitor the NMFA's and the Governmental Units' compliance with the covenants or to inform any person as to whether the covenants are being complied with; nor has Bond Counsel undertaken to determine or to inform any person as to whether any actions taken or not taken, or events occurring or not occurring, after the date of the issuance of the Series 2008C Bonds may affect the federal tax-exempt status of the interest on the Series 2008C Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2008C Bonds maturing on June 1 in the years 2022 through 2033, both dates inclusive (collectively, the "Discount Bonds"), and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Series 2008C Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Series 2008C Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Bond Counsel is also of the opinion that the difference between the principal amount of the Series 2008C Bonds maturing on June 1 in the years 2009 through 2021, both dates inclusive (collectively, the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Series 2008C Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Interest on the Series 2008C Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate tax payer identification number to any person required to collect such information pursuant to Section 6049 of the Code.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2008C Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2008C Bonds. Prospective purchasers of the Series 2008C Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2008C Bonds may affect the tax status of interest on the Series 2008C Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2008C Bonds from gross income for Federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Series 2008C Bonds, or the interest thereon, if any action is taken with respect to the Series 2008C Bonds or the proceeds thereof upon the advice or approval of bond counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Series 2008C Bonds is excluded from gross income for Federal income tax purposes, a Series 2008C Bondholder's Federal, State or local tax liability may otherwise be affected by the ownership or disposition of the Series 2008C Bonds. The nature and extent of these other tax consequences will depend upon the Series 2008C Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2008C Bonds should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2008C Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2008C Bonds, (iii) interest on the Series 2008C Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Series 2008C Bonds, may be subject to Federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2008C Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Unless separately engaged, Bond Counsel is not obligated to defend the NMFA, the Governmental Units or the Series 2008C Bondholders regarding the tax-exempt status of the Series 2008C Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the NMFA, the Governmental Units and their respective appointed counsel, including the Series 2008C Bondholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of the IRS positions with which the NMFA or the Governmental Unites legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2008C Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2008C Bonds, and may cause the NMFA, the Governmental Units or the Series 2008C Bondholders to incur significant expense.

Bond Counsel is also of the opinion that interest on the Series 2008C Bonds is exempt from State of New Mexico personal income taxes as described herein.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as “APPENDIX D—FORM OF OPINION OF BOND COUNSEL.”

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Series 2008C Bonds. Prospective purchasers or owners should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability, inclusion of Social Security or other retirement payments in taxable income and the state and local tax rules in New Mexico and other states.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2008C Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel to the NMFA, will deliver its opinion in substantially the form included in APPENDIX D. Certain legal matters will be passed upon for the NMFA by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the NMFA. Certain legal matters will be passed upon for the NMFA by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Disclosure Counsel to the NMFA. General Counsel to the NMFA will deliver a non-litigation certification for the NMFA. The counsels involved in this transaction have not participated in any independent verification of the information concerning the financial condition or capabilities of the NMFA contained in this Official Statement.

FINANCIAL ADVISOR

The NMFA has retained Western Financial Group, LLC, as financial advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2008C Bonds. Western Financial Group, 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, 2007, included in APPENDIX A of this Official Statement, have been audited by Meyners & Company, LLP, certified public accountants, Albuquerque, New Mexico, as set forth in their report thereon dated September 19, 2007. Meyners & Company, LLP has consented to the use of its name and audited financial reports of the NMFA in this Official Statement.

CONTINUING DISCLOSURE UNDERTAKING

In order to assist the Underwriters in complying with the requirements of the Rule, the NMFA will execute and deliver a Continuing Disclosure Undertaking in connection with the issuance of the Series 2008C Bonds pursuant to which it will agree to provide the following information:

- to each nationally recognized municipal securities information repository ("NRMSIR") by March 31 of each fiscal year, or the next succeeding business day if March 31 is not a business day (and to the Trustee and to each holder of the Series 2008C Bonds who requests such information):

- annual financial information and operating data concerning the Revenues, such information to be of the type set forth under the table captioned "Governmental Gross Receipts Tax Collections – Fiscal Years 2003-2004 Through 2007-2008" under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate—The Governmental Gross Receipts Tax—Collection and Distribution Information" in the Official Statement;

- with respect to any Governmental Unit expected by the NMFA, on the last business day that is at least 45 days prior to the date specified for providing such information to each NRMSIR, to have Loan repayment obligations in the then-current fiscal year constituting more than 20% of the estimated Revenues for the then-current fiscal year (the "20% Test"), and each additional Governmental Unit designated by the NMFA by such business day, information concerning the four-year history of the specific revenues constituting such Governmental Unit's Agreement Pledged Revenues, or such shorter period for which such information is available;

- audited financial statements for the NMFA, any Governmental Unit meeting the 20% Test and each additional Governmental Unit designated by the NMFA, or, if audited financial statements are not available by March 31 of each fiscal year, or the next succeeding business day if March 31 is not a business day, unaudited financial statements;

- in a timely manner to the Municipal Securities Rulemaking Board ("MSRB") and to each State information depository, if any, notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking;

- in a timely manner to 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 2008C Bonds, 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 2008C Bonds;

  7. modification of rights of owners of the Series 2008C Bonds;

  8. bond calls;

  9. defeasances;

  10. release, substitution, or sale of property securing repayment of the Series 2008C 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 2008C Bonds. 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.

The NMFA will provide its annual report to Digital Assurance Certification, L.L.C. ("DAC"), as dissemination agent, to file with each NRMSIR and with the State information depository, if any. The NMFA will provide the notices of material events to DAC to file with each NRMSIR or the MSRB, and with the State information repository, if any.

The NMFA reserves the right to modify from time to time the Continuing Disclosure Undertaking, including 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 2008C Bonds and will be enforceable by the Owners; provided that the right to enforce the provisions of this undertaking are limited to a right to obtain specific performance of the NMFA's obligations, and any failure by the NMFA to comply with the provisions of the undertaking will not be an event of default with respect to the Series 2008C Bonds.

Continuing disclosure undertakings previously entered into by the NMFA with respect to certain of the Bonds called for it to file certain annual financial information and operating data and audited financial statements for the NMFA and any Governmental Unit meeting the objective criteria described in those undertakings with each NRMSIR no later than March 31 of each fiscal year or the next succeeding business day if March 31 is not a business day. In September 2004, the NMFA discovered that for fiscal years 2000-2001 and 2001-2002 only the audited financial statements of the NMFA were filed with the NRMSIRs. For fiscal year 2002-2003 annual financial information and operating data and audited financial statements for the NMFA were filed with each NRMSIR, but the audited financial statements for the Governmental Units meeting the objective criteria were not filed. On October 1, 2004, the NMFA notified the MSRB of its failure to file the annual financial information and operating data and the audited financial statements for the Governmental Units meeting the objective criteria. The NMFA filed annual financial information and operating data and the audited financial statements for the City of Albuquerque, New Mexico and the Energy, Minerals and Natural Resources Department of the State of New Mexico on October 4, 2004. The NMFA believes that, since October 4, 2004, it has been in compliance with its continuing disclosure undertakings.

None of the Governmental Units have represented annual Loan repayment obligations exceeding 20% of estimated Revenues in the first full year immediately following issuance of the Series 2008C Bonds. See APPENDIX F for a discussion of Loans to Governmental Units with the largest outstanding principal loan balances.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Group ("S&P"), and Fitch Ratings ("Fitch") have assigned ratings of "Aa2," "AA+," and "AA," respectively, to the Series 2008C Bonds. An explanation of the significance of such ratings may be obtained from Moody's, S&P and Fitch, respectively.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2008C 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 2008C Bonds may have an adverse effect on the market price of the Series 2008C Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2008C Bonds any proposed revision or withdrawal of the ratings on the Series 2008C Bonds, or to oppose any such proposed revision or withdrawal. The NMFA undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings or other actions by a rating agency may have an adverse effect on the market price of the Series 2008C Bonds.

INVESTMENT CONSIDERATIONS

Availability of Revenues

The amount of Revenues actually received by the NMFA may be affected by several factors. Among other things, the amount of governmental gross receipts taxes that will be collected and distributed to the NMFA is subject to fluctuation based on the activities that generate those taxes. There can be no guarantee that the NMFA's Portion of the Governmental Gross Receipts Taxes collected in the future will be consistent with historical collection trends. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Governmental Gross Receipts Tax."

Pursuant to Section 7-9-4.3, NMSA 1978, revisions to laws of the State affecting, among other things, tax rates, taxed activities and distributions of governmental gross receipts taxes could be adopted in the future by the State legislature. There is no assurance that any future revisions to State laws will not adversely affect, among other things, tax rates, activities now subject to the governmental gross receipts tax or distribution of governmental gross receipts tax revenues to the NMFA. However, the State has pledged to and agreed with holders of any bonds or notes issued under the Act that the State will not limit or alter the rights vested by the Act in the NMFA to fulfill the terms of any agreements made with the holders thereof or in any way impair the rights and remedies of those holders until the bonds or notes 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.

As previously stated, the Series 2008C Bonds are also payable from Agreement Revenues. Agreement Revenues are derived from a variety of different sources including enterprise system revenues, property taxes and specific taxes. Those sources of Agreement Revenues may be adversely affected by a variety of factors including, but not limited to, general economic conditions, the demand and cost of certain services and governmental actions. There can be no guarantee that Agreement Revenues will be consistent with historical receipts.

ADDITIONAL INFORMATION

This Official Statement speaks only as of its date, and the information in this Official Statement is subject to change. The quotations from, and summaries and explanations of, the statutes, regulations and documents contained in this Official Statement 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 to the NMFA and upon payment to the NMFA of a charge for copying, mailing and handling, at 207 Shelby Street, Santa Fe, New Mexico 87501, Attention: Chief Executive Officer.

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated as such, 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 2008C Bonds.

NEW MEXICO FINANCE AUTHORITY

By /s/ Stephen R. Flance
Stephen R. Flance,
Chairman

By /s/ William C. Sisneros
William C. Sisneros,
Chief Executive Officer

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NEW MEXICO
FINANCE AUTHORITY

Financial Statements
for the Year Ended
June 30, 2007,
and Independent
Auditors' Report

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Year Ended June 30, 2007

Governing Board

Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Gary Bland, Member
John A. Carey, Member
Paul Gutierrez, Member
Ron Curry, Member
Ed Garcia, Member
Fred Mondragon, Member
Katherine Miller, Member
Joanna Prukop, Member
Craig Reeves, Member
Jennifer Taylor, Member

Chief Executive Officer

William C. Sisneros

Chief Operating Officer

John Duff

Chief Financial Officer

Joseph Gosline

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INDEPENDENT AUDITORS' REPORT

New Mexico Finance Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Mexico Finance Authority (Authority), a component unit of the State of New Mexico, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Authority's non-major governmental funds, presented as supplementary information in the accompanying combining fund financial statements, as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2007, and the respective changes in the financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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New Mexico Finance Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Authority as of and for the year ended June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2007, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, presented on pages 4 through 15, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and combining and individual fund financial statements of the Authority. The supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements, including the Agency Funds - Schedule of Changes in Assets and Liabilities. In addition, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Meyners + Company, LLC

September 19, 2007

The New Mexico Finance Authority's (Authority) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position (ability to address future year challenges), identify any material deviations from the financial plan, and identify any fund issues of concern.

The Management's Discussion and Analysis (MD&A) is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the transmittal letter at the front of this report and the Authority's financial statements and notes which follow this section.

Financial Highlights

- The Authority's government-wide net assets increased by $11,665,335 in fiscal year 2007 from 2006.
- The Authority's total revenues increased by $31,187,930 in fiscal year 2007 from 2006.
- The total cost of all Authority programs was $94,213,879, an increase of $24,050,842 over 2006.

Authority Highlights

The New Mexico Finance Authority, created in 1992, assists qualified entities in financing capital equipment and infrastructure projects at any stage of completion, from pre-planning through construction, by providing low-cost funds and technical assistance. It does so through its six main financing sources: Public Project Revolving Fund (PPRF), Water and Wastewater Grant Fund (W/WWGF), the Drinking Water Revolving Loan Fund (DWRLF), the Primary Care Capital Fund (PCCF), the Water Planning Fund, and State Buildings and Automation Project Financing. The Water Trust Fund is administered by the Authority and the Authority provides staff support to the Water Trust Board.

The Authority's core program, the PPRF loan program, has provided financing for a variety of infrastructure and equipment projects. In FY2007, the PPRF program made approximately 93 loans totaling approximately $211.3 million, compared to 72 loans totaling approximately $177.4 million in FY2006.

In cooperation with the New Mexico Environment Department (NMED), the Authority administers the DWRLF program, a federally funded loan program to provide local authorities with low-cost financing and technical assistance in the construction, renovation or expansion of necessary drinking water facilities. In FY2007, the DWRLF made three loans totaling $3.73 million compared to one loan totaling $6.56 million in FY2006. The FY2007 binding commitments numbered six, approximating $23.8 million, compared to four totaling approximately $14.2 million, in FY2006.

Authority Highlights - continued

The PCCF program helps qualified non-profit primary care clinics in medically indigent and underserved areas by providing low-cost financing for capital equipment and infrastructure projects. Since the inception of the program through June 30, 2007, the Authority Board has approved 15 loans totaling $8.05 million. In FY 2007, the PCCF program made one loan totaling $300,000.

During FY2007, the Authority issued $130.3 million in bonds to provide reimbursement to the Public Projects Revolving Loan Fund and to refund the State Building GRT bonds issued in 2002.

The Authority's grant program, the Water/Waste Water Grant Fund Program, was created in 1999 to help qualified disadvantaged entities fund critical water and wastewater projects. In FY2007, seven grants closed for a total of $4,281,000, compared to 15 grants totaling $4,182,000 in FY2006.

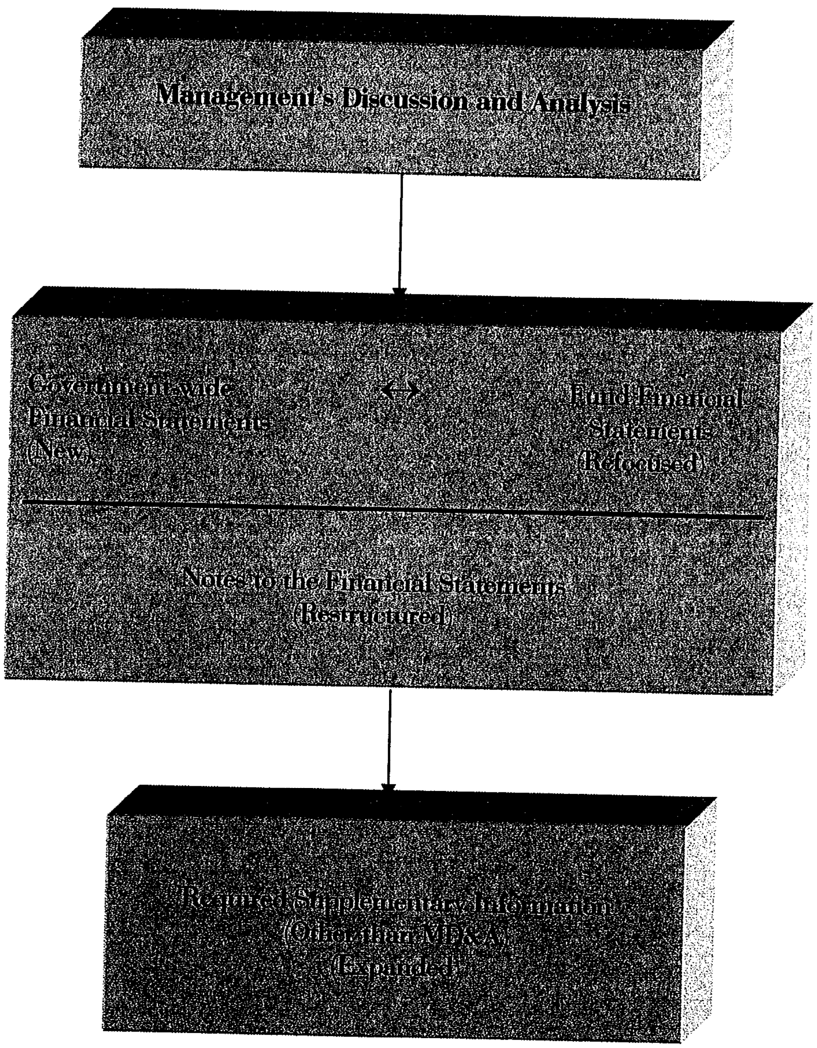
The 2001 Legislature passed the Water Project Finance Act to provide a financing mechanism to promote water use efficiency, water resource conservation, and protection, fair distribution and the allocation of water to all users. To this end, the Act created the Water Trust Fund and the Water Project Fund to provide the necessary financial framework, and created a 15-member Water Trust Board. The Water Trust Fund is created in the State Treasurer's office to be invested by the State Investment Officer in a manner similar to land grant permanent funds. Money in the Water Trust Fund may not be expended for any purpose, but an annual distribution is made to the Water Project Fund.

The Water Project Fund is created in the Authority, which provides staff support to the Water Trust Board and makes loans or grants to qualified entities for projects prioritized by the Board, approved by the Legislature and on terms and conditions established by the Water Trust Board. The Authority is authorized to recover from the fund the costs of administering the fund and originating loans and grants. In FY 2003, House Bill 88, as amended, appropriated $22.5 million for identified regional projects, as well as an appropriation for future use to the Water Project Fund in FY2004. In FY2004, the Water Trust Board reviewed 28 applications for funding. Beginning with FY2005, funding comes from severance tax.

Using This Annual Report

With the implementation of GASB #34, the presentation of the financial statements is significantly different from the previous general-purpose financial statements. The primary focus in State government's financial statements for the last twenty years or so, (summarized fund type information) has been discarded with implementation of GASB #34. The new focus is on both the Authority (government-wide) and the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison and enhance accountability. Although the Authority is one of several agencies within the State of New Mexico Government, the primary Government focus in this financial report is the Authority and not the State of New Mexico as a whole. The following is a graphic presentation of the new accounting model:

Using This Annual Report - continued



Management's Discussion and Analysis

MD&A should provide an objective and easily readable analysis of the Authority's financial activities based on currently known facts, decisions or conditions. It should provide an analysis of the Authority's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it should provide an analysis of significant changes that occur in funds and significant budget variances.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Fiduciary activities whose resources are not available to finance the government's programs are excluded from the government-wide statements.

GASB #34 requires that infrastructure assets (roads, bridges, traffic signals, etc.) be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either depreciate these assets over their estimated useful life or develop a system of asset management designed to maintain the service delivery potential. The Authority does not own a material interest in any infrastructure assets and, therefore, is not required to implement this portion of GASB #34.

Government-Wide Financial Statements - continued

The government-wide financial statements of the Authority are divided into two categories:

- Governmental Activities - All of the Authority's stand-alone bond financings and grant programs are included in the governmental activities. State dedicated revenues and grant appropriations finance most of these activities. The funds included in Governmental Activities for the Authority are the Metro Court Financing, State Building Program Financing, State Building Purchase Financing, University of New Mexico (UNM) Health Sciences Financing, Water Project Financing, Water/Wastewater Grant Fund, Economic Development Financing, Emergency Drought Relief Grant Fund, Water Planning Fund, Workers Compensation Building Financing, State Capital Improvement Financing, Equipment COP Financings and the Insurance Department Financings.

- Business-type Activities - The Authority's revolving fund programs and operating fund are included in the business-type activities. The funds included in the business-type activities are the Public Projects Revolving Fund, Federal Drinking Water Loan Revolving Fund, Primary Care Loan Revolving Fund, Behavioral Health Clinic Financing, GRIP Administrative Fund, Child Care Revolving Loan Fund, Local Road Fund, Cigarette Tax Revenue Bond Fund, New Mexico Tax Credits Fund, Energy Efficiency Fund and General Operating Fund.

Fund Financial Statements

Fund financial statements consist of a series of statements that focus on information about the major governmental and proprietary funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (enterprise funds) are prepared using the economic resources measurement focus and the accrual basis of accounting.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

Fund Financial Statements - continued

Governmental Fund Types:

Most of the Authority's services are included in governmental funds, which focus on (a) how cash and other financial assets that can be readily converted to cash flow in and out, and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view and help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.

- Special Revenue Funds - The Special Revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. The Authority's funds classified as Special Revenue funds are the UNM Cancer Center Bond Fund, the Water/Wastewater Grant Fund, the Water Planning Fund, the Emergency Drought Relief Fund, the Water Projects Fund (accounted for within the Water Trust Fund) and the Economic Development Fund.

