NEW ISSUE – BOOK-ENTRY ONLY

Ratings: S & P "AA+"
Moody's "Aa2"
(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 2009A-B 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 2009A-B 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

$18,435,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS,
SERIES 2009A

$30,225,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS,
SERIES 2009B

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 2009A and Series 2009B 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 2009A-B Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each maturity of each series of the Series 2009A-B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2009A-B Bonds will be made in book-entry form only, and beneficial owners of the Series 2009A-B 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 2009A-B Bonds.

The Series 2009A-B Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2009A-B Bonds accrues from the date of initial delivery of the Series 2009A-B Bonds and is payable on June 1 and December 1 of each year, commencing December 1, 2009. Principal of the Series 2009A-B 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 2009A-B Bonds are subject to redemption prior to maturity.

Proceeds of the Series 2009A-B 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 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 2009A-B Bonds. The principal of and premium, if any, and interest on the Series 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B 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 issuance of Series 2009A-B Bonds. It is expected that a single certificate for each maturity of each series of the Series 2009A-B Bonds will be delivered to DTC or its agent on or about June 18, 2009.

Merrill Lynch & Co.

Piper Jaffray & Co.

Samuel A. Ramirez & Co., Inc.

This Official Statement is dated May 28, 2009 and the information contained herein speaks only as of that date.

NEW MEXICO FINANCE AUTHORITY

$18,435,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
SERIES 2009A

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†	Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2010	$750,000	3.000%	0.670%	64711N EC 5	2020(c)	$705,000	4.000%	3.640%	64711N EQ 4
2011	845,000	2.000	1.220	64711N ED 3	2021(c)	700,000	4.000	3.790	64711N ER 2
2012	850,000	4.000	1.570	64711N EE 1	2022(c)	705,000	4.000	3.930	64711N ES 0
2013	350,000	2.250	1.950	64711N EF 8	2023	725,000	4.000	4.070	64711N ET 8
2014	420,000	5.000	2.350	64711N EG 6	2024	760,000	4.000	4.180	64711N EU 5
2015	450,000	4.000	2.690	64711N EH 4	2025	780,000	4.125	4.300	64711N EV 3
2016	400,000	3.000	2.780	64711N EK 7	2026	820,000	4.250	4.420	64711N EW 1
2017	450,000	4.000	2.980	64711N EL 5	2027	840,000	4.250	4.510	64711N EX 9
2018	285,000	3.000	3.220	64711N EM 3	2028	885,000	4.375	4.600	64711N EY 7
2019	870,000	5.000	3.290	64711N EP 6	2029	905,000	4.500	4.680	64711N EZ 4

$1,505,000 5.000% Term Bond due June 1, 2015; Price 112.626%; CUSIP Number 64711N EJ O†
$1,660,000 5.000% Term Bond due June 1, 2018; Price 113.747%; CUSIP Number 64711N EN 1†
$1,775,000 4.750% Term Bond due June 1, 2038; Price 96.194%; CUSIP Number 64711N FA 8†

(c) Priced to call.

$30,225,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
SERIES 2009B

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†	Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2011	$415,000	2.500%	2.500%	64711N FB 6	2021	$925,000	4.625%	4.625%	64711N FM 2
2012	470,000	2.750	2.750	64711N FC 4	2022	965,000	4.750	4.750	64711N FN 0
2013	685,000	3.000	3.000	64711N FD 2	2023	1,015,000	4.875	4.875	64711N FP 5
2014	705,000	3.375	3.375	64711N FE 0	2024	1,065,000	5.000	5.000	64711N FQ 3
2015	730,000	3.625	3.625	64711N FF 7	2025	2,450,000	5.050	5.050	64711N FR 1
2016	755,000	3.700	3.700	64711N FG 5	2026	830,000	5.125	5.125	64711N FS 9
2017	785,000	3.875	3.875	64711N FH 3	2027	875,000	5.200	5.200	64711N FT