- Debt Service Funds - The Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs. The funds classified as Debt Service funds are the UNM Health Sciences Fund, the Metro Court Financing Fund, the Workers Compensation Building Financing Fund, the State Capitol Improvement Financing Fund and the Equipment Certificate of Participation (COP) Funds.

Proprietary Fund Types:

- Enterprise Funds - Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services, and the activity is a) financed with debt that is solely secured by a pledge of the net revenues, b) has third party requirements that the costs of providing services including capital costs be recovered with fees and charges, or c) has a pricing policy designed for the fees and charges to recover similar costs. The fund classified as Proprietary or Enterprise funds are the General Operating Fund, Public Projects Revolving Fund, Drinking Water State Revolving Loan Fund, Primary Care Capital Fund, GRIP Administrative Fund, Child Care Revolving Loan Fund, Cigarette Tax Revenue Bond Fund, Local Road Fund, New Mexico Tax Credits Fund, Energy Efficiency Fund and Behavioral Health Clinic Fund.

Notes to the Financial Statements

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

Budgetary Comparisons

The Authority does not have any legally adopted budgets and, therefore, does not present any budgetary statements.

Required Supplementary Information (Other than MD&A)

In addition to the basic statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees.

Financial Analysis of the Authority as a Whole

Net Assets: Table A-1 summarizes the Authority's net assets for the fiscal year ending June 30, 2007. FY2007 net assets for Governmental Activities and Business-type Activities were $(75,078,101) and $193,154,850, respectively. Total Authority net assets for fiscal year 2007 are $118,076,749. However, most of those net assets are restricted as to the purposes for which they can be used.

Table A-1
The Authority's Net Assets

		Governmental Activities		Business-Type Activities		Total	
		2007	2006	2007	2006	2007	2006
Current and other assets	$	**45,024,418**	53,624,471	**84,608,587**	32,697,069	**129,633,005**	86,321,540
Capital and non-current assets		**2,396,886**	3,608,898	**955,034,773**	862,702,716	**957,431,659**	866,311,614
Total assets	$	**47,421,304**	57,233,369	**1,039,643,360**	895,399,785	**1,087,064,664**	952,633,154
Current liabilities	$	**8,187,482**	11,947,088	**154,767,837**	143,670,717	**162,955,319**	155,617,805
Long-term liabilities		**114,311,923**	118,756,977	**691,720,673**	571,846,958	**806,032,596**	690,603,935
Total liabilities		**122,499,405**	130,704,065	**846,488,510**	715,517,675	**968,987,915**	846,221,740
Net Assets:							
Invested in capital assets		**145,503**	232,249	**292,268**	360,882	**437,771**	593,131
Restricted		**(75,223,604)**	(73,702,945)	**187,200,507**	176,161,533	**111,976,903**	102,458,588
Unrestricted		**-**	-	**5,662,075**	3,359,695	**5,662,075**	3,359,695
Total net assets		**(75,078,101)**	(73,470,696)	**193,154,850**	179,882,110	**118,076,749**	106,411,414
Total liabilities and net assets	$	**47,421,304**	57,233,369	**1,039,643,360**	895,399,785	**1,087,064,664**	952,633,154

Changes in Net Assets: The Authority's change in net assets for fiscal year 2007 was an increase of $11,665,335 (Table A-2). A significant portion, twenty-five percent (25%), of the Authority's revenue comes from Tax Revenue. Six percent (6%) comes from other operating grants and contributions, and thirteen percent (13%) from interest and investment income. Twenty-six percent (26%) comes from state general fund appropriations, and charges for services and other revenue comprise thirty percent (30%) of total revenue.

Table A-2
Changes in the Department's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program	6,041,563	845,680	33,949,508	24,051,276	39,991,071	24,896,956
General	23,207,646	21,676,344	42,680,497	28,031,916	65,888,143	49,708,260
Total revenues	29,249,209	22,522,024	76,630,005	52,083,192	105,879,214	74,605,216
Expenses	29,628,373	35,036,050	64,585,506	35,040,919	94,213,879	70,076,969
Net revenues (loss) before transfers and reversions	(379,164)	(12,514,026)	12,044,499	17,042,273	11,665,335	4,528,247
Transfers and reversions	(1,228,241)	21,495	1,228,241	(21,495)	-	-
(Decrease) increase in net assets	(1,607,405)	(12,492,531)	13,272,740	17,020,778	11,665,335	4,528,247
Net assets, beginning of year	(73,470,696)	(60,978,165)	179,882,110	162,861,332	106,411,414	101,883,167
Net assets, end of year $	(75,078,101)	(73,470,696)	193,154,850	179,882,110	118,076,749	106,411,414

The decline in governmental net assets is the result of certain grant funds (water wastewater grant fund, emergency drought relief, water project fund) "winding down". There are no additional funds being appropriated to these programs and, as grant recipients draw down funds on their grants, there is an on-going decline in the assets (cash). Business-type (enterprise) activities continue to grow in terms of net assets because of the expansion of the PPRF program and the continual growth in the loan portfolio.

Governmental-Type Activities

The Authority's total expenditures for governmental-type activities during the fiscal year 2007 were $29,628,373. The highest area of expenditures, $18,978,452, sixty-four percent (64%), was in the area of grant expense. As noted above, expenditures decreased due to the winding down of certain grant funds. The primary reason for greater revenues in the current year is the increase in State General Fund Appropriations and remaining grant fund draws for the Water Project Fund.

The second highest area of expenditures within the Authority is in the category of debt service.

Business Type Activities

The Authority's total expenditures for business-type activities during the fiscal year were $64,585,506. The majority of business-type expenditures, $29,430,731, forty-six percent (46%), was in the area of debt service. As noted above, expenditures and revenues increased due to the expansion of the PPRF program and continued growth in the loan portfolio.

Business Type Activities - continued

Within the operating cost category, salaries and benefits comprised four percent (4%) of total expenditures, and all other operating costs such as professional services, repairs and maintenance, travel, supplies, etc., were six percent (6%) of total expenditures.

Capital Assets and Debt Administration

At the end of fiscal year 2007, the Authority had invested a total of $292,268 net of depreciation in business-type activities and $145,503 in capital assets for government-type activities. During FY2007, capital outlay expenditures totaled $28,984. This amount represents purchases for technical upgrades, office equipment and leasehold improvements. More detailed information about the Authority's capital assets is presented in Note 7 to the financial statements.

GASB #34 requires the recording and depreciation of infrastructure assets such as roads, bridges, traffic signals, etc. The Authority does not own any infrastructure assets.

Long-Term Debt

The Authority's long-term debt is all outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2007, the total amount outstanding was $810.2 million (excluding the $1.520 billion in GRIP bonds which are administered by but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 8 to the financial statements.

During the fiscal year, the Authority issued $130.3 million in PPRF debt, primarily to directly fund loans, reimburse the PPRF loan fund for loans already made or to advance refund certain earlier bond issues.

Bond Ratings

The Authority's insured bond ratings are as follows:

Moody's	Aaa
Standard & Poor's	AAA
Fitch	AAA

The Authority's uninsured bond ratings are:

Moody's	Aa2
Standard & Poor's	AA
Fitch	AA

Bond Ratings - continued

The Authority received bond ratings increases from both Moody's and Standard and Poor's during FY2006.

Economic Factors and Next Year's Budgets and Rates

The FY2007 budget accommodates the Authority's administration of eight programs paid from different sources of revenue:

- General operations of the Authority, funded from administration fees and cigarette tax revenue;
- Administration of the Water Trust Board, funded from the Water Project Fund:
- Administration of the Water Trust Board;
- Water and Wastewater Grant Fund (W/WWGF) program operations, funded from the W/WWGF;
- Drinking Water Revolving Loan Fund (DWRLF) program operations, funded from the federal capitalization grant;
- PPRF Loan Servicing, funded from the PPRF;
- The Water and Wastewater Planning Fund (WPF), funded from the WPF;
- The Economic Development Fund, funded from administration fees and cigarette tax revenue.

The Authority's primary operating budget for FY2007 was $6,649,027, compared to the FY2006 budget of $6,179,829, a 7.6% increase. This was due to the addition of new programs, increased staffing levels, the addition of office space and major upgrades in both computer hardware and software.

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

New Mexico Finance Authority (NMFA)
207 Shelby Street
Santa Fe, New Mexico 87505

FINANCIAL STATEMENTS

AS OF JUNE 30, 2007

		Governmental Activities	Business-type Activities	Total
ASSETS:				
Cash and equivalents:				
Unrestricted	$	20,243,985	20,101,488	40,345,473
Restricted		20,819,276	209,977,807	230,797,083
Receivables:				
Tax revenue		800,580	6,130,908	6,931,488
Interest		7,634	5,526,729	5,534,363
Grant and other		731,312	6,301,546	7,032,858
Due from other funds (Note 5) [Internal Balances]		-	1,139,242	1,139,242
Administrative fees receivable		55	130,206	130,261
Loans receivable, net of allowance (Note 3)		2,421,576	687,422,802	689,844,378
Securities (Note 4)		-	10,609,203	10,609,203
Restricted asset - escrow		-	83,593,073	83,593,073
Capital Assets, net of depreciation (Note 7)		145,503	292,268	437,771
Deferred costs, net of accumulated amortization		2,251,383	8,367,006	10,618,389
Other assets		-	51,082	51,082
TOTAL ASSETS	$	47,421,304	1,039,643,360	1,087,064,664
LIABILITIES:				
Accounts payable and accrued liabilities	$	145,326	905,360	1,050,686
Accrued payroll		9,816	69,287	79,103
Compensated absences (Note 13)		-	192,088	192,088
Accrued interest		667,838	2,179,331	2,847,169
Debt service payable		23,703	43,601,688	43,625,391
Notes payable (Note 9)		1,855,346	-	1,855,346
Line of Credit (Note 10)		-	31,338,974	31,338,974
Funds held for others		-	74,937,419	74,937,419
Due to other state agencies (Note 5)		-	1,739,664	1,739,664
Due to other funds [Internal Balances]		1,139,242	-	1,139,242
Bonds payable, current, net (Note 8)		6,051,000	31,143,000	37,194,000
Bonds payable, non-current, net of bond discount/premium (Note 8)		112,607,134	660,381,699	772,988,833
TOTAL LIABILITIES		122,499,405	846,488,510	968,987,915
NET ASSETS:				
Invested in capital assets		145,503	292,268	437,771
Restricted for:				
Debt service		(110,576,933)	-	(110,576,933)
Program funds		35,353,329	187,200,507	222,553,836
Unrestricted		-	5,662,075	5,662,075
TOTAL NET ASSETS		(75,078,101)	193,154,850	118,076,749
TOTAL LIABILITIES AND NET ASSETS	$	47,421,304	1,039,643,360	1,087,064,664

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

		Governmental Activities	Business-type Activities	Total
EXPENSES:				
Capital financing	$	29,628,373	64,585,506	94,213,879
PROGRAM REVENUES:				
Charges for services		-	27,412,010	27,412,010
Operating grants and contributions		6,041,563	6,537,498	12,579,061
NET PROGRAM EXPENSES		(23,586,810)	(30,635,998)	(54,222,808)
GENERAL REVENUES:				
Governmental gross receipts and gross receipts taxes		-	34,033,375	34,033,375
Investment earnings		2,715,241	8,647,122	11,362,363
State General Fund Appropriations		20,492,405	-	20,492,405
TOTAL GENERAL REVENUES		23,207,646	42,680,497	65,888,143
TRANSFERS		(1,228,241)	1,228,241	-
CHANGE IN NET ASSETS		(1,607,405)	13,272,740	11,665,335
NET ASSETS, BEGINNING OF FISCAL YEAR		(73,470,696)	179,882,110	106,411,414
NET ASSETS, END OF FISCAL YEAR	$	(75,078,101)	193,154,850	118,076,749

See Notes to Financial Statements.

AS OF JUNE 30, 2007

		Economic Development Fund	State Building Program Cigarette Tax Fund	State Office Building Financing Fund	UNM Health Sciences Fund	Water Project Fund	Water and Wastewater Project Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:									
Unrestricted:									
Cash and cash equivalents	$	3,411,361	5,925,291	6,143,689	46,012	971,241	1,349,666	2,396,725	20,243,985
Receivables:									
Tax receivable		-	172,871	590,000	-	-	-	37,710	800,581
Interest		-	-	-	-	-	-	7,634	7,634
Other receivables		-	-	-	731,312	56	-	-	731,368
Loans receivable		1,724,445	-	-	-	190,131	-	507,000	2,421,576
		5,135,806	6,098,162	6,733,689	777,324	1,161,428	1,349,666	2,949,069	24,205,144
Restricted:									
Cash and cash equivalents held for others by trustee:									
Debt service		-	-	-	-	-	-	644,085	644,085
Bond reserve		-	220,940	-	1,283,486	-	-	-	1,504,426
Investments		-	-	-	-	6,472,367	12,198,398	-	18,670,765
TOTAL ASSETS	$	5,135,806	6,319,102	6,733,689	2,060,810	7,633,795	13,548,064	3,593,154	45,024,420
LIABILITIES:									
Accounts payable	$	4,345	-	-	-	63,359	2,633	84,807	155,144
Debt service payable		-	-	-	-	-	-	23,703	23,703
Notes payable		-	1,855,346	-	-	-	-	-	1,855,346
Due to other funds		1,103,063	-	-	-	23,864	7,202	5,113	1,139,242
TOTAL LIABILITIES		1,107,408	1,855,346	-	-	87,223	9,835	113,623	3,173,435
FUND BALANCES:									
Reserved for debt service		-	-	6,733,689	2,060,810	-	-	714,554	9,509,053
Unreserved:									
Special revenue funds		4,028,398	4,463,756	-	-	7,546,572	13,538,229	2,764,977	32,341,932
TOTAL FUND BALANCES		4,028,398	4,463,756	6,733,689	2,060,810	7,546,572	13,538,229	3,479,531	41,850,985
TOTAL LIABILITIES AND FUND BALANCES	$	5,135,806	6,319,102	6,733,689	2,060,810	7,633,795	13,548,064	3,593,154	45,024,420

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	$	41,850,985
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
The cost of capital assets is		257,677
Accumulated depreciation is		(112,174)
Total capital assets, net of depreciation		145,503
Bond issuance costs are included in the current period and, therefore, not capitalized as assets in the funds, amortized over the life of the respective bond. Deferred costs, net, are		2,251,383
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term and other liabilities at year end consist of:		
Bonds payable, net of premium of $ 2,071,134		(118,658,134)
Accrued interest payable		(667,838)
Total long-term and other liabilities		(119,325,972)
Net assets of governmental activities (Statement of Net Assets)	$	(75,078,101)

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

		Economic Development Fund	State Building Program Cigarette Tax Fund	State Office Building Financing Fund	UNM Health Sciences Fund	Water Project Fund	Water and Wastewater Project Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:									
Grant revenue	$	-	-	-	-	6,041,563	-	-	6,041,563
Interest on loans		235,806	-	-	-	-	-	37,298	273,104
Interest on investments		-	213,206	385,213	125,075	565,569	1,013,343	139,731	2,442,137
Other revenue		-	-	-	-	282	-	-	282
TOTAL REVENUES		235,806	213,206	385,213	125,075	6,607,414	1,013,343	177,029	8,757,086
EXPENDITURES:									
Current:									
Administrative fee		-	-	43,275	152,756	-	-	15,894	211,925
Professional services		117,887	6,731	-	44,930	151,650	3,304	13,964	338,466
Salaries and fringe benefits		174,599	-	-	-	187,768	83,261	50,790	496,418
In-state travel		8,222	-	-	-	4,993	934	2,199	16,348
Out-of-state travel		6,949	-	-	-	-	-	-	6,949
Maintenance and repairs		1,448	-	-	-	1,371	769	493	4,081
Operating costs		49,800	-	-	-	40,894	23,800	14,473	128,967
Grant expenses		-	-	-	-	10,064,455	8,875,508	38,489	18,978,452
Capital outlay		12,000	-	-	-	9,187	3,192	4,605	28,984
Debt service - principal		-	-	1,380,000	4,445,000	-	-	1,107,000	6,932,000
Debt service - interest		-	-	1,436,475	1,200,135	-	-	1,446,560	4,083,170
TOTAL EXPENDITURES		370,905	6,731	2,859,750	5,842,821	10,460,318	8,990,768	2,694,467	31,225,760
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		(135,099)	206,475	(2,474,537)	(5,717,746)	(3,852,904)	(7,977,425)	(2,517,438)	(22,468,674)
OTHER FINANCING SOURCES (USES):									
State General Fund appropriations		4,900,000	714,128	6,090,000	6,835,217	-	-	1,953,059	20,492,404
Transfers (to) from other funds		-	120,238	(4,240,086)	489,381	(1,039)	-	2,403,265	(1,228,241)
Transfers (to) other state agencies		-	(94,150)	(2,019,029)	(1,806,503)	-	-	(848,752)	(4,768,434)
NET OTHER FINANCING SOURCES (USES)		4,900,000	740,216	(169,115)	5,518,095	(1,039)	-	3,507,572	14,495,729
NET CHANGE IN FUND BALANCES		4,764,901	946,691	(2,643,652)	(199,651)	(3,853,943)	(7,977,425)	990,134	(7,972,945)
FUND BALANCES, June 30, 2006		(736,503)	3,517,065	9,377,341	2,260,461	11,400,515	21,515,654	2,489,397	49,823,930
FUND BALANCES, June 30, 2007	$	4,028,398	4,463,756	6,733,689	2,060,810	7,546,572	13,538,229	3,479,531	41,850,985

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	$ (7,972,945)
Amounts reported for governmental activities in the Statement of Activities are different because:	
In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The decrease (increase) in the liabilities for the fiscal year was:	
Governmental Funds report principal payments on debt service as expenditures. However, in the Statement of Activities, these payments are reported as a reduction of the liability. In the current period, these principal payment amounts were	6,932,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the Governmental Funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the net result of two factors: accrued interest on bonds and notes payable. The decrease in the liability for the fiscal year was:	39,709

YEAR ENDED JUNE 30, 2007

Change from prior year in amortization of bond issuance costs:		
Deferred issuance costs FY06 (p. 17 PY)	$ 2,869,649	
Deferred issuance costs FY07 (p. 17 CY)	2,251,383	
		(618,266)
Change from prior year in amorization of bond premium/discount:		
Amortization of bond premium/discount FY06 (p. 65 PY)	2,169,977	
Amortization of bond premium/discount FY07 (p. 70 CY)	2,071,134	
		98,843
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:		
Capital outlay	28,984	
Depreciation expense	(46,860)	
Excess of depreciation expense over capital outlay		(17,876)
Decrease in capital assets		(68,870)
Change in net assets of governmental activities (Statement of Activities)		$ (1,607,405)

See Notes to Financial Statements.

AS OF JUNE 30, 2007

		Operating Fund	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund	GRIP Administrative Fund	Primary Care Capital Fund
ASSETS:						
Current:						
Cash and cash equivalents	$	446,105	10,013,692	6,060,246	1,538,067	-
Receivables:						
Tax revenue		-	6,107,009	3,460	-	20,439
Interest		-	5,433,651	91,241	-	-
Grant and other		-	3,085,197	2,158,931	1,057,418	-
Due from other state agencies		-	-	-	-	-
Due from other funds		1,777,305	-	-	-	-
Administrative fees receivable		-	-	10,205	119,833	-
Total current assets		2,223,410	24,639,549	8,324,083	2,715,318	20,439
Loans receivable, net of allowance		-	661,146,524	21,571,511	-	4,303,779
Securities		-	10,609,203	-	-	-
Restricted assets - cash and cash equivalents		-	192,139,790	11,403,224	-	3,279,427
Escrow		-	83,593,073	-	-	-
Depreciable property and equipment, net		85,713	116,838	20,995	58,853	1,223
Deferred charges		-	8,367,006	-	-	-
Other assets		51,082	-	-	-	-
TOTAL ASSETS	$	2,360,205	980,611,983	41,319,813	2,774,171	7,604,868
LIABILITIES:						
Accounts payable and other liabilities	$	23,685	722,853	150,575	5,618	256
Accrued payroll, fringe benefits and compensated absences		210,736	34,590	6,528	6,464	868
Accrued interest payable		-	2,157,520	-	-	-
Debt service payable		-	43,335,916	198,752	-	59,800
Funds held for others		-	74,268,792	395,550	-	22,312
Due to other state agencies		34,757	-	1,704,907	-	-
Due to other funds		-	285,703	28,050	25,597	42,350
Line of Credit			31,338,974			
Bonds payable, current, net		-	31,018,000	-	-	-
Bonds payable, noncurrent, net		-	658,131,699	-	-	-
TOTAL LIABILITIES		269,178	841,294,047	2,484,362	37,679	125,586
NET ASSETS:						
Invested in capital assets		85,713	116,838	20,995	58,853	1,223
Restricted for:						
Program funds		-	139,201,098	38,814,456	-	7,478,059
Unrestricted		2,005,314	-	-	2,677,639	-
TOTAL NET ASSETS		2,091,027	139,317,936	38,835,451	2,736,492	7,479,282
TOTAL LIABILITIES AND NET ASSETS	$	2,360,205	980,611,983	41,319,813	2,774,171	7,604,868

See Notes to Financial Statements.

Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
122,025	-	1,921,353	-	-	-	20,101,488
-	-	-	-	-	-	6,130,908
1,837	-	-	-	-	-	5,526,729
-	-	-	-	-	-	6,301,546
-	-	-	-	-	-	-
-	-	-	-	-	-	1,777,305
168	-	-	-	-	-	130,206
124,030	-	1,921,353	-	-	-	39,968,182
400,988	-	-	-	-	-	687,422,802
-	-	-	-	-	-	10,609,203
16,499	264,457	-	2,874,410	-	-	209,977,807
-	-	-	-	-	-	83,593,073
2,197	1,574	1,369	-	2,455	1,051	292,268
-	-	-	-	-	-	8,367,006
-	-	-	-	-	-	51,082
543,714	266,031	1,922,722	2,874,410	2,455	1,051	1,040,281,423
721	310	540	-	660	142	905,360
494	199	772	-	724	-	261,375
-	-	-	21,811	-	-	2,179,331
7,220	-	-	-	-	-	43,601,688
765	250,000	-	-	-	-	74,937,419
-	-	-	-	-	-	1,739,664
8,626	71,538	1,429	-	164,531	10,239	638,063
						31,338,974
-	-	-	125,000	-	-	31,143,000
-	-	-	2,250,000	-	-	660,381,699
17,826	322,047	2,741	2,396,811	165,915	10,381	847,126,573
2,197	1,574	1,369	-	2,455	1,051	292,268
523,691	(57,590)	1,036,012	215,162	-	(10,381)	187,200,507
-	-	882,600	262,437	(165,915)	-	5,662,075
525,888	(56,016)	1,919,981	477,599	(163,460)	(9,330)	193,154,850
543,714	266,031	1,922,722	2,874,410	2,455	1,051	1,040,281,423

See Notes to Financial Statements.

YEAR ENDED JUNE 30, 2007

	Operating Fund	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund	GRIP Administrative Fund	Primary Care Capital Fund
OPERATING REVENUES:					
Tax revenue	$ -	34,033,375	-	-	-
Federal grant revenue	-	-	6,537,498	-	-
Administrative fees	1,522,755	-	34,397	2,359,916	-
Interest on loans	-	23,156,489	323,506	-	-
Interest on investments	58,082	7,329,051	763,246	83,683	208,344
TOTAL OPERATING REVENUES	1,580,837	64,518,915	7,658,647	2,443,599	208,344
OPERATING EXPENSES:					
Grant expense	-	258,678	-	-	-
Bond issuance costs	-	450,454	-	-	-
Administrative fees	-	137,250	-	-	-
Professional services	96,079	1,616,730	49,116	192,046	92,287
Salaries and fringe benefits	455,823	1,211,554	219,040	307,810	28,698
In-state travel	3,085	24,259	4,998	11,001	280
Out of state travel	2,564	7,322	6,572	13,610	-
Utilities	-	-	-	-	4
Maintenance and repairs	3,437	10,238	5,324	2,890	262
Supplies	29,722	100	3,243	5,759	244
Operating costs	96,323	271,606	119,244	116,495	6,088
Depreciation	21,924	22,785	12,239	17,352	167
Debt service - interest expense	-	29,294,129	-	-	-
TOTAL OPERATING EXPENSES	708,957	33,305,105	419,776	666,963	128,030
OPERATING INCOME (LOSS)	871,880	31,213,810	7,238,871	1,776,636	80,314
NON-OPERATING REVENUES (EXPENSES):					
Miscellaneous revenue	-	-	-	-	-
TOTAL NON-INTEREST EARNINGS (EXPENSE) BEFORE TRANSFERS	871,880	31,213,810	7,238,871	1,776,636	80,314
TRANSFERS:					
Transfers in (out)	(392,988)	1,348,480	-	(990,500)	-
Transfers from (to) other state agencies	-	(2,386,518)	(3,008,527)	-	-
Transfers (to) local governments	-	(23,562,228)	-	-	-
TOTAL TRANSFERS	(392,988)	(24,600,266)	(3,008,527)	(990,500)	-
INCREASE (DECREASE) IN NET ASSETS	478,892	6,613,544	4,230,344	786,136	80,314
TOTAL NET ASSETS, June 30, 2006	1,612,135	132,704,392	34,605,107	1,950,356	7,398,968
TOTAL NET ASSETS, June 30, 2007	$ 2,091,027	139,317,936	38,835,451	2,736,492	7,479,282

Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
-	-	-	-	-	-	34,033,375
-	-	-	-	-	-	6,537,498
1,246	-	-	-	-	-	3,918,314
13,701	-	-	-	-	-	23,493,696
5,359	11,902	48,811	138,644	-	-	67,982,883
20,306	11,902	48,811	138,644	-	-	135,965,766
-	-	-	-	-	-	258,678
-	-	-	-	-	-	450,454
-	-	-	-	-	-	137,250
35,948	11,406	2,252	184	79,143	1,788	2,176,979
12,141	6,045	5,648	-	65,381	4,852	2,316,992
442	272	204	-	1,746	22	46,309
-	56	258	-	-	-	30,382
2	2	-	-	13	-	21
32	-	106	-	512	76	22,877
486	223	-	-	-	-	39,777
7,250	3,091	3,295	-	16,332	2,425	642,149
333	167	167	-	333	167	75,634
-	-	-	136,602	-	-	29,430,731
56,634	21,262	11,930	136,786	163,460	9,330	35,628,233
(36,328)	(9,360)	36,881	1,858	(163,460)	(9,330)	100,337,533
-	-	-	-	-	-	-
(36,328)	(9,360)	36,881	1,858	(163,460)	(9,330)	100,337,533
49,445	-	1,000,500	213,304	-	-	1,228,241
-	-	-	-	-	-	(5,395,045)
-	-	-	-	-	-	(23,562,228)
49,445	-	1,000,500	213,304	-	-	(27,729,032)
13,117	(9,360)	1,037,381	215,162	(163,460)	(9,330)	72,608,501
512,771	(46,656)	882,600	262,437	-	-	120,546,349
525,888	(56,016)	1,919,981	477,599	(163,460)	(9,330)	193,154,850

YEAR ENDED JUNE 30, 2007

		Operating Fund	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund	GRIP Administrative Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash paid for employee services	$	(772,536)	(6,439,964)	(217,384)	(308,176)
Cash paid to vendors for services		(172,402)	(4,103,658)	(189,293)	(334,385)
Bond issuance costs		-	(450,454)	-	-
Interest expense paid		-	(26,001,106)	-	-
Grants awarded		-	(258,678)	-	-
Tax revenue		-	34,033,375	-	-
Cash received from federal government for revolving loans		-	-	9,198,984	-
Interest income received		58,082	30,485,540	1,086,752	83,683
Administrative fees received		1,522,755	-	34,397	1,255,583
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		635,899	27,265,055	9,913,456	696,705
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITES:					
Operating transfers, net		(392,988)	1,348,480	-	(990,500)
Cash paid to subrecipients for services		-	(25,948,746)	(3,008,527)	-
Cash provided (used) by funds held for others		-	7,103,532	(1,212,200)	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES		(392,988)	(17,496,734)	(4,220,727)	(990,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Securities		-	1,096,174	-	-
Escrow		-	(23,427,062)	-	-
Loans funded		-	(158,925,077)	(6,145,636)	-
Loan payments received		-	49,591,504	1,903,706	-
Bonds issued		-	130,270,000	-	-
Payment of bonds		-	(46,379,000)	-	-
Debt service		-	9,232,653	42,349	-
Line of credit		-	31,338,974	-	-
Capital asset purchases		(26,252)	(62,129)	(5,760)	(18,427)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(26,252)	(7,263,963)	(4,205,341)	(18,427)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		216,659	2,504,358	1,487,388	(312,222)
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, June 30, 2006		229,446	199,649,124	15,976,082	1,850,289
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, June 30, 2007	$	446,105	202,153,482	17,463,470	1,538,067
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY *OPERATING ACTIVITIES* - OPERATING INCOME:	$	478,892	6,613,544	4,230,344	786,136
Adjustments to operating income:					
Depreciation and amortization		21,924	22,785	12,239	17,352
Net capital assets expensed in 2007		40,027	37,072	16,046	23,606
Net transfers		392,988	24,600,266	3,008,527	990,500
(Increase) decrease in prepaids and receivables		(316,713)	(7,143,775)	1,629,326	(1,104,334)
Increase (decrease) in payables and other accrued liabilities		18,781	3,135,163	1,016,974	(16,555)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	$	635,899	27,265,055	9,913,456	696,705

Primary Care Capital Fund	Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits Fund	Energy Efficiency Fund	Total
(27,830)	(11,647)	(5,846)	(4,876)	-	(64,657)	(4,710)	(7,857,626)
(57,481)	(34,736)	(14,932)	(3,908)	(184)	(96,556)	-	(5,007,535)
-	-	-	-	-	-	-	(450,454)
-	-	-	-	(137,750)	-	-	(26,138,856)
-	-	-	-	-	-	-	(258,678)
-	-	-	-	-	-	-	34,033,375
-	-	-	-	-	-	-	9,198,984
205,813	17,055	11,902	48,811	138,644	-	-	32,136,282
-	1,246	22,782	-	-	164,531	6,192	3,007,486
120,502	(28,082)	13,906	40,027	710	3,318	1,482	38,662,978
-	49,445	-	1,000,500	213,304	-	-	1,228,241
-	-	-	-	-	-	-	(28,957,273)
4,363	37	-	-	-	-	-	5,895,732
4,363	49,482	-	1,000,500	213,304	-	-	(21,833,300)
-	-	-	-	-	-	-	1,096,174
-	-	-	-	-	-	-	(23,427,062)
(300,000)	-	-	-	-	-	-	(165,370,713)
537,636	30,382	-	-	-	-	-	52,063,228
-	-	-	-	-	-	-	130,270,000
-	-	-	-	(125,000)	-	-	(46,504,000)
24,930	-	-	-	-	-	-	9,299,932
-	-	-	-	-	-	-	31,338,974
(1,655)	(3,061)	(2,006)	(1,800)	-	(3,318)	(1,482)	(125,890)
260,911	27,321	(2,006)	(1,800)	(125,000)	(3,318)	(1,482)	(11,359,357)
385,776	48,721	11,900	1,038,727	89,014	-	-	5,470,321
2,893,651	89,803	252,557	882,626	2,785,396	-	-	224,608,974
3,279,427	138,524	264,457	1,921,353	2,874,410	-	-	230,079,295
80,314	13,117	(9,360)	1,037,381	215,162	(163,460)	(9,330)	13,272,740
167	333	167	167	-	333	167	75,634
265	531	265	264	-	530	264	118,870
-	(49,445)	-	(1,000,500)	(213,304)	-	-	27,729,032
(2,530)	(2,005)	-	-	-	-	-	(6,940,031)
42,286	9,387	22,834	2,715	(1,148)	165,915	10,381	4,406,733
120,502	(28,082)	13,906	40,027	710	3,318	1,482	38,662,978

See Notes to Financial Statements.

AS OF JUNE 30, 2007

		Agency Funds
ASSETS:		
Cash at Trustee:		
Program funds	$	589,393,873
Expense funds		5,145,512
Bond reserve funds		41,365,202
TOTAL ASSETS	$	635,904,587
LIABILITIES:		
Accounts payable	$	1,659,650
Debt service payable		588,374,034
Funds held for the New Mexico Department of Transportation		45,870,903
TOTAL LIABILITIES	$	635,904,587

See Notes to Financial Statements.

NATURE OF ORGANIZATION

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (Authority). The purpose of the New Mexico 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, appoints to the Authority Board, 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 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 Standards Board (GASB) Statement No. 39. 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 its ability to issue tax-exempt debt.

NATURE OF ORGANIZATION - continued

The financial reporting entity as defined by GASB No. 39 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government". The Authority is, however, considered to be a discretely presented component unit of the State of New Mexico. The Authority does not have any component units.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The financial statements for the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standard Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

The Authority has implemented the provisions of GASB No. 34. As a part of this statement, there is a reporting requirement regarding the local government's infrastructure (roads, bridges, etc.) The Authority does not own any infrastructure assets and, therefore, is unaffected by this requirement.

♦ ***Basic Financial Statements***

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The new reporting model focus is on either the Authority as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis by column, and is reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Government-wide and Fund Financial Statements*

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units, if any. For the most part, the effect of interfund activity has been removed from these statements. ***Governmental activities***, which normally are supported by taxes and intergovernmental revenues, are reported separately from ***business-type activities***, which rely to a significant extent on fees and charges for support. Likewise, the ***primary government*** is reported separately from certain legally separate ***component units*** for which the primary government is financially accountable.

The government-wide statement of activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Authority includes only one function (infrastructure financing). Inter-fund balances have been eliminated in the government-wide financial statements within government funds and enterprise funds. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipt taxes, grants and appropriations. On an accrual basis, revenue from gross receipts taxes is recognized when the underlying transaction has occurred. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. ***Direct expenses*** are those that are clearly identifiable with a specific function or segment. ***Program revenues*** include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as ***general revenues.***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statement. Major individual enterprise funds are reported as separate columns in the fund financial statements.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Government-wide and Fund Financial Statements - continued*

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Authority's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

The Government-wide financial statements are prepared using the economic resources measurement focus and the accrued basis of accounting. The fund financial statements should be presented using the current financial resources measurement focus and the modified accrual basis of accounting.

♦ *Basis of Presentation - Fund Accounting*

The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

The following fund types and account groups are used by the Authority:

> ***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) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ ***Basis of Presentation - Fund Accounting - continued***

Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. All government funds are non-reverting.

The Authority reports the following major governmental funds:

- Economic Development Fund
- State Building Program Cigarette Tax Fund
- State Office Building Financing Fund
- UNM Health Sciences Fund
- Water Project Fund
- Water and Wastewater Project Grant Fund

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specific purposes.

Special Revenue Fund - State Building Program-Cigarette Tax. This fund 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 were 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 the amount of 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ *Basis of Presentation - Fund Accounting - continued*

Special Revenue Funds - continued

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.

Special Revenue Fund - Water and Wastewater Project Grant Fund. This grant fund is to use the net proceeds of the sale of bonds, pursuant to the provisions of Section 6-21-6.1, NMSA, 1978 Compilation, for the purposes of water and wastewater projects and payable from the public project revolving fund. Money in the water and wastewater project grant fund is appropriated to the Authority to make grants to qualified entities for water and wastewater public projects pursuant to special authorization by law for each project, and to pay administrative costs of the water and wastewater project grant program. Any unexpended or unencumbered balances remaining at the end of the fiscal year shall not revert to the State's general fund.

Special Revenue Fund - Water Project Fund. This fund was created with the passage of Senate Bill 169 during the 2001 Legislative Session. The purpose of this fund is to provide for water use efficiency, resource conservation and protection and fair distribution and allocation of water. The Water Project Fund was created in the Authority and consists of distributions made from the Water Trust Fund and payments of principal and interest on loans approved for water projects. The fund also consists of any other money appropriated, distributed or otherwise allocated to the fund for the purpose of supporting water projects pursuant to the provisions of the Water Projects Finance Act.

Special Revenue Fund - Water and Wastewater Planning Grant Fund. The 2002 New Mexico Legislature authorized the Authority to establish the new Water and Wastewater Planning Grant fund. This fund will provide grant money to qualified entities on a sliding scale for the creation of planning documents such as preliminary engineering reports, feasibility studies and master plans. Each grant must not exceed $25,000 and must be repaid if the project in the planning document eventually receives funding. The initial capitalization of $1 million was provided from the 2002A PPRF revenue bonds issued on July 2, 2002.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Special Revenue Funds - continued

Special Revenue Fund - Emergency Drought Water Program. Executive Order 02-19 declared a statewide drought disaster due to the severe statewide drought conditions. The Water Trust Board has been designated as the coordinator of all assistance requests from public water systems during the drought. Based on initial requests, the Water Trust Board may direct a strike team to investigate the water problem. Strike team members include State Engineer's personnel and other technical personnel as deemed necessary. The strike team will assess the situation and provide the Water Trust Board with an action plan to immediately alleviate the problem through the next legislative session. If the action plan implementation is beyond local control and requires the resources of the State, the Water Trust Board will recommend the project to the Governor for disaster funding. Each emergency disaster declaration by the Governor will release $750,000 in funding to alleviate the emergency conditions.

Special Revenue Fund - Economic Development. This fund was created with the passage of Senate Bill 932 - Statewide Economic Development Finance Act (SWEDFA) during the 2003 legislative session. The purpose of this fund is to provide a comprehensive package of financing tools to stimulate economic development projects and fill the gap between public and private financing.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

Debt Service Fund - Metro Court Financing Fund. The Laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. The bonds were issued on August 1, 2001. The pledged revenues for the project consist of a portion of the docketing fees and costs collected by 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. There was an additional bond issuance in September 2002 (2002A).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ Basis of Presentation - Fund Accounting - continued

Debt Service Funds - continued

Debt Service Fund - Workers' Compensation Financing Fund. This fund 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 the 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 power agreement to accomplish this purpose. A total of $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 irrevocable 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 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, any surplus bond proceeds and interest will be used for the project.

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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Debt Service Funds - continued

Debt Service Fund - State Capitol Improvement Financing Fund. The Laws of 1997, Chapter 178, authorized the Authority to issue and sell revenue bonds in an amount not to exceed $10,155,000 for the purpose of repairing, remodeling, constructing and equipping a state building located adjacent to the State Capitol in Santa Fe known as the New Mexico State Library, and for relocation-associated renovations in the State Capitol. A total of $510,000 of revenue bonds were issued on May 17, 1999 and $8,805,000 of revenue bonds were issued on June 1, 1999, for a total outstanding of $9,315,000. Monthly, all income and distributions creditable to the capitol buildings repair fund shall be distributed by the State Treasurer to the Authority, and are appropriated to the Authority to be pledged irrevocable for the payment of the bonds.

Debt Service Fund - Equipment Loan Fund. 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, the Authority issued $4,288,000 aggregate principal amount of its Pooled Equipment Program Certificates of Participation, Series 1995A, the proceeds of which were loaned to 18 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. 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ Basis of Presentation - Fund Accounting - continued

Debt Service Funds - continued

Debt Service Fund - State Office Building Financing Fund. The Laws of 2001, Chapters 166 and 199, authorized the Authority to issue revenue bonds for the financing of acquisition, construction, equipping and otherwise improving land and buildings for the General Services Department of the State of New Mexico. The initial project consists of 1) purchasing the National Education Association Building on South Capitol Street in Santa Fe, New Mexico, 2) paying the costs of planning, designing, constructing and furnishing a new office building with integrated parking at the West Capitol Complex on Cerrillos Road in Santa Fe, New Mexico, and 3) purchasing land adjacent to the District Five Office of the New Mexico State Highway and Transportation Department on Cerrillos Road in Santa Fe, New Mexico. In addition, to the extent proceeds of the Bonds are not used for the projects listed in the preceding sentence, the Project may include the acquisition of the Public Employees Retirement Association Building on Paseo de Peralta in Santa Fe, New Mexico. The General Services Department of the State is responsible for obtaining any required approvals to proceed with the project and to negotiate the purchases of a portion of the project and to pursue the completion of the project. The Director of the Property Control Division of the General Services Department has certified that the project is needed and can be completed within a reasonable time. Planning and negotiations have begun by the Property Control Division to complete the project.

Debt Service Fund - UNM Health Sciences Fund. Chapters 341, Laws of New Mexico 2003 (the Authorizing Act) authorized the State of New Mexico to distribute amounts equal to 1) 14.37% of the net receipts of a cigarette excise tax to the Authority on behalf and for the benefit of the University of New Mexico Health Sciences Center, and 2) 15.79% of the net Cigarette Tax receipts collected each month for bond credit enhancement purposes. The Authorizing Act also permitted the Authority to issue Cigarette Tax revenue bonds in an amount not to exceed $60,000,000 for the purpose of designing, constructing, equipping and furnishing additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Proprietary Fund Types - The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The Authority does not apply FASB pronouncements issued after November 30, 1989, to its proprietary funds or business-type activity accounting. The only proprietary fund types the Authority has are enterprise funds.

Enterprise Funds - Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services, and the activity is a) financed with debt that is solely secured by a pledge of the net revenues, b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or c) has a pricing policy designed for the fees and charges to recover similar costs. The enterprise funds are as follows:

Enterprise Fund - Operating Fund. The operating fund of the Authority accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Enterprise Fund - Public Projects Revolving Fund. This 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 75% 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 35% shall be available for appropriation by the Legislature to the following funds for local infrastructure financing: the water and wastewater project grant fund, 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 be approved by the Legislature.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ *Basis of Presentation - Fund Accounting - continued*

Enterprise Funds - continued

Enterprise Fund - New Mexico Drinking Water State Revolving Loan Fund. The New Mexico Drinking Water State Revolving Loan Fund Act (Act) created 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 of 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.

Enterprise Fund - 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 under-served 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

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Basis of Presentation - Fund Accounting - continued*

Enterprise Funds - continued

Enterprise Fund - Primary Care Capital Fund - continued. for assistance to the Department and administration of the Primary Care Capital Fund.

Enterprise Fund - GRIP Administrative Fund. The purpose of this fund is to record the administrative expenditures and fee revenue related to the New Mexico Department of Transportation (NMDOT) Series 2004A, B and C bond issues completed by the Authority on behalf of the NMDOT. Pursuant to a memorandum of understanding between the Authority and the NMDOT, the Authority is to receive an annual fee of 25 basis points on the outstanding debt on the 2004A Bonds for issuing the NMDOT debt, managing the outstanding debt portfolio and investing the proceeds until drawn down by the NMDOT.

Enterprise Fund - Child Care Revolving Loan Fund. Created by the 2003 Legislature, the Child Care Revolving Loan Fund partners the Authority with the New Mexico Children, Youth and Families Department to provide low-cost financing to licensed child care providers. The program received $250,000 in funding from an allocation of federal funds during fiscal year 2004.

Enterprise Fund - Behavioral Health Capital Fund. This fund was created with the passage of Senate Bill 248 in the 2004 legislative session. The purpose of this fund is to support the physical improvement, repair, safety and maintenance of licensed child care facilities throughout New Mexico by providing long-term, low interest funding through a revolving loan fund, so as to ensure availability of healthy and safe teaching environments.

Enterprise Fund - Cigarette Tax Revenue Bond – Behavioral Health Capital Fund (BHCF). The BHCF was set up to provide funding for capital projects to non-profit providers to increase health care services to sick and indigent patients. The 2004 Legislature created this fund to provide low cost financing to non-profit behavioral health clinics for their capital equipment and infrastructure projects. The Authority was authorized to issue up to $2,500,000 in bonds, secured by a portion of the net cigarette tax receipts collected by the State and distributed to the Authority. A private placement of $2,500,000 in bonds was issued during fiscal year 2006.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

♦ *Basis of Presentation - Fund Accounting - continued*

Enterprise Funds - continued

Enterprise Fund – Local Transportation Infrastructure Fund (Local Road Fund). This fund was created to provide local government not eligible for Federal funding, whose needs have not been met by the existing Local Government Road Fund, with grants and low cost financial assistance for transportation projects. The program is jointly administered by the Authority and the NMDOT. The NMDOT determines feasibility and priority of recommended projects and the Authority makes loans and grants to the recommended projects. Grants are capped at 25 percent of the project cost.

Enterprise Fund – New Market Tax Credits Fund. During FY 2007 a team comprised of staff from the Authority, the New Mexico Economic Development Department and the City of Albuquerque successfully submitted an application for the federal New Market Tax Credits. The Authority has requested an allocation of $150,000,000. The status of these allocations is generally made in October and it is anticipated that the program would go through a "ramp up" period during the remainder of FY 2008. The fund was created to accumulate costs associated with the application process and other program start-up costs. Ultimately, this program will be accounted for and operated as an LLC separate and distinct from the Authority.

Enterprise Fund – Energy Efficiency Fund. This fund was established as an innovative financing mechanism for state agencies, universities and public schools to fund and implement renovations to existing facilities that will promote renewable energy and other energy efficiency improvements to these facilities. This fund will be jointly administered by the Authority and the Department of Energy, Minerals and Natural Resources. The Authority will issue PPRF bonds that are backed by State GRT and sized to the cash flow energy savings generated from the projects. This program is in a start-up phase and as yet, has not issued any bonds.

The Authority's fiduciary funds are agency funds. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The Authority's agency fund is used to account for cash at trustee related to certain bond issues that the Authority completed on behalf of the NMDOT (see Note 14).

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Measurement Focus and Basis of Accounting*

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes, grants and appropriations. On an accrual basis, revenue from gross receipts taxes is recognized when the underlying transaction has occurred. Revenue from grants and appropriations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Governmental fund types follow the modified accrual basis of accounting for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period). For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Interest earned is accrued currently by the appropriate funds. Contributions, gross receipts tax and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures, other than vacation, compensatory, and sick pay, are recorded when they are incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources. Interest expense is recognized when paid. Total interest expense incurred during the year ended June 30, 2007, was $35,559,546.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ ***Measurement Focus and Basis of Accounting - continued***

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are charges to customers for interest and fees. Operating expenses for enterprise funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted net assets are available for expenses, unrestricted funds are applied first.

♦ ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, Wells Fargo and with banks acting as bond trustees. Cash in the various programs on deposit with the State Treasurer is invested by the New Mexico State Treasurer in the "overnight" repurchase program.

For pooled funds on deposit with the New Mexico State Treasurer, interest is credited to the various programs based on the program's average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50%. Separate financial statements of the State Treasurer indicate collateral, categories of risk and market value of purchased investments which may differ from the cash deposited by the Authority. Funds held by the banks and the Authority acting as trustees are invested in money market accounts that invest in United States Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. Repurchase agreements are collateralized at 102% in accordance with the Authority's internal policy.

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 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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Securities*

The Authority has purchased State of New Mexico Department of Energy, Minerals and Natural Resources, Jemez Springs, and New Mexico Interstate Stream Commission bonds that are recorded at cost, which approximates market value.

♦ *Loans*

Loans are stated at their principal amount. Interest on loans is accrued 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. There are no material loans past due for more than 90 days at the end of the fiscal year, which would be required to be placed on non-accrual status.

♦ *Allowance for Loan Losses*

The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors, including collateral value, past loan loss experience, current facts and economic conditions. The allowance is based on management's estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and any necessary adjustments are reported in income in the period they become known. At June 30, 2007, it was management's opinion that all governmental fund receivables, as well as outstanding receivables from the Drinking Water State Revolving Fund, Primary Care Capital Fund and Behavioral Health Capital Fund, were fully collectible and, therefore, no allowance was provided for at June 30, 2007. The Authority has not experienced any losses on its loan portfolio.

♦ *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 "expense fund" account is used to cover professional expenses incurred during the bond offering process.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Budgets and Budgetary Accounting*

The Authority prepares a budget for the operations fund and for the DWRLF. These budgets are approved by the Authority's board but are not legally binding, and therefore are not presented in the financial statements. These budgets may also be amended by the Authority's board. The budgets are prepared on a non-GAAP basis. The differences between the budgetary basis and GAAP basis are that capital outlay expenditures are included as a budgetary expenditure and depreciation expense is not a budgetary expenditure.

♦ *Capital Assets*

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays exceeding $5,000 that significantly extend the useful life of an asset are capitalized. Computer software is included in furniture and equipment. In addition, furniture and equipment with lives of three years or less, and repairs and maintenance that do not extend the useful lives of premises and equipment are expensed as incurred. The Authority does not have any internally developed software.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on estimated useful lives ranging from three to seven years.

♦ *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.

♦ *Compensated Absences*

Full-time employees are entitled to fifteen days vacation leave with ten years or less employment with the Authority. Employees with more than ten years receive twenty days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid vacation leave as of the date of termination.

Full-time employees are entitled to twelve days of sick leave each fiscal year. When employees terminate, they are compensated at twenty-five (25%) of their current hourly rate of accumulated unpaid sick leave up to 300 hours. Part-time employees accrue vacation leave and sick leave on a prorated basis based on the number of hours they work. Accrued compensated absences are recorded and liquidated in the operating fund.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ ***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.

♦ ***Bond Discounts, Premiums and Issuance Costs***
In governmental fund types, bond discounts, premiums and issuance costs are recognized in the period incurred. 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 straight line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs.

♦ ***Fund Equity***
Reserves represent those portions of fund equity appropriated or legally segregated for a specific future use. Debt service fund balances are reserved based on the language in the trust agreements, which require the bond proceeds be used for the specific purposes of the fund. Special revenue funds are reserved based on the statutory or bond trust restrictions.

♦ ***Net Assets***
The government-wide and business type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

> ***Investment in capital assets*** (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority has no capital asset related debt.
>
> ***Restricted assets*** are liquid assets that have third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.
>
> ***Unrestricted assets*** represent liquid assets.

♦ ***Use of Estimates***
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*

♦ *Interfund and Interagency Transactions*

Interfund and interagency transactions 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other transfers are recorded as operating transfers in (out) to other state agency under the other financing sources (uses) category.

2. *CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE*

Funds held for others and short-term investments are held at the trustees in the names of the applicable government entity and the Authority. The repurchase agreements are overnight only. The following is a reconciliation of cash and cash equivalents to the financial statements.

		Book Balance	Bank Balance
Government-wide statement of net assets:			
State Treasurer Local Government Investment Pool	$	108,307,967	108,307,967
The Primary Care Capital Fund held at the State Treasurer's Office		3,197,026	3,197,633
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts		24,646,795	24,646,795
Bank of Albuquerque trust accounts		134,270,636	134,270,636
Reserve on Bond Payable held in Bank of America		274,027	274,027
Wells Fargo operating accounts		446,105	476,236
		271,142,556	271,173,294
Agency Fund:			
Money market accounts invested in Bank of Albuquerque		635,904,587	635,904,587
	$	907,047,143	907,077,881

2. *CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE - continued*

The New Mexico State Treasurer's Office is responsible for ensuring that all accounts held by any bank for all State governmental entities have collateral at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Authority.

The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States, are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contribution entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested.

Participation in the local government investment pool is voluntary. The investments are valued at fair value based on quoted market prices as of the valuation date.

The Authority's State Treasurer funds are contained in the New Mexico *GROW* LGIP, and at June 30, 2007 are AAAm rated and valued at $108,307,967, with a 38-day WAM.

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 sources of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts that 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.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its collateral securities that are in the possession of an outside party. The Authority's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the Authority's name.

2. *CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE - continued*

Credit Risk. The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10F NMSA 1978, 6-10-10 NMSA 1978.

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer.

Interest Rate Risk. Interest rate risk is the risk that interest rate fluctuations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the value of securities held in a collateral portfolio will decline if market interest rates rise. In this event, the financial institution is required to provide additional collateral necessary to comply with New Mexico State Statute. Therefore, funds are not susceptible to interest rate risk as they are all fully collateralized.

3. *LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES*

Loan receivable balances consist of the following at June 30, 2007:

Enterprise funds:	
Public Projects Revolving Loan Fund, net of allowance of $667,848	$ 661,146,524
Drinking Water State Revolving Loan Fund	21,571,511
Primary Care Capital Fund	4,303,779
Behavioral Health Capital Fund	400,988
	687,422,802
Governmental funds:	
Smart Money Loans	1,724,445
C.O.P.S.	507,000
Water Trust Board Loan/Grants	190,131
	2,421,576
	$ 689,844,378

3. *LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued*

♦ *Public Projects Revolving Loan Fund*

The Public Projects Revolving Loan Fund loans receivable balance at June 30, 2007 is $661,146,524, net of an allowance for loan loss of $667,848, and consists of loans made to various entities.

Terms for the Public Projects Revolving Loans 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, 2007 to June 30, 2008	$	43,234,506	23,599,723	66,834,229
July 1, 2008 to maturity		618,579,866	213,195,458	831,775,324
	$	661,814,372	236,795,181	898,609,553

♦ *Drinking Water State Revolving Loan Fund*

Terms for the Drinking Water State Revolving loans vary with interest rates ranging from 0% to 3%. 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, 2007 to June 30, 2008	$	1,070,634	332,186	1,402,820
July 1, 2008 to maturity		20,500,877	2,560,714	23,061,591
	$	21,571,511	2,892,900	24,464,411

No allowance for uncollectible loans has been established as the loans are secured by applicable sources of pledged receivables.

3. *LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued*

♦ *Primary Care Capital Fund*

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, 2007 to June 30, 2008	$	473,223	137,636	610,859
July 1, 2008 to maturity		3,830,556	557,716	4,388,272
	$	4,303,779	695,352	4,999,130

No allowance for uncollectible loans has been established as the loans are secured by applicable sources of pledged receivables.

♦ *Behavioral Health Capital Fund*

The Behavioral Health Capital loan has an interest rate of 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, 2007 to June 30, 2008	$	31,296	11,027	42,323
July 1, 2008 to maturity		369,692	58,398	428,090
	$	400,988	69,425	470,413

No allowance for uncollectible loans has been established as the loan is secured by applicable sources of pledged receivables.

3. *LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued*

♦ *"SMART" Money Loans*

The "SMART" Money Loan Participation Program brings the Authority and "SMART Partner Banks" together as partners to share risk while lowering the overall cost of borrowing for the business by the Authority offering below-market rates on its portion of the loan to a New Mexico business. The Authority participates in 49% of the total loan amount. Interest rates range from 5% to 8%.

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, 2007 to June 30, 2008	$	-	-	-
July 1, 2008 to maturity		1,724,445	-	1,724,445
	$	1,724,445	-	1,724,445

No allowance for uncollectible loans has been established at this time. The loans are secured by commercial real estate mortgages.

♦ *C.O.P.S.*

The C.O.P.S. loans vary, with interest rates ranging from 4.75% to 6.618%. 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, 2007 to June 30, 2008	$	96,000	30,000	126,000
July 1, 2008 to maturity		411,000	92,859	503,859
	$	507,000	122,859	629,859

No allowance for uncollectible loans has been established as the loan is secured by applicable sources of pledged receivables.

3. LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued

♦ ***Water Trust Board Loan/Grants***

The Water Trust Board established a loan element whereby grantees are required to repay 10% of the total amount they receive. Interest rates vary, based on the borrower's ability to repay, but range from 4% to 5%.

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, 2007 to June 30, 2008	$	13,020	-	13,020
July 1, 2008 to maturity		177,111	-	177,111
	$	190,131	-	190,131

Allowance has not yet been established as these loans were established late in fiscal year 2007 and repayments have not been made. An appropriate allowance will be made in fiscal year 2008.

4. SECURITIES

At June 30, 2007, securities for the Public Project Revolving Fund (PPRF) consisted of $10,354,290 of Department of Energy, Minerals, and Natural Resources Bonds (Series 1995A, 1995B, 1996A, 1996B, 1997A, 1997B, 1998A, 1998B and 2003B); and $254,913 of Interstate Stream Commission Bonds (Series 1998). The Department of Energy, Minerals, and Natural Resources Bonds have interest rates ranging from 3% to 5.6%, with final maturity on May 1, 2018. The Jemez Springs Bonds have interest rates ranging from 4.20% to 5.45%, with a final maturity on May 1, 2008. The New Mexico Interstate Stream Commission Bonds have interest rates ranging from 5.92% to 6.19%, with final maturity on May 1, 2008. The securities are carried at cost, which approximates market value.

4. *SECURITIES - continued*

The following is a summary of future principal and interest to be collected based on contractual maturity of the securities after year-end:

		Principal	Interest	Total	Weighted Average Maturity (Years)
July 1, 2007 to June 30, 2008	$	1,136,658	501,020	1,637,678	1.0 years
July 1, 2008 to maturity		9,472,545	2,883,281	11,854,806	8.9 years
	$	10,609,203	3,384,301	13,492,484	

Credit Risk. The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10F NMSA 1978, 6-10-10 NMSA 1978.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, The Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in The Authority's name. The Authority's investments in securities listed above are not collateralized.

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer.

5. *DUE FROM AND DUE TO OTHER FUNDS AND TRANSFERS*

These amounts represent interfund receivables and payables arising from interfund transactions within the Authority. These balances are netted as part of the reconciliation to the government-wide columnar presentation.

Interfund receivables and payables as of June 30, 2007 consist of the following:

			Due To:		
				Enterprise Funds	
			PPRF 200s	Operating Fund 101	Total
Due From:					
Governmental Funds:					
Metro Court	304	$	-	-	-
Water and Wastewater Grant	307		-	7,202	7,202
Water Project Fund	309		-	23,864	23,864
Emergency Drought Relief	312		-	-	-
Water Planning Grant	313		-	5,113	5,113
Economic Development	314		-	1,103,063	1,103,063
Total Governmental Funds			-	1,139,242	1,139,242
Enteprise Funds:					
GRIP Fund	104	$	-	25,597	25,597
Drinking Water	500		-	28,050	28,050
Child Care	319		-	71,538	71,538
Behavioral Health	311		-	8,626	8,626
Local Road Fund	504		-	1,429	1,429
Primary Care	501		-	42,350	42,350
NM Tax Credit	600		-	164,531	164,531
Energy Efficiency	601		-	10,239	10,239
PPRF	200s		-	285,703	285,703
Total Enterprise Funds			-	638,063	638,063
		$	-	1,777,305	1,777,305

5. *DUE FROM AND DUE TO OTHER FUNDS AND TRANSFERS - continued*

Transfers between funds for the year ended June 30, 2007 are as follows:

		Transfers Out:						
		UNM Health Sciences 103/105	Metro Court 304	State Building 100	Water and Wastewater Project 307	Water Project Fund 309	Other	Total
Transfers In:								
Governmental Funds:								
UNM Health Sciences	103/105 $	-	-	-	-	-	7,151,932	7,151,932
Metro Court	304	-	-	-	-	-	2,403,004	2,403,004
State Building	100	-	-	-	-	-	6,417,627	6,417,627
Emergency Drought Relief	312	-	-	-	-	1,220	-	1,220
Water Planning Grant	313	-	-	-	-	-	-	-
Equipment Loan Fund	400s	-	-	-	-	-	-	-
Other		6,662,550	-	6,297,388	-	-	779	12,960,717
Total Governmental Funds		6,662,550	-	6,297,388	-	1,220	15,973,342	28,934,500

		Operating Fund 101	GRIP Admin 104	Drinking Water 500	Cigarette Tax Revenue 321	PPRF 200s	Other	Total
Transfers In:								
Enterprise Funds:								
Operating Fund	101	-	-	-	-	-	5,106,464	5,106,464
GRIP Admin.	104	10,000	-	-	-	-	-	10,000
Drinking Water	500	-	-	6,713,687	-	-	-	6,713,687
Behavioral Health	311	-	-	-	49,445	-	-	49,445
Local Road Fund	504	-	1,000,500	-	-	-	-	1,000,500
Cigarette Tax Revenue	321	-	-	-	-	-	262,750	262,750
PPRF	200s	-	-	-	-	-	14,327,709	14,327,709
Other		5,489,452	-	-	-	12,979,230	-	18,468,682
Total Enterprise Funds:		5,499,452	1,000,500	6,713,687	49,445	12,979,230	19,696,923	45,939,237
Total Governmental and Enterprise Funds	$	12,162,002	1,000,500	13,011,075	49,445	12,980,450	35,670,265	74,873,737

Transfers in and out of the governmental funds are legilsatively appropriated revenues to pay debt service.

Enterprise fund transfers in and out are primarily movement of loan proceeds out to the borrowers to pay for program and construction costs.

$1,228,241 was transferred from the Governmental Funds to the Enterprise Funds for fiscal year ending 2007.

The following Enterprise Fund owed the following amount to other state agencies at June 30, 2007:

The Drinking Water Revolving Loan Fund owed $1,704,907 to the Environment Department for technical set-asides.

6. *OPERATING TRANSFERS*

Governmental Funds Operating Transfers from (to) Other State Agencies

State Agency	Agency Fund Number	Economic Development Fund	State Building Program Cigarette Tax Fund	State Office Building Financing Fund	UNM Health Sciences Fund	Other Governmental Funds	Total
Dept. of Finance & Administration	34100	$ 4,900,000	714,128	6,090,000	6,835,217	1,953,059	20,492,404
University of New Mexico	95100	-	-	-	(1,806,503)	-	(1,806,503)
New Mexico Department of Labor	63100	-	-	-	-	(848,752)	(848,752)
New Mexico State University	95200	-	-	(2,019,029)	-	-	(2,019,029)
University of NM Law Library	95100	-	(94,150)	-	-	-	(94,150)
		4,900,000	619,978	4,070,971	5,028,714	1,104,307	15,723,970

Enterprise Funds Operating Transfers from (to) Other State Agencies

State Agency	Agency Fund Number	Public Project Revolving Funds	New Mexico Drinking Water Revolving Loan Fund
Bernalillo Metropolitan Court	24400	$ (330,211)	-
NM Environment Department	66700	-	(3,008,527)
NM Department of Health	66500	(2,056,307)	-
		(2,386,518)	(3,008,527)

The Authority received $20,492,404 in New Mexico state general fund appropriations from the Department of Finance and Administration.

6. *OPERATING TRANSFERS - continued*

The following debt service funds made the following transfers to other state agencies during the year ended June 30, 2007:

The UNM Health Sciences 2004A transferred $1,806,503 for revenue rebate to UNM from cigarette tax collections.

The Workers' Compensation Series 1996 transferred $848,752 for revenue rebate to Workers' Compensation.

The State Building GRT Purchase Fund transferred $2,019,029 in program fund requests to project draw requests, debt service payments and final debt service payment for NMSU building.

The following special revenue fund made the following transfer to other state agencies during the year ended June 30, 2007:

The State Building Program Cigarette Tax Fund transferred $94,150 for the UNM Law Library debt service.

The following enterprise funds made the following transfers to other state agencies during the year ended June 30, 2007:

The PPRF Series 2005 C & D Metro Court Refunding transferred $330,211 for project draw requests to Metro Court.

The Drinking Water Revolving Fund transferred $3,008,527 to the New Mexico Environment Department for billings.

The PPRF Series 2006 D Fund transferred $23,562,228 for project draw requests.

The PPRF Direct Cash Loans transferred $2,056,307 for revenue rebate to Department of Health Primary and Secondary Accounts.

7. *CAPITAL ASSETS*

A summary of changes in capital assets follows:

Business-type Activities		Balance June 30, 2006	Additions	Adjustments/ Deletions	Balance June 30, 2007
Depreciable assets:					
Furniture and fixtures at historical cost	$	157,526	-	(59,360)	98,166
Computer hardware and software		359,324	103,545	(74,167)	388,702
Machinery and equipment		25,563	-	(795)	24,768
Leasehold improvements		10,557	17,545	(1,170)	26,932
		552,970	121,090	(135,492)	538,568
Accumulated depreciation:					
Furniture and fixtures		(134,196)	(13,785)	3,922	(144,059)
Computer hardware and software		(48,788)	(54,585)	15,530	(87,843)
Machinery and equipment		(6,024)	(3,478)	990	(8,512)
Leasehold improvements		(3,080)	(3,786)	980	(5,886)
		(192,088)	(75,634)	21,422	(246,300)
Net total	$	360,882	45,456	(114,070)	292,268

Depreciation expense was $21,924 in the Operating Fund, $22,785 in the Public Project Revolving Fund, $12,239 in the Drinking Water Revolving Loan Fund, $17,352 in the GRIP Administrative Fund, $167 in the Primary Care Fund, $333 in the Behavioral Health Capital Fund, $167 in the Child Care Revolving Loan Fund, $167 in the Local Road Fund, $333 in the Tax Credits Fund and $167 in the Energy Efficiency Fund for the year ended June 30, 2007.

7. *CAPITAL ASSETS - continued*

Governmental Activities		Balance June 30, 2006	Additions	Adjustments/ Deletions	Balance June 30, 2007
Depreciable assets:					
Furniture and fixtures at historical cost	$	157,670	-	(57,034)	100,636
Computer hardware and software		116,875	24,867	(22,368)	119,374
Machinery and equipment		24,880	-	(531)	24,349
Leasehold improvements		10,470	4,117	(1,269)	13.318
		309,895	28,984	(81,202)	257,677
Accumulated depreciation:					
Furniture and fixtures		(45,628)	(18,301)	4,808	(59,121)
Computer hardware and software		(21,849)	(21,709)	5,704	(37,854)
Machinery and equipment		(7,313)	(4,428)	1,163	(10,578)
Leasehold improvements		(2,856)	(2,422)	657	(4,621)
Accumulated depreciation		(77,646)	(46,860)	12,332	(112,174)
Net total	$	232,249	(17,876)	(68,870)	145,503

8. *BONDS PAYABLE*

Bonds outstanding as of June 30, 2007, for the Authority's enterprise funds consist of the following:

Public Project Revolving Funds (PPRF)

PPRF Series 1997A. 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 1997A Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1998 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 investments securities.

PPRF Series 1999A, 1999B, 1999C and 1999D. On January 1, 1999, the Authority issued its Public Project Revolving Fund Revenue Bonds, Series 1999A and 1999B (tax exempt) and Series 1999 and 1999D (taxable), in the aggregate principal amounts of $13,135,000, $3,025,000, $2,265,000 and $4,875,000, respectively. The Series 1999 Bonds were issued by the Authority to reimburse the Public Project Revolving Fund for loans made to the 1999 Government Units' accounts and to reimburse the Authority and finance the costs of issuance of the Series 1999 bonds and to purchase bonds from the Department of Energy, Minerals and Natural Resources and the New Mexico Interstate Stream Commission's 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.

PPRF Series 2000A. On January 1, 2000, the Authority issued its Public Project Revolving Fund, Series 2000A Bonds, in the aggregate principal amount of $4,715,000 to finance a loan to Valencia County, New Mexico, to construct, purchase, furnish and equip an adult correctional facility for the County and to finance the cost of issuance of the Series 2000A Bonds.

PPRF Series 2000B and C. On September 1, 2000, the Authority issued $7,670,000 of Public Project Revolving Fund, Series 2000B and $28,850,000 Series 2000C Bonds. The Series 2000B and C bonds were issued to reimburse the Public Project Revolving Fund for loans made by the Authority to various Governmental Units and to reimburse the Authority for and to finance the costs of issuance of the Series 2000B and C Bonds.

8. *BONDS PAYABLE - continued*

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2002A. On July 2, 2002, the Authority issued $55,610,000 of Public Project Revolving Fund, Series 2002A Bonds. The Series 2002A Bonds were issued to reimburse the Public Project Revolving Fund for loans made by the Authority to various governmental units and to reimburse the Authority for and to finance the costs of issuance of the Series 2002A Bonds.

PPRF Series 2003A. On April 3, 2003, the Authority issued $39,945,000 of Public Project Revolving Fund, Series 2003A Bonds. The Series 2003A Bonds were issued to reimburse the Public Project Revolving Fund for loans made by the Authority to various governmental units and to reimburse the Authority for and to finance the costs of issuance of the Series 2003A Bonds.

PPRF Series 2003B. On June 5, 2003, the Authority issued $25,370,000 of Public Project Revolving Fund, Series 2003B Bonds. The Series 2003B Bonds were issued to 1) refund the Authority's outstanding Public Project Revolving Fund Revenue Bonds, Series 1995A, maturing on and after June 1, 2006, and Public Project Revolving Fund Revenue Bonds, Series 1996A, maturing on and after June 1, 2007; and 2) finance the costs of issuance of the Series 2003B Bonds and the refunding of the Series 1995A and 1996A Bonds.

PPRF Series 2004A. On January 28, 2004, the Authority issued $43,400,000 of Public Project Revolving Fund, Series 2004A Bonds. The Series 2004A Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the Authority to certain governmental entities for the purpose of financing public projects; and 2) finance the costs of issuance of the Series 2004A Bonds.

PPRF Series 2004B. On June 9, 2004, the Authority issued $49,540,000 of Public Project Revolving Fund, Series 2004B Revenue Bonds. The Series 2004B Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the Authority to certain governmental entities for the purpose of financing public projects; and 2) finance the costs of issuance of the Series 2004B Bonds.

8. BONDS PAYABLE - continued

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2004C. On October 1, 2004, the Authority issued $168,890,000 of Public Project Revolving Fund Series 2004C Revenue Bonds. The Series 2004C Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the Authority to certain governmental entities for the purpose of financing public projects, 2) fund the loan to the Albuquerque Bernalillo County Water Utility Authority, and 3) finance the costs of issuance of the Series 2004C Bonds.

PPRF Series 2005A and B. On August 1, 2005, the Authority issued $19,015,000 of Public Project Revolving Fund Series 2005A Revenue Bonds and $13,500,000 of Public Project Revolving Fund Series 2005B Refunding Revenue Bonds. The Series 2005A and B Bonds were issued to 1) advance refund certain outstanding Public Project Revolving Fund Bonds, 2) reimburse the Public Project Revolving Fund for loans made by the Authority to governmental entities for the purpose of funding public projects, and 3) finance the costs of issuance of the Series 2005A and B Bonds.

PPRF Series 2005C and D. On April 5, 2005, the Authority issued $50,395,000 of Subordinate Lien Public Project Series 2005C and $8,660,000 of Taxable Subordinate Lien Public Project Series 2005D Revolving Fund Refunding Revenue Bonds. The Series 2005C and D Bonds were issued to 1) purchase the Authority's Court Facilities Fee Refunding Revenue Bonds, and 2) finance the costs of issuance of the Series 2005C and D Bonds.

PPRF Series 2005E. On August 30, 2005, the Authority issued $23,630,000 of Subordinate Lien Public Project Revolving Fund Series 2005E Revenue Bonds. The Series 2005E Bonds were issued to 1) purchase the Authority's Subordinate Lien Cigarette Tax Revenue Bonds (UNM Health Sciences Center Project), Series 2005, and 2) finance the costs of issuance of the Series 2005E Bonds.

PPRF Series 2005F. On December 7, 2005, the Authority issued $21,950,000 of Subordinate Lien Public Project Revolving Fund Series 2005 F Revenue Bonds. The 2005 F Series Bonds were issued to 1) directly fund, or to reimburse the Public Projects Revolving Fund for, loans made by the NMFA to certain governmental entities for the purpose of financing public projects, 2) purchase a Reserve Instrument, and 3) pay the cost of issuance of the Series 2005 F Bonds.

8. *BONDS PAYABLE - continued*

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2006A. On March 28, 2006, the Authority issued $49,545,000 of Subordinate Lien Public Project Revolving Fund Series 2006 A Revenue Bonds. The 2006 A Series Bonds were issued to 1) originating loans or reimbursing the NMFA for moneys used to originate loans to, or purchase securities from, certain governmental entities that will be or were used to finance certain projects for such governmental units, 2) purchase a reserve surety bond for deposit to the debt service reserve account established for the Series 2006 A Bonds, and 3) pay costs incurred in connection with the issuance of the Series 2006 A Bonds.

PPRF Series 2006B. On June 27, 2006, the Authority issued $38,260,000 of Senior Lien Public Project Revolving Fund Series 2006 B Revenue Bonds. The 2006 B Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for or to originate loans made or to be made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units and, 2) pay costs incurred in connection with the issuance of the Series 2006 B Bonds.

PPRF Series 2006C. On November 7, 2006, the Authority issued $39,860,000 of Subordinate Lien Public Project Revolving Fund Series 2006 C Revenue Bonds. The 2006 C Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, including a $21,650,229 loan to the Jicarilla Apache Tribal Utility Authority; 2) purchasing a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2006 C Bonds; and 3) paying costs incurred with the issuance of the Series 2006 C Bonds.

PPRF Series 2006D. On September 6, 2006, the Authority issued $54,600,000 of Senior Lien Public Project Revolving Fund Series 2006 D Revenue Bonds. The 2006 D Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, 2) purchase contemporaneously with the issuance of the Series 2006 D Bonds the NMFA State Building Tax Revenue Bonds, Series 2006 A (PERA Building Acquisition) (the "2006A Bonds") to finance the acquisition and improvement of a public building for use by the State with proceeds of the 2006 A Bonds, 3) purchase contemporaneously with the issuance of the Series 2006 D Bonds the NMFA State Building Tax Revenue bonds Series 2006 B (Refunding Project) (the "2006 B Bonds") to refund the outstanding NMFA State Office Building Bonds Series 2002 A

8. *BONDS PAYABLE - continued*

Public Project Revolving Funds (PPRF) - continued

PPRF Series 2006D - continued.
with proceeds of the Series 2006 B Bonds, and 4) pay costs incurred in connection with the issuance of the Series 2006 D Bonds.

PPRF Series 2007A. On February 27, 2007, the Authority issued $34,010,000 of Subordinate Lien Public Project Revolving Fund Series 2007 A Revenue Bonds. The 2007 A Series Bonds were issued to 1) reimburse the Public Project Revolving Fund for loans made by NMFA to certain governmental entities for the purpose of funding public projects for such governmental units; 2) purchasing a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 A Bonds; 3) paying accrued interest; and 4) paying costs incurred with the issuance of the Series 2007 A Bonds.

Bonds outstanding as of June 30, 2007, to be paid out of the Authority's debt service funds consist of the following:

Workers' Compensation Financing Fund. 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.

State Capitol Improvement Financing Fund. On May 11, 1999, the Authority issued $9,315,000 of New Mexico Finance Authority State Capitol Building Improvement Revenue Bonds, Taxable Series 1999. The bonds were issued for the purpose of repairing, remodeling, constructing and equipping the New Mexico State Library and for relocation associated renovations in the State Capitol.

8. *BONDS PAYABLE - continued*

Metro Court Financing Fund. The Laws of 1998, Chapter 6, authorized the Authority to issue revenue bonds for the construction of a new Bernalillo County Metropolitan Court facility. On August 1, 2001, the Authority issued $21,600,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001A (Tax Exempt), and $11,400,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2001B (Taxable). The Series 2001A Bonds were issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2001A Bonds. The taxable Series 2001B Bonds were issued by the Authority for the purpose of financing the acquisition of land for, and the design, construction, furnishing and equipping of a parking facility adjacent to the new Bernalillo County Metropolitan Court and to finance the costs of issuance of the taxable Series 2001B Bonds.

On September 1, 2002, the Authority issued $24,900,000 of New Mexico Finance Authority Court Facilities Fee Revenue Bonds, Series 2002 (Tax Exempt). The Series 2002 Bonds were issued by the Authority for the purpose of financing the acquisition of real property for the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court and to finance the costs of issuance of the Series 2002 Bonds. The Series 2002 Bonds were issued pursuant to the bond resolution with a lien on the Pledged Court Facilities revenues on parity, with the liens thereon of the $21,600,000 Authority Court Facilities Fee Revenue Bonds, Series 2001A, and the $11,400,000 Authority Taxable Court Facilities Fee Revenue Bonds, Series 2001B.

Equipment Loan Fund. 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 that 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.

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 18 governmental entities in the state. On August 29,1995, the Authority issued $2,904,000 aggregate principal amount of its Pooled 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

8. *BONDS PAYABLE - continued*

Equipment Loan Fund - continued.
principal amount of its Pooled Equipment Program Certificates of Participation, Series 1996A. The net proceeds were loaned to 13 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 19965B. The net proceeds were loaned to various governmental entities in the state. Interest rates on the equipment loans range from 4.5% to 6.3%.

State Office Building Financing Fund. The Laws of 2001, Chapters 166 and 199, authorized the Authority to issued revenue bonds for the General Services Department (GSD) of the State of New Mexico. The State Office Building Tax Revenue Bonds, Series 2002A, were issued on December 15, 2001, for purpose of financing the costs of acquiring, constructing, equipping and otherwise improving land and buildings for the GSD. The Series 2002A Bonds are payable from and secured only by amounts on deposit in the Authority's State Office Building Fund, which consists of money appropriated and transferred to the Fund from the net receipts attributable to the gross receipts tax of the State in the amount of $500,000 per month.

UNM Health Sciences Fund. Cigarette Tax Series 2004A Revenue Bonds. On April 1, 2004, the Authority issued $39,035,000 of Cigarette Tax Series 2004A Revenue Bonds (UNM Health Services Center Project). The Series 2004A Bonds were issued to 1) finance a portion of the costs of the design, construction, equipping and furnishing of additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico; and 2) finance the costs of issuance of the Series 2004A bonds.

UNM Health Sciences 2004B. On September 22, 2004, the Authority issued $10,000,000 of Cigarette Tax Revenue Series 2004B Revenue Bonds. The Series 2004B Bonds were issued to 1) finance a portion of the costs of the design, construction, equipping and furnishing of additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico; and 2) finance the costs of issuance of the Series 2004B Bonds.

Bonds outstanding are direct obligations of the Authority for which its full faith and credit are pledged and are payable from pledged tax revenues of various entities.

8. *BONDS PAYABLE - continued*

Bonds payable and related premium/discount balances consist of the following at June 30, 2007:

		Amount	Interest Rate	Final Maturity
Enterprise Funds:				
PPRF 1997A	$	-	4.25 - 5.00	6/1/2007
PPRF 1999A, B, C and D		11,360,000	3.30 - 6.30	6/1/2018
PPRF 2000A		1,055,000	4.10 - 5.30	6/1/2009
PPRF 2000B and C		9,950,000	4.35 - 5.60	6/1/2009
PPRF 2002A		23,170,000	2.00 - 5.00	6/1/2026
PPRF 2003A		23,799,000	2.00 - 4.75	6/1/2025
PPRF 2003B		21,470,000	2.00 - 5.00	6/1/2021
PPRF 2004A		34,925,000	1.125 - 5.00	6/1/2031
PPRF 2004B		41,355,000	3.00 - 5.125	6/1/2033
PPRF 2004C		151,540,000	2.50 - 5.00	6/1/2024
PPRF 2005C and D		52,920,000	3.05 - 5.00	6/15/2025
PPRF 2005A		16,595,000	3.00 – 4.25	6/1/2025
PPRF 2005B		13,225,000	3.00 – 4.25	6/1/2020
PPRF 2005E		23,630,000	4.00 - 5.00	6/15/2025
PPRF 2005F		21,215,000	4.00 - 5.00	6/15/2025
PPRF 2006A		49,490,000	4.00 - 5.00	6/15/2035
PPRF 2006B		37,605,000	4.00 - 5.00	6/1/2036
PPRF 2006C		39,095,000	4.00 - 5.00	6/15/2027
PPRF 2006D		52,645,000	4.00 - 5.00	6/1/2036
PPRF 2007A		33,695,000	4.00 - 5.00	6/15/2027
CIG TAX 2006 – Behavioral Health		2,375,000	5.51	5/1/2026
		661,114,000		
Bond premium and discount, net on enterprise funds		30,410,699		
Total	$	691,524,699		

8. *BONDS PAYABLE – continued*

		Amount	Interest Rate	Final Maturity
To be paid out of Debt Service Funds:				
UNM Health Sciences	$	25,225,000	2.00 - 5.00	4/1/2019
UNM Health Sciences 2004B		8,915,000	2.10 - 5.50	4/1/2019
Workers' Compensation Financing Fund		2,750,000	5.00 - 5.60	3/1/2017
Metro Court		45,765,000	5.50 - 5.80	6/15/2011
State Capitol Improvement Financing Fund		5,955,000	7.00	6/1/2021
State Building Purchase Fund		27,470,000	4.00 - 5.00	11/1/2006
COP-Equipment Loan Fund Series 95A, 95B		208,000	4.05 - 5.40	10/1/2016
COP-Equipment Loan Fund Series 96A		62,000	3.85 - 5.20	4/1/2016
COP-Equipment Loan Fund Series 96B		237,000	4.50 - 5.70	4/1/2012
Cigarette Tax Revenue Bond		-	3.95 - 5.25	6/1/2006
		116,587,000		
Bond premium and discount, net on Debt Service Funds		2,071,134		
Total	$	118,658,134		

The requirements to amortize the bonds payable and the related premium/discount outstanding are as follows:

		Principal	Interest	Total
2008	$	37,194,000	36,808,177	74,002,177
2009		48,245,000	35,351,346	83,596,346
2010		42,345,000	33,291,533	75,636,533
2011		86,238,000	31,474,520	117,712,520
2012		45,262,000	29,379,803	74,641,803
2013 - 2017		217,599,000	105,880,381	323,479,381
2018 - 2022		159,981,000	58,167,272	218,148,272
2023 - 2027		89,427,000	23,580,020	113,007,020
2028 - 2032		27,440,000	10,200,556	37,640,556
2033 - 2037		23,970,000	2,862,050	26,832,050
Total	$	777,701,000	366,995,658	1,144,696,658

8. *BONDS PAYABLE - continued*

The bonds payable activity for the year is as follows:

		Balance, July 1, 2006	Additions	Deletions	Balance, June 30, 2007
Enterprise Funds	$	577,348,000	130,270,000	(46,504,000)	661,114,000
Debt Service Funds		123,519,000	-	(6,932,000)	116,587,000
Total	$	700,867,000	130,270,000	(53,436,000)	777,701,000

The amount of bonds payable due within one year is $37,194,000.

The following bonds were issued by the Authority in an agency capacity and are not included in the Authority's financial statements (see Note 14):

State Transportation Series 2004A Revenue Bonds. On May 20, 2004, the Authority issued $700,000,000 of State Transportation, Series 2004A, Revenue Bonds. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2004B Revenue Bonds. On May 20, 2004, the Authority issued $237,950,000 of State Transportation, Series 2004B, Refunding Revenue Bonds. The Series 2004B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the Authority and the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2004C Revenue Bonds. On May 20, 2004, the Authority issued $200,000,000 of State Transportation, Series 2004C, Refunding Revenue Bonds. The Series 2004C Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the Authority and the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

8. BONDS PAYABLE - continued

State Transportation Series 2006A Revenue Bonds. On September 19, 2006, the Authority issued $150,000,000 of State Transportation, Series 2006A Revenue Bonds. The Series 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2006B Revenue Bonds. On September 19, 2006, the Authority issued $39,005,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The Series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2006C Revenue Bonds. On September 19, 2006, the Authority issued $220,000,000 of State Transportation, Series 2006C Revenue Bonds. The Series 2006C bonds were issued as adjustable rate securities and were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

State Transportation Series 2006D Revenue Bonds. On September 19, 2006, the Authority issued $50,680,000 of State Transportation, Series 2006D Revenue Bonds. The Series 2006D Bonds were issued to provide funds for an escrow account required to be maintained by the New Mexico Department of Transportation pursuant to a Joint Use Agreement between the New Mexico Department of Transportation and the BNSF Railway Company. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not on the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

9. *NOTE PAYABLE*

In November 2002, the Authority issued the 2002A Bond. Part of the 2002A Bond proceeds were given to UNM for their Law Library, and the remaining portion of $2,000,000 was loaned to UNM. To offset this loan receivable, the Authority was issued a note payable in conjunction with the 2002A Debt Service requirement. The terms of this note are outlined below:

$2,000,000 variable interest rate (3.820% at June 30, 2007), note due in annual installments of $150,557 (currently), including interest, through May 2015. Note is offset by cigarette tax proceeds received from the State of New Mexico.	$	1,855,346
		1,855,346
Less current maturities		150,557
	$	1,704,789

Long-term debt maturities on note payable to PPRF Fund as of June 30, 2007, are as follows:

Years ending June 30:		
2008	$	150,557
2009		156,941
2010		163,848
2011		171,223
2012		179,102
2013 - 2017		1,033,675
	$	1,855,346

10. *LINE OF CREDIT*

The Authority maintains an unsecured credit facility which provides for a borrowing limit of up to $100,000,000. The terms of the credit facility require payment in full or renewal by May 31, 2009. Interest is due monthly on the outstanding balance, and accrues at the BBA LIBOR rate plus basis points (3.628% at June 30, 2007). Basis points are calculated quarterly based on the ratio of funded debt to operating cash flow. Additional borrowings must be made at a minimum amount of $5,000,000. The Authority shall pay the unused commitment fee on a quarterly basis beginning June 30, 2007, at a rate between 6 to 9 basis points pursuant to the line of credit agreement. At June 30, 2007, $31,338,974 had been borrowed on this line, providing for an unused commitment of $68,661,026.

		Balance, July 1, 2006	Additions	Deletions	Balance, June 30, 2007	Short-term Portion
Line of Credit	$	-	31,338,974	-	31,338,974	31,338,974

11. *OPERATING LEASE COMMITMENT*

The Authority is committed under various lease agreements for office space and a vehicle. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2007 amounted to approximately $277,000.

Future minimum lease payments for these leases are as follows:

Years ending June 30:		
2008	$	299,121
2009		307,598
2010		319,902
2011 and thereafter		-
	$	926,621

12. *RETIREMENT PLAN*

The Authority 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 Revenue 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%

12. *RETIREMENT PLAN - continued*

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 contributions for this retirement plan were $301,983, $263,313 and $204,975 for the years ended June 30, 2007, 2006 and 2005, respectively. Substantially all full time employees participate in this plan.

Presented below is the June 30, 2007, Statement of Fiduciary Net Assets and Statements of Change in Net Assets:

Statement of Fiduciary Net Assets

Assets:		
Cash	$	-
Self-directed accounts (cash and investments)		1,667,625
Guaranteed Account		10,520
Participant loan receivable		32,721
Total assets	$	1,710,866
Net assets:		
Pension plan participants' benefits	$	1,710,866

Statement of Changes in Net Assets

Additions:		
Investment earnings	$	241,715
Employer contributions		301,982
Rollover contributions		42,447
Employee contributions		104,087
Total additions		690,231
Deductions:		
Distributions to participants		128,600
Investment expenses		12,493
Total deductions		141,093

12. *RETIREMENT PLAN - continued*

Change in net assets	$	549,138
Net assets - beginning		1,161,748
Net assets - ending	$	1,710,886

During the year ended June 30, 2005, the Authority adopted a retirement plan in accordance with an "eligible deferred compensation plan" pursuant to Section 457 of the Internal Revenue Code for its Executive Director and its Chief Operating Officer. The Authority contributes nine percent of compensation to the plan. The contributions are made regardless of the number of hours worked or the employment status on the last day of the plan year. Employer contributions are limited by IRS Code Section 457(e)(15)(A). The employee is fully vested at all times. Employer contributions for the year ended June 30, 2007 were $21,664.

13. *COMPENSATED ABSENCES*

During the year ended June 30, 2007, the following changes occurred in the compensated absences liabilities:

	Balance, July 1, 2006	Additions	Deletions	Balance, June 30, 2007
$	162,277	190,065	160,254	192,088

The portion of compensated absences due after one year is not material and, therefore, not presented separately. Compensated absences are liquidated from the operating fund. There are no compensated absences for the governmental funds.

14. *AGENCY TRANSACTIONS*

Bond Issues

The Authority, on behalf of the New Mexico Department of Transportation (NMDOT), issued $700,000,000 State Transportation Revenue Bonds (Senior Lien), Series 2004A in May 2004. The gross proceeds to the Authority were $738,787,815, including $43,556,815 of an original issue premium. The cost of issuance including underwriter fees was $6,368,367. The Bonds are special, limited obligations of the NMDOT, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and the NMDOT has determined to be necessary or desirable.

NMDOT is responsible for the Authority's issuance costs and must annually pay the Authority twenty-five basis points on the outstanding principal balance. Principal of the bonds is payable as follows on June 15. Interest with rates ranging from 3.8% to 5.25% per annum is payable semi-annually on June 15 and December 15 through the year 2024.

The Authority, on behalf of the NMDOT, issued $237,950,000 and $200,000,000 (Authority) State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B and Series 2004C in May 2004. The gross proceeds to the Authority for both issuances were $451,069,205, including $16,347,187 of an original issue premium. The cost of issuance including underwriter fees was $4,228,696. Following is the detail of the Series 2004B and Series 2004C bonds issued.

The $237,950,000 Series 2004B Bonds are special, limited obligations of the NMDOT, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds are being issued through the Authority at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding bonds of the Authority and the Commission.

The NMDOT is responsible for the Authority issuance costs. Principal of the bonds is payable as follows on June 15. Interest with rates ranging from 2% to 5% per annum is payable semi-annually on June 15 and December 15 through the year 2014.

14. *AGENCY TRANSACTIONS - continued*

Bond Issues - continued

The Series 2004C Bonds are special, limited obligations of the NMDOT payable, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees required by law to be paid into the Highway Infrastructure Fund. The lien on the bonds on such revenues is subordinate to the lien thereon securing other bonds issued concurrently with the 2004C Bonds or which may hereafter be issued through the Authority. The bonds are being issued through the Authority at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding debt.

The Authority is responsible for its issuance costs. Principal of the Bonds is payable as follows on June 15 with interest payable semi-annually on June 15 and December 15 through the year 2023. Interest is fixed at 3.393% based on a swap agreement in place at June 30, 2004.

For the year ended June 30, 2007, the Authority recorded $2,313,000 in administrative fees related to the three bonds in the GRIP Administrative Fund (Proprietary Fund).

At June 30, 2007, the Authority had $231,353,435 in cash at trustee related to these three bonds offset by accounts payable, debt service payable and funds held for the New Mexico Department of Transportation. The Authority has recorded these amounts in an agency fund.

Refunding

The Authority, on behalf of the NMDOT, used the 2004B and 2004C Bonds to advance refund certain older debt issues of the NMDOT, and the New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 2001 and New Mexico Finance Authority Federal Highway Grant Anticipation Revenue Bonds Series 1999. The net proceeds of $408,855,872 plus an additional $7,285,997 were used to purchase U.S. governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt is considered to be defeased and the liability for those bonds has been removed from long-term obligations. $317,880,000 of the bonds outstanding was considered defeased as of June 30, 2007.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps

State Transportation Revenue Bonds, Series 2006

Objective of the Swaps. In April of 2004, the Authority entered into two forward starting swaps (Swap Agreements), each with a different counterparty and each designed to hedge future interest rates. The intention of the Swap Agreements was to take advantage of historically low interest rates for tax-exempt bonds to be issued in 2006. The State Transportation Revenue Bonds, Series 2006 (2006 Bonds) were issued by the Authority to fund part of the Governor Richardson's Investment Partnership (GRIP), which is a $1.6 billion statewide transportation expansion and infrastructure improvement project. The Swap Agreements each contain a knock-out option that begins on the settlement date and ends on the maturity date of each agreement and that allows each counterparty to cancel the agreement at no cost to the counterparty. The intention of the option was to reduce the synthetic fixed rate. The Authority typically has between $175 million and $200 million in cash and short-term investments which will act as a natural hedge for any outstanding variable rate bonds that may result from the exercise of any knock-out option.

Terms. The Swap Agreements were entered into with J. P Morgan Chase Bank and UBS AG (J. P. Morgan and UBS, respectively, and collectively the Counterparties). The Swap Agreements were effective on December 15, 2006 and they mature on December 15, 2026. On the trade date, April 22, 2004, J. P. Morgan was rated AA- by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies (S&P); Aa2 by Moody's Investor's Service, Inc. (Moody's); and UBS was rated AA+ S&P and Aa2 Moody's. The Swap Agreements were priced at a fixed rate of 5.072% based on an amortizing notional schedule with a combined initial notional amount of $220,000,000. Under the Swap Agreements, each month commencing on June 15, 2007, the Authority shall make an interest payment based on a fixed rate of 5.072% and the Counterparties shall make an interest payment based on the SIFMA municipal swap index reset weekly. The knock-out option embedded in each of the Swap Agreements was struck at 7% and it is exercisable each day beginning on the settlement date and ending on the maturity date of the Swap Agreements. Each month, the Counterparties shall make an option premium payment to the Authority in an amount that is equal to 0.34% per annum and that will result in a synthetic fixed cost of borrowing of 4.732%. By making the option premium payment to the Authority, the Counterparties have paid to have the right (but not the obligation) to terminate the swap should the 180 day average of the SIFMA municipal swap index move above 7%. The variable rate due on the 2006 Bonds is based on market conditions and not on an index.

14. AGENCY TRANSACTIONS - continued

Interest Rate Swaps - continued

State Transportation Revenue Bonds, Series 2006 - continued

Fair Value: As of June 30, 2007, the Swap Agreements, excluding the option value, had a negative fair value of $21,763,409.28. The options had a positive value of $5,547,825.32 in isolation of the swaps. The Swap Agreements, including the value of the options, had a total negative fair market value of $16,215,583.96. Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair market value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Basis Risk. The possibility of a mismatch between actual variable rate bond debt service payments and variable rate receipts. The variable rate on the 2006 Bonds is expected to closely match SIFMA municipal swap index.

Counterparty / Credit Risk. The possibility of counterparty non-performance or the possibility of an event occurring that modifies the credit quality or credit rating of the Authority and its counterparty. As of June 30, 2007, the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the Counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on Counterparties ratings as set forth in the CSA. J. P. Morgan and UBS were rated AA/Aaa and AA+/Aaa by S&P/Moody's, respectively, as of June 30, 2007.

Interest Rate Risk. The possibility that the debt service costs associated with variable rate debt and negatively affect coverage ratios and cash flow margins. The knock-out option in the swaps leaves the Authority open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then Swap Agreements could be cancelled by the Counterparties and the Authority would have outstanding unhedged variable rate debt in a 7% interest rate environment.

Tax Risk. The possibility that a tax event could affect sufficiency of swap receipts. Because the floating leg of the Swap Agreements is tied to the SIFMA municipal swap index and not to LIBOR, there is no tax risk.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

State Transportation Revenue Bonds, Series 2006 - continued

Termination Risk. The possibility that an interest rate swap agreement must be terminated prior to its stated final cash flow date, and that the Authority cannot obtain a replacement transaction with substantially similar terms, including because of a deterioration of the Authority's own credit. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's, respectively. The swap also includes an additional termination event related to non-issuance of the associated bonds. That is, the swap may be terminated if the related bonds are not issued on the effective date. Should the counterparties exercise the option to terminate the swap per the knock-out option, the Authority would become subject to variable rate risk on the outstanding bonds. However, historically the BMA index has yet to reset above the barrier set forth in the swap agreement. In addition, the Authority has substantial cash reverses which will mitigate this risk by generating variable rate income. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate lien), Series 2004 C-1,C-2 and C-3 (2004 Refunding Bonds)

Objective of the Swap. In April of 2004, the Authority entered into three (3) swaps (the Swap Agreements) with three (3) counterparties to synthetically refund outstanding bonds, which provided the Authority with present value savings of $11,524,206.49, or 3.02% of the refunded bonds. The Swap Agreements were structured to increase the Authority's savings, when compared against fixed-rate alternatives at the time of issuance. In addition, through this structure, the Authority was able to release several restrictive covenants as set forth by the old indenture, thus providing future flexibility. The intention of the Swap Agreements was to effectively change the Authority's interest rate on the bonds to a fixed rate.

Terms. The Swap Agreements were executed with Goldman Sachs Mitsui Marine Derivative, Lehman Brothers Derivative Products Inc. and Royal Bank of Canada (Goldman, Lehman and RBC, respectively, and collectively the Counterparties) in the respective initial amortizing notional amounts of $50,000,000, $50,000,000 and $100,000,000. The Counterparties were, at the trade date, rated AA+/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's, respectively. The Swap Agreements commenced on May 20, 2004 and mature on June 15, 2024. Under the Swap Agreements, the Authority shall

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2 and C-3 - continued

Terms – continued.
pay a fixed rate of 3.934% and received a variable rate computed as the SIFMA municipal swap index until June 15, 2006, on which date the variable interest rate received switches to 68% of the one month London Interbank Offered Rate (LIBOR) until maturity. The 2004 Refunding Bonds' variable rate coupons are not based on an index but on market conditions.

Fair Value. As of June 30, 2007, the Swap Agreements had a negative fair market value of $220,948.54 (Lehman $62,523.12, Goldman $52,808.44, and RBC $105,616.98). Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the 2004 Refunding Bonds do not have a corresponding fair value increase. The fair value on the Swap Agreements was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Basis Risk. The possibility of a mismatch between actual variable rate bond debt service payments and variable rate receipts. As of June 30, 2007, the Authority is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and the 68% of one month LIBOR rate received on the swap. The synthetic fixed rate is the fixed rate (3.94%) plus or minus the difference between the variable bond payments and the variable swap payments. The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the swaps. As of June 30, 2007, the rate on the bonds was 3.89%, whereas 68% on month LIBOR was 3.6176%.

Counterparty / Credit Risk. The possibility of counterparty non-performance or the possibility of an event occurring that modifies the credit quality or credit rating of the Authority and its counterparty. As of June 30, 2007, the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the Counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on Counterparties ratings as set forth in the CSA. Goldman, Lehman and RBC were rated AAA/Aaa, AAA/Aaa and AA-/Aaa by S&P/Moody's, respectively, as of June 30, 2007.

14. AGENCY TRANSACTIONS - continued

Interest Rate Swaps - continued

$200,000,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2 and C-3 - continued

Tax Risk. The possibility that a tax event could affect sufficiency of swap receipts. The Authority is exposed to tax risk where the Authority is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rated causes the rate paid on the outstanding bonds to be greater than 68% of LIBOR received on the swap.

Termination Risk. The possibility that an interest rate swap agreement must be terminated prior to its stated final cash flow date, and that the Authority cannot obtain a replacement transaction with substantially similar terms, including because of deterioration of the Authority's own credit. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. Furthermore, the swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's, respectively. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has negative fair value, the Authority would be liable to the counterparty for payment equal to the swap's fair value.

$100 Million of the $200 Million GRIP 2004 Floating-to-Synthetic Fixed Rate Refunding Swaps (2004 Swaps)

Objective of the Swap. In August of 2006, the Authority entered into a constant maturity swap (the Swap or CMS) with Citibank, N.A. (the Counterparty) to lower the Authority's cost of funds and diversify tax risk.

Terms. The Authority will be a floating rate payor, paying the Counterparty a floating rate equal to 68.0% of one month LIBOR on the outstanding notional amount, and the Counterparty will be a floating rate payor, paying the Authority a floating rate equal to 63.05% of the 5 year USD ISDA-SWAP constant maturity index on the outstanding notional amount. Payments of amounts due under the CMS will be made on the first day of each calendar month commencing on October 1, 2006. The aggregate notional amounts of the swap will be reduced on June 1, 2023 in an amount equal to the amortization schedule set forth in the transaction confirmation entered into by the Authority with the Counterparty. The stated termination date under the swap is June 15, 2024.

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

$100 Million of the $200 Million GRIP 2004 Floating-to-Synthetic Fixed Rate Refunding Swaps (2004 Swaps) - continued

Fair Value. As of June 30, 2007, the swap had a negative fair value of $1,130,726.70. The fair value on the swaps was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Basis Risk. The possibility of a mismatch between actual variable rate bond debt service payments and variable rate receipts. As of June 30, 2007, the Authority is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and the 63.05% of the 5 year USD ISDA-SWAP constant maturity index received on the swap. The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the swaps. As of June 30, 2007, the rate on the bonds was 3.89%, whereas 63.05% of the 5 year USD ISDA-SWAP constant maturity index was 3.4873%.

Counterparty / Credit Risk. The possibility of counterparty non-performance or the possibility of an event occurring that modifies the credit quality or credit rating of the Authority and its counterparty. As of June 30, 2007, the Authority is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the Counterparty will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Annex (CSA) are adjusted based on Counterparty ratings as set forth in the CSA. Citibank, N.A. was rated AA+/Aaa by S&P/Moody's, respectively, as of June 30, 2007.

Tax Risk. The possibility that a tax event could affect sufficiency of swap receipts. The Authority is exposed to tax risk where the Authority is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rated causes the rate paid on the outstanding bonds to be greater than 63.05% of the 5 year USD ISDA-SWAP constant maturity index received on the swap.

Termination Risk. The possibility that an interest rate swap agreement must be terminated prior to its stated final cash flow date, and that the Authority cannot obtain a replacement transaction with substantially similar term, including because of deterioration of the Authority's own credit. The swap uses the International Swap Dealers Association Master Agreement, which includes standard

14. *AGENCY TRANSACTIONS - continued*

Interest Rate Swaps - continued

$100 Million of the $200 Million GRIP 2004 Floating-to-Synthetic Fixed Rate Refunding Swaps (2004 Swaps) - continued

Termination Risk - continued.
termination events. Furthermore, the swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's, respectively. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has negative fair value, the Authority would be liable to the counterparty for payment equal to the swap's fair value.

15. *SUBSEQUENT EVENTS*

After June 30, 2007, the Authority issued the following PPRF Direct Loans, Water Project Fund/Water Trust Board Grants, and Subordinate Lien PPRF Revenue Bonds:

	Closing Date	Amount
PPRF Cash Loans:		
DL - New Mexico Junior College	7/6/2007	$ 4,563,720
DL - Las Cruces City	7/6/2007	6,311,058
DL - Las Cruces City	7/6/2007	2,139,117
DL - Las Cruces City	7/6/2007	1,111,112
DL - Aztec Municipal School District 3	7/13/2007	15,000,000
DL - San Felipe Pueblo	7/20/2007	10,854,786
DL - Bloomfield School District 6	7/20/2007	20,000,000
DL - Santa Rosa City	7/27/2007	127,778
DL - Las Vegas City School District 2	7/27/2007	2,000,000
DL - Gila Regional Medical Center	8/10/2007	3,000,000
DL - Eagle Nest Village	8/10/2007	200,000
DL - Logan Village	8/17/2007	260,000
DL - Deming City	8/17/2007	1,024,005
DL - Bloomfield City	8/17/2007	1,727,552
DL - Sierra County	8/31/2007	5,075,223
DL - Gadsden Independent School District 16	9/14/2007	8,900,000
DL - Gadsden Independent School District 16	9/14/2007	2,350,000
DL - Cobre Consolidated School District 2	9/14/2007	2,800,000
DL - Albuquerque Bernalillo County Water Utility Authority	9/26/2007	77,005,000
Water Project Fund/Water Trust Board:		
WPF/WTB – Elephant Butte	8/3/2007	121,175
WPF/WTB – Anthony WSD	9/14/2007	75,000

15. *SUBSEQUENT EVENTS - continued*

PPRF Series 2007B. On July 19, 2007, the Authority issued $38,475,000 of Subordinate Lien Public Project Revolving Fund Series 2007 B Revenue Bonds. The 2007 B Series Bonds were issued to 1) reimburse the Public Project Revolving fund for loans made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, 2) retire a borrowing of the NMFA incurred in anticipation of the issuance of the 2007 B Bonds, 3) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 B bonds, and 4) pay costs incurred with the issuance of the Series 2007 B Bonds.

16. *DEFICIT FUND / NET ASSETS*

There are deficit fund balances of $56,016 in the Child Care Revolving Loan Fund, $163,460 in the New Mexico Tax Credits Fund and $9,330 in the Energy Efficiency Fund. The operating fund will cover the deficits in these funds.

There is a deficit in net assets of $75,078,101 in the governmental activities in the Statement of Net Assets. The decline in governmental net assets is the result of the decline in certain grant funds.

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 defined terms in and provisions of the Indenture. These extracts do not purport to be complete. Please refer to the Indenture itself for a full and complete statement of such provisions. During the offering period of the Series 2008C Bonds, copies of the Indenture will be available at the principal office of the Representative. Subsequent to the offering of the Series 2008C Bonds, copies of the Indenture may be obtained from the Trustee. See "ADDITIONAL INFORMATION."

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, in compliance with the Indenture, except for the Series l995A-B 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 will 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.

"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 Tax Exempt 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 Percentages
CATEGORY I	100%
CATEGORY II	80
CATEGORY III	50
CATEGORY IV	0

"Authorized Denominations" means, with respect to the 2008C Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Seventy-First Supplemental Indenture, $5,000 and any other dollar amount in excess of $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.

"Beneficial Owner" means, while DTC or its nominee is the registered owner of the Series 2008C Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2008C Bonds and otherwise exercise ownership rights with respect to Series 2008C Bonds.

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

"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 commencing June 2 of each year and ending on the next succeeding June 1.

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

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

"Business Day" means 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 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:

(A) 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;

(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 the definition divided by 1.35, plus the aggregate amount set forth in clause (B) of the definition, exceeds one hundred percent (100%) of the aggregate of the amounts set forth in clause (C) of the definition.

For purposes of the foregoing definition the following assumptions will apply:

(i) NMFA Portion of the Governmental Gross Receipts Tax in any future Bond Fund Year will 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;

(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.

"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 Agencies.

"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 Agencies.

"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 Agencies, but excluding Category IV Loans and Additional Pledged Loans.

"Category IV Loans and Additional Pledged Loans" means all Nonperforming 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 or loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agencies.

"Cede" means Cede & Co. and any substitute nominee of DTC who becomes the Registered Owner of any 2008C Bonds.

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

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the NMFA and the Trustee dated the date of issuance and delivery of the Series 2008C Bonds, as originally executed as it may be amended from time to time in accordance with the terms thereof.

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

"DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York.

"Expense Fund" means the fund by that name established by the Indenture to be held by the Trustee.

"Funds and Accounts" means collectively, the Debt Service Account and the Accounts created in the Indenture, 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 as the same may be amended and supplemented.

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

"Interest Payment Date" means, with respect to the Series 2008C Bonds, each June 1 and December 1, commencing June 1, 2009.

"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 seventy-five percent (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 2008C Bonds, the date of delivery thereof.

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

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

(b) any Bond (or any portion thereof) (i) for the payment or redemption of which there will 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 will be given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee; and

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

(d) 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 2008C Bonds as Securities Depository.

"Participating Underwriters" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Paying Agent," when used with respect to the Series 2008C Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2008C Bond on behalf of the NMFA, and initially is the Trustee.

"Permitted Investments" (i) with respect to the investment of the respective Accounts of the Program Fund, the Agreement Reserve Fund and the Debt Service Account 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 and GNMA-guaranteed pass-through obligations (participation certificates);

(v) US. Maritime Administration Guaranteed Title Xl financing;

(vi) U.S. Department of Housing and Urban Development (HUD) Project Notes and 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”) rated AAA by Standard & Poor’s and Aaa by Moody’s. 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 S&P of “AAAmG,” “AAAm” or “Aam” or by Moody’s of “Aaa” including funds from which the Trustee or its affiliates revenue fees for investment advisory or other services to such funds.

(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 Agencies;

(k) Investment contracts with providers the long term, unsecured debt organization of which are rated at least “Aaa” by the Rating Agencies; 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.

“Purchasers” means, with respect to the Series 2008C Bonds, Samuel A. Ramirez & Co., Inc., RBC Capital Markets, and Piper Jaffray & Co.

“Rating Agencies” means Moody’s Investors Service, Standard & Poor’s Ratings Group and Fitch Ratings or their successors 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(0(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(0(3) of the Code and Section 1.148-3 of the Treasury Regulations.

“Register” means the record of ownership of the Series 2008C Bonds maintained by the Registrar.

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

“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).

“Representation Letter” means the blanket representations letter from the NMFA to DTC in substantially the form attached to the Sixtieth Supplemental Indenture of Trust as Exhibit B.

“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.

“Securities Depository” means the person who operates the computerized book entry system through which ownership interest in the Series 2008C Bonds may be recorded. Such entity shall at all times be a registered clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, and in good standing thereunder.

“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” means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefore.

“Series 2008C Bonds” means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008C, in an initial aggregate principal amount of $29,130,000.

“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 Bank of Albuquerque, 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 under the Indenture.

THE INDENTURE

Registration and Exchange of Bonds

Books for the registration and for the transfer of the Bonds will 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 will be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any fully registered Bond at the principal corporate trust 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 will execute and the Trustee will 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 will constitute full and due authorization of such denomination, and the Trustee will thereby be authorized to authenticate and deliver such Bond. The NMFA and the Trustee will 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 will be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond will 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 will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Trustee will 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 are not presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond are 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 will forthwith cease, determine and be completely discharged, and thereupon it will 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 will 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 will, 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 will 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 will 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 will 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 under the Indenture 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 will take no action to discontinue maintenance of its existence nor to impair its rights, powers, privileges, and franchises, and will comply with 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 under the Indenture.

No Transfer of Loan Agreements, Grant Agreements, Security Documents and Securities; Exceptions, Further Assurance. The NMFA and the Trustee will 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 will not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners may be impaired and will, from time to time, execute and deliver such further instruments and will take such further action as may be required to carry out the purposes of the Indenture.

Financing Statements. The NMFA and the Trustee will 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 in 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 will 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 will execute or cause to be executed any and all further instruments as may reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and will furnish satisfactory evidence to the Trustee that such actions have been taken and will 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 has been paid. The Trustee will 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 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 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 of Bonds 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 Tax-exempt 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 do 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 will deposit the proceeds of the Bonds to the Accounts created under the Indenture and will make the advances of funds thereunder to fund the Program and the NMFA will 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.

Loan Agreement and Securities - Loan Payments

The Loan Payments will 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 will be paid on each Loan Payment Date. The Interest Component of Loan Payments for each Loan Agreement will 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 will be defined in the Loan Agreement or Securities. The Term will not exceed the useful life of the Project financed pursuant to the related Loan Agreement or Securities.

(c) Agreement Payment. Each Loan Agreement and Security will provide that the related Governmental Unit will pay Loan Payments directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee (less a quarter of one percent (0.25%) administration fee retained by the NMFA for the payment of Program Costs) prior to each Interest Payment Date. In the case of Securities, the Securities will 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 the 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 will be made in multiples of the minimum Authorized Denomination. Each Prepayment will 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 will 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 will 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 Account and within such fund a separate Account for each Agreement, which separate Account is established and maintained by the NMFA;

(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 (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 Account for such Additional Pledged Loans.

Flow of Funds

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

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

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."

Pursuant to the Supplemental Indenture authorizing the Series 2000A Bonds, the payments required to be made by the 2000A Governmental Unit pursuant to the 2000A Agreement are to be paid directly to the Trustee from the New Mexico Taxation and Revenue Department pursuant to an Intercept Agreement between NMFA and the 2000A Governmental Unit, and the Trustee is to deposit all such payments immediately upon receipt thereof as follows:

(i) moneys identified by the NMFA as being from the receipt of the Correctional Facility Tax will be deposited into the Series 2000A Correctional Facility Tax Account and moneys identified by the NMFA as being from the receipt of the 2000A Governmental Unit Gross

Receipts Tax will be deposited into a Series 2000A Governmental Unit Gross Receipts Tax Account, both in the Series 2000A Tax Revenue Fund;

(ii) moneys on deposit in the Series 2000A Correctional Facility Tax Account will be applied as follows:

First: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Debt Service Account 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 2000A Agreement;

Second: to the extent moneys are available for such purpose, to the payment of Program Costs;

Third: to the extent moneys are available for such purpose, to the 2000A Governmental Unit's Account in the Agreement Reserve Fund until such time as the balance on deposit in said Account equals the Agreement Reserve Requirement of such Account; and

Fourth: to the extent moneys are available for such purpose, to the Series 2000A Correctional Facility Tax Redemption Fund to annually redeem Series 2000A Bonds on or as soon as is reasonably practicable after June 2 from moneys deposited prior to the preceding June 1 in accordance with the Supplemental Indenture. Any excess Correctional Facility Tax revenues not applied to redemption will be returned to the 2000A Governmental Unit Debt Service Account.

(iii) moneys on deposit in the Series 2000A Governmental Unit Gross Receipts Tax Account will be applied as follows:

First: to the extent moneys from the Series 2000A Correctional Facility Tax Account deposited into the 2000A Governmental Unit Debt Service Account and the 2000A Governmental Unit Agreement Reserve Account in the Agreement Reserve Fund are insufficient to meet the then required principal and interest payments due or to next become due with respect to the 2000A Agreement, to the 2000A Governmental Unit's Debt Service Account the amount necessary 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 2000A Agreement;

Second: to the extent money from the Series 2000A Correctional Facility Tax Account are insufficient to pay the 2000A Governmental Unit's share of Program Costs, an amount necessary to pay such Program Costs; and

Third: to the 2000A Governmental Unit, the balance of the moneys remaining in the Series 2000A Governmental Unit Gross Receipts Tax Account as soon as reasonably practicable after June 2 of each year.

All income earned from the investment of moneys in the respective Accounts of the Debt Service Account and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), will be deposited in the related Account of the Debt Service Account 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 will be allocated solely to the benefit of such Governmental Unit. The Trustee will 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 will apply such Prepayments to the mandatory redemption of the Bonds or portions thereof in accordance with the related Supplemental Indenture, except with respect to the Series 2004B and each series of Bonds issued thereafter, which are subject to the provisions of the Indenture discussed in the forepart of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Application of Loan Prepayments."

At least once a year the Trustee will 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 will return any excess which the Trustee does not expect to be required for such payments to the related Governmental Unit or will credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; provided, however, that with respect to Loans relating other than to the Series 2000A Bonds, any such excess will be disbursed as follows:

(a) Any excess attributable to earnings on funds and accounts for the Governmental Unit will be returned to the Governmental Unit or will 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 relevant Bonds will be deposited into the Revenue Fund; and, provided further, however, that with respect to the Series 2000A Loan Agreement, any such excess will be disbursed as provided in the second paragraph under this heading "Application of Loan Payments" above.

Amounts on deposit in the respective Account of the Agreement Reserve Fund in excess of the related Agreement Reserve Account Requirement will be transferred at least annually to the related Accounts of the Debt Service Account 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 will 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 related Account of the Debt Service Account.

All moneys held by the Trustee in the Bond Fund will 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 will 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 will 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 will 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 will be held by or under the control of the Trustee. The Trustee will 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 will invest and reinvest such amounts in a daily money market fund which invests only in United States Government Obligations.

Any moneys held (i) as part of a Governmental Unit's Account in any of the Funds established under the Indenture or (ii) by the NMFA as agent for the Trustee will be invested and reinvested by the NMFA or the Trustee, as the case may be, at the direction of the related Governmental Unit in Permitted Investments as directed by the Loan Agent or the Securities and in accordance with the following provisions.

The Trustee or the NMFA will 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.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund or the Bond Fund will 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 will be held by or under the control of the Trustee. The Trustee will 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 will 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 will be credited to, and losses thereon will be charged against, such accounts or funds except as expressly provided to the contrary in the Indenture.

All investments will 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 of the Indenture.

The principal of the investments and the interest, income, and profits received in respect thereof will 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 will (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 will (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 will 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 will 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 will be valued at least annually at cost, including commissions and accrued interest but excluding interest accrued following acquisition.

Defeasance

When there has been paid, or provisions for payment have been 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 has 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 estate and rights granted by the Indenture will cease, determine and be void, whereupon the Trustee will cancel and discharge the lien of the Indenture and on demand of the NMFA will execute such documents to evidence such release as will be reasonably required by the NMFA and will 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 will 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) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent has 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 (3) 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 have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond is deemed to be paid under the Indenture, as aforesaid, it will 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.

Notwithstanding anything in the Indenture to the contrary, 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 amount and at times as set forth in the Indenture, 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 have been so deposited, will 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) will 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 will be withdrawn or used for any purpose other than, and will 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 are 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 will 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.

Notwithstanding anything in the Indenture to the contrary, 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 have not in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture will 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 is paid by a bond insurer with respect to such Series of Bonds pursuant to a financial guaranty insurance policy, the Bonds of such Series will 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 and related Security Instrument Issues of such Series of Bonds will continue to exist and will run to the benefit of such bond insurer, and such bond insurer will be subrogated to the rights of such Registered Owners and related Security Instrument Issues 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 is not be made by or on behalf of the NMFA when the same becomes due and payable; or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds is not be made by or on behalf of the NMFA when the same becomes 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 is for any reason rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree is 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 will not be vacated or discharged or stayed on appeal within 30 days after the entry thereof, or

(e) if any proceeding is 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 is not vacated or set aside or stayed within 60 days from the date of entry thereof; or

(g) if the NMFA files 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 assumes 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 is not terminated within 30 days from the date of assumption of such custody or control; or

(i) if the NMFA defaults 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 continues for 30 days after written notice specifying such Event of Default and requiring the same to be remedied has been given to the NMFA by the Trustee, which may give such notice in its discretion and will give such notice at the written request of the Registered Owners of not less than twenty-five percent (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, will, 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 will 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 will impair any such right or 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 may 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 will 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 under the Indenture is intended to be exclusive of any other remedy, and each such remedy is cumulative and is in addition to every other remedy given under the Indenture 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 has 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 have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture;

(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.

No one or more Owners has 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 provided in the Indenture and for the equal and ratable benefit of all Bond Owners. Notwithstanding the foregoing, the Owner of any Bond has 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 will not be impaired without the consent of such Owner.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture 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 is not 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, will, 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 or the NMFA under the Indenture, will be applied as follows:

(a) Unless the principal of all Bonds shall have become due and payable, all such moneys will 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 will 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 and any of the Bonds which 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 is not 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; and

Third: To be held for the payment to the persons entitled thereto as the same 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 is not sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment will be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds becomes due and payable all such moneys will 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 of principal 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 will be applied at such times, and from time to time, as the Trustee may determine, having due regard for the amount of such moneys available for such application in the future. Whenever the Trustee applies such moneys it will fix the date (which will be an Interest Payment Date unless it deems 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 will cease to accrue. The Trustee will 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 will not be required to make payment to the holder of any unpaid Bond until such Bond is 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 will 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 will 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 has 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 has 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 has been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee and the Registered Owners will be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission will 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 Registered 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 judgment 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 of 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 will 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 may 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 will 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 one hundred percent (100%) of the holders of the Bonds affected by such supplemental indenture. The Trustee may, but is not 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 requests the Trustee to enter into any such supplemental indenture for any of the purposes of this section, the Trustee will, 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 will briefly set forth the nature of the proposed supplemental indenture and will 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 have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond will 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 will be and be deemed to be modified and amended in accordance therewith.

Amendment of Agreements and Security Documents.

(a) The NMFA will 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 Agencies 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 judgment of the Trustee do 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 will 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 will 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 following economic and demographic descriptions are furnished for information only. The Bonds do not constitute a general obligation of the State and are special limited obligations of NMFA payable solely from the Trust Estate. THE NMFA HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2008C Bonds do not constitute or give rise to a personal liability on the part of the directors and officers of the NMFA. No breach of any pledge, obligation or agreement of the NMFA will impose a pecuniary liability or a charge upon the general credit of the State, the NMFA or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

The information presented in this Appendix C relates to certain economic and demographic information relating to the State. Such information is for informational purposes and is presented to provide readers a sense of the economic and demographic composition of the State. Such information is available from the sources listed in the tables and is believed to be reliable. However, the NMFA has not verified and does not guarantee the accuracy of any such information.

Generally

The State, admitted as the forty-seventh state on January 6, 1912, is the fifth largest state by land area, containing approximately 121,593 square miles. 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 percent sunshine year-round. Humidity ranges from 60 percent (mornings) to 30 percent (afternoons). Evenings are crisp and cool in all seasons because of low humidity.

The State has a semiarid subtropical climate with light precipitation. Thunderstorms in July and August bring most of the moisture. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains). The State is an experience in comfortable living with its clean air, blue skies and fair weather.

Governmental Organization

The Executive Branch of State government consists of a Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, Attorney General and Commissioner of Public Lands who are elected to four-year terms beginning the January 1 after their election. An elected Executive Branch Officer may succeed himself or herself in office once. The primary functions of the Executive Branch are currently carried out by the offices of each elected Executive Branch officeholder, in addition to approximately 20 cabinet departments, each headed by a cabinet secretary appointed by the Governor and approved by the Legislature.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected for four-year terms, members of the House for 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, and under certain limited circumstances, extraordinary sessions may be convened by the Legislature. Legislators receive no salary, but do receive per diem and mileage allowances while in session or performing official State business.

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

Economic and Demographic Characteristics

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1,819,046. In the 1990's, the State was the 12th fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515,069. Over the same period of time, the national population grew 13.2 percent.

Most of this population growth is occurring in or near the larger cities. There are four Metropolitan Statistical Areas (MSAs) in the State. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is comprised of Doña Ana County; the Santa Fe MSA is comprised of Santa Fe County; and the Farmington MSA is comprised of San Juan County. The fastest growing counties in the state are Sandoval, Doña Ana, Bernalillo, San Juan, Luna and Lincoln. The following table sets forth information on population growth in New Mexico and nationally over the past decade.

POPULATION
NEW MEXICO AND THE UNITED STATES
1998-2007

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1998	1,793,484	275,854,104	1.1%	1.2%
1999	1,808,082	279,040,168	0.8	1.2
2000	1,821,656	282,194,308	0.7	1.1
2001	1,829,032	285,112,030	0.5	1.0
2002	1,850,562	287,888,021	1.2	1.0
2003	1,870,113	290,447,644	1.1	0.9
2004	1,892,182	293,191,511	1.2	0.9
2005	1,916,331	295,895,897	1.3	0.9
2006	1,942,302	298,754,819	1.4	1.0
2007	1,969,915	301,621,157	1.4	1.0

(Source: Population Division, U.S. Census Bureau, June 2008.)

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, arts and crafts, agriculture-agribusiness, government, and mining. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The following table sets forth information on employment by industry over the period 1980-2006.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	1980	1990	2000	2001[1]	2006[1]	Growth 1980-1990	Growth 1990-2000	Growth 2001-2006[1]
Total employment	598,199	767,139	972,954	977,815	1,099,401	28.2%	26.8%	12.4%
Wage and salary employment	513,306	635,725	789,690	801,610	878,157	23.8	24.2	9.6
Proprietors employment	84,893	131,414	183,264	176,205	221,244	54.5	39.7	25.6
Farm proprietors employment	13,400	13,600	14,985	17,470	17,094	1.5	10.2	(2.2)
Nonfarm proprietors employment	71,493	117,814	168,279	158,735	204,150	64.8	42.8	28.6
By Industry								
Farm employment	22,191	19,766	21,760	24,091	24,319	(10.9)	10.1	1.0
Nonfarm employment	576,008	747,373	951,194	953,724	1,075,082	29.8	27.3	12.7
Private employment	428,156	568,085	748,804	748,250	860,556	32.7	31.8	15.0
Agricultural services, forestry, fishing and other	4,358	8,414	13,548	7,019	6,995	93.1	61.0	(0.3)
Mining	31,152	20,489	19,323	19,469	22,903	(34.2)	(5.7)	17.6
Oil and gas extraction	15,116	14,068	14,425	6,447	7,211	(6.9)	2.5	11.9
Mining and support activities for mining[2]	16,036	6,421	4,898	13,022	15,692	149.7	23.7	20.5
Construction	38,873	40,606	59,895	63,144	80,317	4.5	47.5	27.2
General building contractors	11,933	11,858	16,710	18,050	21,294	(0.6)	40.9	18.0
Heavy construction contractors	8,287	6,729	8,720	10,365	11,627	(18.8)	29.4	(12.2)
Special trade contractors	18,653	22,019	34,465	34,729	47,396	18.0	56.5	36.5
Manufacturing[3]	35,963	47,732	48,788	49,913	47,598	32.7	2.2	(4.6)
Durable goods	21,583	32,500	33,275	32,671	30,263	50.6	2.4	(7.4)
Nondurable goods[4]	14,380	15,232	15,513	17,242	17,335	5.9	1.8	0.5
Transportation and public utilities[5]	30,732	34,130	43,350	39,423	39,346	11.1	27.0	(0.2)
Wholesale trade	22,733	27,896	33,751	27,970	30,112	22.6	21.1	7.7
Retail trade[6]	98,075	134,482	172,516	175,525	187,547	37.1	28.3	6.9
Finance, insurance, and real estate[7]	37,945	46,955	62,905	60,113	74,519	23.7	34.0	24.0
Services[8]	128,325	207,381	294,728	308,674	371,219	61.6	42.1	20.3
Government and government enterprises	147,852	179,288	202,390	205,474	214,526	21.3	63.1	4.4
Federal, civilian	29,963	31,621	30,205	28,785	30,554	5.5	(4.5)	6.2
Military	21,794	22,552	17,167	17,106	15,764	3.5	(23.9)	(7.9)
State and local	96,095	125,115	155,018	159,583	168,208	30.2	23.9	5.4
State governmental	42,560	55,722	64,654	65,503	63,870	30.9	16.0	(2.5)
Local government	53,535	69,393	90,364	94,080	104,338	29.6	30.2	10.9

(1) Prior to 2001, the U.S. Department of Commerce employed the Standard Industrial Classification ("SIC") system for industry specific data covered in its economic research and analysis of non-agricultural wage and salary employment information. In 2001, the U.S. Department of Commerce adopted a revised and expanded industry classification system, the North American Industry Classification System ("NAICS"). Consequently, 2001 and 2006 employment by industry data is not comparable with employment by industry data for the years 2000, 1990 and 1980. NAICS Industry groups and subgroups in the 2001 and 2006 data have been combined or extracted to approximate the SIC Industry groups listed for the years before 2001.

(2) The SIC subgroups, "Metal Mining," "Coal Mining" and "Nonmetallic Minerals, except fuels" were combined to approximate the NAICS category "Mining and Support Activities for Mining."

(3) The NAICS "Manufacturing" category and the NAICS subcategories of "Information – Publishing Industries, Except Internet" and "Information – Internet Publishing and Broadcasting" have been combined to approximate the former SIC "Manufacturing" group.

(4) The NAICS "Manufacturing – Nondurable Goods" subcategory and the NAICS subcategories of "Information – Publishing Industries, Except Internet" and "Information – Internet Publishing and Broadcasting" have been combined to approximate the SIC "Manufacturing – Nondurable Goods" subcategory.

(5) The NAICS categories of "Utilities" and "Transportation and Warehousing" and the NAICS subcategories of "Information – Broadcasting, except Internet" and "Information – Telecommunications" have been combined to approximate the SIC "Transportation and Public Utilities" category.

(6) The NAICS subcategory of "Accommodation and Food Services – Food Services and Drinking Places" has been added to the NAICS "Retail Trade" category to approximate the SIC "Retail Trade" category.

(7) The NAICS categories of "Finance and Insurance" and "Real Estate and Rental and Leasing" have been combined to approximate the SIC category of "Finance, Insurance and Real Estate."

(8) The NAICS categories of "Professional and Technical Services," "Management of Companies and Enterprises," "Administrative and Waste Services," "Educational Services," "Health Care and Social Assistance," "Arts, Entertainment and Recreation," "Other Services, except Public Administration," and the subcategories of "Accommodation and Food Services – Accommodation," "Information – Motion Picture and Sound Recording Industries," "Information – ISPs, Search Portals, and Data Processing," "Information – Other Information Services" have been combined to approximate the SIC "Services" category.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 2008.)

The following tables set forth selected additional economic and demographic data with respect to the State.

EMPLOYMENT AND LABOR FORCE
NEW MEXICO AND THE UNITED STATES
1998-2007

	Civilian Labor Force (thousands)		Employed (thousands)		Unemployment Rate		
Year	New Mexico[1]	United States[1][2]	New Mexico[1]	United States[1][2]	New Mexico[1]	United States[1][2]	N.M. as % of U.S. Rate
1998	836	137,673	784	131,463	6.2%	4.5%	138%
1999	840	139,368	793	133,488	5.6	4.2	133
2000	852	142,583	810	136,891	5.0	4.0	125
2001	864	143,734	821	136,933	4.9	4.7	104
2002	872	144,863	823	136,485	5.5	5.8	95
2003[3]	888	146,510	836	137,736	5.9	6.0	98
2004[3]	904	147,401	852	139,252	5.7	5.5	104
2005[3]	920	149,320	872	141,730	5.2	5.1	102
2006[3]	937	151,428	897	144,427	4.3	4.6	93
2007[3]	943	153,124	910	146,047	3.5	4.6	76

(1) Figures rounded to nearest thousand.
(2) United States figures are unweighted averages of reported monthly figures, as annual figures were not available from the U.S. Department of Labor.
(3) The U.S. Department of Labor notes that 2003-2007 New Mexico figures reflect revised population controls and model re-estimation.
(Source: U.S. Department of Labor, Bureau of Labor Statistics, June 2008.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1998-2007

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1998	$37,045,765	$7,415,709,000	6.0%	7.4%
1999	38,045,599	7,796,137,000	2.7	5.1
2000	40,318,443	8,422,074,000	6.0	8.0
2001	44,138,165	8,716,992,000	9.5	3.5
2002	44,986,517	8,872,871,000	1.9	1.8
2003	46,650,275	9,150,320,000	3.7	3.1
2004	49,813,042	9,711,363,000	6.8	6.1
2005	53,992,896	10,284,356,000	8.4	5.9
2006	58,131,416	10,968,393,000	7.7	6.7
2007[1]	62,001,991	11,645,882,098	6.7	6.2

(1) Preliminary estimate.
(Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 2008.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1998-2007

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	N.M.	U.S.
1998	$20,656	$26,883	77%	4.9%	6.1%
1999	21,042	27,939	75	1.9	3.9
2000	22,143	29,845	74	5.2	6.8
2001	24,132	30,574	79	9.0	2.4
2002	24,310	30,821	79	0.7	0.8
2003	24,945	31,504	79	2.6	2.2
2004	26,326	33,123	79	5.5	5.1
2005	28,175	34,757	81	7.0	4.9
2006	29,929	36,714	82	6.2	5.6
2007[1]	31,474	38,611	82	5.2	5.2

[1] Preliminary estimate.
(Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 2008.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
1990, 2000, 2001 AND 2006

	New Mexico (Dollars in Thousands)				United States (Dollars in Millions)				Percent Change 2001-2006		Distribution of 2006 Wages and Salaries	
	2006[1]	2001[1]	2000	1990	2006[1]	2001[1]	2000	1990	N.M.	U.S.	N.M.	U.S.
Farm Total	237,259	176,072	179,521	95,849	19,554	17,920	16,781	11,767	34.8%	9.1%	0.8%	0.3%
Non-Farm												
Private												
Agricultural Services, Forestry, Fishing	90,353	72,008	143,971	62,663	18,343	15,968	30,886	15,164	25.5	14.9	0.3%	0.3
Mining	1,134,771	726,676	671,919	507,585	48,337	32,132	31,219	26,655	56.2	50.4	3.7	0.8
Construction	2,143,823	1,481,698	1,306,228	577,016	351,491	271,681	256,807	140,468	44.7	29.4	7.1	5.8
Manufacturing[2]	1,788,714	1,669,853	1,656,465	980,349	794,415	773,184	830,026	561,384	7.1	2.7	5.9	13.2
Transportation & Public Utilities[3]	1,409,488	1,239,195	1,351,378	884,830	318,575	295,851	313,333	179,390	13.7	7.7	4.7	5.3
Wholesale Trade	1,048,119	834,834	950,471	552,522	346,621	283,974	332,549	189,402	25.5	22.1	3.5	5.8
Retail Trade[4]	3,182,711	2,564,031	2,434,023	1,316,067	548,102	463,539	449,642	264,791	24.1	18.2	10.5	9.1
Finance, Insurance & Real Estate[5]	1,408,191	1,060,638	1,027,385	543,814	583,365	444,684	431,911	207,758	32.8	31.2	4.6	9.7
Services[6]	9,648,779	7,693,954	5,916,169	2,945,866	1,976,859	1,535,895	1,382,404	644,429	45.5	28.7	31.8	32.9
Total Private	21,854,949	16,283,154	15,458,009	8,370,712	4,986,108	4,116,908	4,058,777	2,229,441	34.2	21.1	72.1	82.9
Government												
Federal, Civilian	1,819,857	1,366,112	1,280,241	917,118	174,632	134,679	135,011	99,598	33.2	29.7	6.0	2.9
Military	676,002	495,168	477,480	440,596	83,721	54,970	50,520	46,332	36.5	52.3	2.2	1.4
State & Local	5,712,818	4,700,434	4,374,109	2,472,762	750,052	615,467	572,880	356,505	21.5	21.9	18.9	12.5
Total Government	8,208,677	6,561,714	6,131,830	3,830,476	1,008,405	805,116	758,411	502,435	25.1	25.2	27.1	16.8
Non-Farm Total:	30,063,626	22,844,868	21,589,839	12,201,188	5,994,513	4,922,024	4,817,188	2,731,876	31.6	21.8	99.2	99.7
Total	30,300,885	23,020,940	21,769,360	12,297,037	6,014,067	4,939,944	4,833,969	2,743,643	31.6%	21.7%	100.0%	100.0%

(1) Prior to 2001, the U.S. Department of Commerce employed the Standard Industrial Classification ("SIC") system for industry specific data covered in its economic research and analysis of non-agricultural wage and salary employment information. In 2001, the U.S. Department of Commerce adopted a revised and expanded industry classification system, the North American Industry Classification System ("NAICS"). Consequently, 2001 and 2006 employment by industry data is not comparable with employment by industry data for the years 2000, 1990 and 1980. NAICS Industry groups and subgroups in the 2001 and 2006 data have been combined or extracted to approximate the SIC Industry groups listed for the years before 2001.

(2) The NAICS subcategories of "Information – Publishing industries, Except Internet" and "Information – Internet Publishing and broadcasting" and the NAICS "Manufacturing" category have been combined to approximate the former SIC "Manufacturing" group.

(3) The NAICS categories of "Utilities" and "Transportation and Warehousing" and the NAICS subcategories "Information – Broadcasting, Except Internet" and "Information – Telecommunications" have been combined to approximate the SIC "Transportation and Public Utilities" category.

(4) The NAICS subcategory of "Accommodation and Food Services – Food Services and Drinking Places" has been added to the NAICS "Retail Trade" category to approximate the SIC "Retail Trade" category.

(5) The NAICS categories of "Finance and Insurance" and "Real Estate and Rental and Leasing" have been combined to approximate the SIC category of "Finance, Insurance and Real Estate."

(6) The NAICS categories of "Professional and Technical Services," "Management of Companies and Enterprises," "Administrative and Waste Services," "Educational Services," "Health Care and Social Assistance," "Arts, Entertainment and Recreation," "Other Services, Except Public Administration," and the subcategories of "Accommodation and Food Services – Accommodation," "Information – Motion Picture and Sound Recording Industries," "Information – ISPs, Search Portals, and Data Processing," "Information – Other Information Services" have been combined to approximate the SIC category "Services."

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2008.)

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Form of Opinion of Brownstein Hyatt Farber Schreck, LLP]

New Mexico Finance Authority
207 Shelby Street
Santa Fe, New Mexico 87501

Bank of Albuquerque, N.A.
Trust Division
201 Third Street, Suite 1400
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008C

We have acted as bond counsel in connection with the issuance by the New Mexico Finance Authority (the "NMFA") of its Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2008C in the aggregate principal amount of $29,130,000 (the "Series 2008C Bonds"). The Series 2008C Bonds are being issued for the purpose of (i) originating loans to or reimbursing the NMFA for moneys used to originate loans to or purchase securities from certain governmental entities ("Governmental Units") that will be or were used to finance certain Projects for such Governmental Units ("Loans"); and (ii) paying costs incurred in connection with the issuance of the Series 2008C 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 2008C Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated June 1, 1995, as previously amended and supplemented (the "General Indenture"), and as further amended and supplemented by a Seventy-First Supplemental Indenture of Trust dated as of December 1, 2008 (together with the General Indenture, the "Indenture") between the NMFA and the Bank of Albuquerque, N.A., Albuquerque, New Mexico (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, 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.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, it is our opinion that:

1. The NMFA is a public body politic and corporate, separate and apart from the State, duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 2008C Bonds.

2. The Indenture has been duly authorized, executed and delivered by the NMFA, is valid and binding upon the NMFA and creates a valid lien on the Trust Estate pledged under the Indenture to secure the payment of the principal of and interest on Series 2008C 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 2008C Bonds have been duly and validly authorized, are issued in accordance with law and the Indenture and constitute valid and binding special limited obligations of the NMFA, payable solely from the Trust Estate and do not constitute a debt or liability of the State, the NMFA or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

4. The interest on the Series 2008C Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item

of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax on certain corporations. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on or ownership of the Series 2008C Bonds.

5. The interest on the Series 2008C Bonds is exempt from State of New Mexico personal income taxes.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2008C 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 been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2008C Bonds or any other offering material relating to the Series 2008C Bonds and we express no opinion relating thereto;

(c) our opinion represents our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of result; and

(d) our opinion is limited to the matters expressly set forth herein and we express no opinion concerning any other matters.

This letter is furnished by us as Bond Counsel, is solely for the benefit of the above addressees and may not be relied upon by any other person or entity. No conclusions or statements other than those expressly stated herein are intended nor should they be inferred. We disclaim any obligation to update, revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in the law, or in interpretations thereof, that may hereafter occur, or for any reason whatsoever. It should be noted that we are members of the Bar of the State of New Mexico and this opinion is limited in all respects to matters of New Mexico and federal law. This letter is not to be used, circulated, quoted or otherwise referred to for any other purpose without our express written permission.

Very truly yours,

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the NMFA believes to be reliable, but the NMFA takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2008C Bonds, payment of principal, premium, if any, interest on the Series 2008C Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2008C Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2008C Bonds. The Series 2008C Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2008C Bond certificate will be issued for each maturity of the Series 2008C Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2008C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008C Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008C 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2008C Bonds, except in the event that use of the book-entry system for the Series 2008C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008C Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2008C Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008C Bonds are credited, which may or may not be the

Beneficial Owners. The Direct and Indirect 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 will be sent to DTC. If less than all of the Series 2008C Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2008C Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the NMFA 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 2008C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2008C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the NMFA or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. 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 or its nominee, the Trustee or the NMFA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the NMFA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2008C 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 only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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 the NMFA does not have responsibility for distributing such notices to the Beneficial Owners.

The NMFA does not 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 2008C Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2008C Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Series 2008C Bonds.

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.

APPENDIX F

2008C GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS

2008C Governmental Units

As previously stated, a portion of the proceeds of the Series 2008C Bonds are being used to reimburse the NMFA for Loans previously made or to be made to the 2008C Governmental Units. The 2008C Governmental Units, the amount of their respective Loans, the agreement reserve amounts and the maturity dates of the Loans are listed in the following table:

Governmental Unit	Original Loan Amount	Agreement Reserve Amount[1]	Loan Maturity Date
City of Aztec	$3,367,380	$317,615.15	5/1/2031
Cuba Independent School District	900,000	–	8/1/2021
City of Rio Rancho	4,669,000	–	6/1/2028
City of Las Cruces	4,563,829	456,382.90	6/1/2016
City of Las Cruces [2]	4,999,890	–	6/1/2021
City of Bloomfield [2]	7,984,137	–	6/1/2033
City of Alamogordo	3,620,000	–	6/1/2028
Total	$30,104,236		

(1) The NMFA has adopted a policy which does not require an Agreement Reserve Account for certain types of Loans including those that have an "AA" credit rating, Loans secured by a pledge of the fire protection or state law enforcement funds that produce a debt service coverage ratio of two times, and Loans secured by a general obligation pledge of the respective Governmental Unit. Each of the Loans listed that does not have an Agreement Reserve Account either falls into one of the aforementioned categories or a waiver to the applicable policy has been obtained.

(2) These Loans are expected to be funded subsequent to the issuance of the Series 2008C Bonds. Amounts are subject to change.

(Source: The NMFA.)

Agreements Generating Largest Amount of Agreement Revenues

Information concerning the Agreements representing the five largest repayment obligations and their obligors is provided below.

Albuquerque-Bernalillo County Water Utility Authority Loans. In the 2003 Regular Session, the New Mexico Legislature adopted legislation (Laws 2003, Chapter 437, codified as NMSA 1978, Section 72-1-10) creating the Albuquerque-Bernalillo County Water Utility Authority (the "ABCWUA") as a joint agency of the City of Albuquerque, New Mexico (the "City") and Bernalillo County. The ABCWUA is comprised of a board of three City Councilors, three County Commissioners and the Mayor of the City and has jurisdiction over certain water facilities and properties (the "Water System") and certain sanitary sewer facilities and properties (the "Sewer System").

Pursuant to various loan agreements (the "ABCWUA Loan Agreements") between the ABCWUA and the NMFA totaling $118,415,000, the ABCWUA pledged to the NMFA, on a parity basis with other obligations of ABCWUA, water and sewer systems revenues for the purpose of: acquiring, constructing, extending, enlarging, bettering, repairing, replacing, equipping or otherwise improving the water and wastewater system, including expenses related to: regular system improvements, expansion, maintenance and upgrades to operate a water and wastewater utility pursuant to the basic capital program and diversion of surface water from the Rio Grande River under the San Juan Chama Project and delivering it for use by current and future users of the system. The NMFA has issued various series of Bonds and used proceeds from those Bonds to provide the funding for the ABCWUA Loan Agreements. The latest scheduled maturity date of the ABCWUA Loan Agreements is May 1, 2024. The outstanding principal amount of the ABCWUA Loan Agreements is $105,160,000.

State of New Mexico General Services Department. The NMFA issued a series of Bonds and used a portion of the proceeds thereof to purchase bonds for the benefit of the State of New Mexico General Services Department (the "GSD Bonds"). The General Services Department applied proceeds from the sale of the GSD Bonds to fund building projects in Santa Fe for use by the state government. The GSD Bonds are payable from and secured by a portion of gross receipts tax revenues received by the State of New Mexico and appropriated by the State Legislature or transferred to the State Building Bond Fund. The GSD Bonds are currently outstanding in the aggregate principal amount of $93,347,775 and are scheduled to mature in 2036.

Taos County. The NMFA has made a series of loans to Taos County (the "Taos Loans") to finance various types of projects within Taos County. The current aggregate outstanding principal amount of the Taos Loans totals $35,902,384. The majority of the proceeds of the Taos Loans were applied to finance the costs of acquisition of land and to finance the costs of construction of a judicial and detention center complex to be located on such land. The Taos Loans are secured by a portion of gross receipts tax revenues received by Taos County. The last scheduled maturity of the Taos Loans is scheduled to occur in 2038.

City of Las Cruces—Convention and Civic Center Loan. The NMFA made a loan to the City of Las Cruces (the "Las Cruces Loan") to finance the construction of a new Convention and Civic Center in the City of Las Cruces (the "Convention Center"). The Las Cruces Loan is outstanding in the aggregate principal amount of $27,034,527 and is scheduled to mature in 2032. The City of Las Cruces has pledged to the NMFA the City's Lodger's Tax and the Convention Center fee revenues to the repayment of the Las Cruces Loan.

State Department of Health—Cigarette Tax Bonds. The NMFA has previously purchased cigarette tax bonds to fund improvements at certain State Department of Health facilities. The cigarette tax bonds are outstanding in the aggregate principal amount of $24,695,000 and are scheduled to mature in 2028. The cigarette tax bonds have a lien on the Department of Health's share of the cigarette tax and have a subordinate lien on the cigarette tax credit enhancement account.

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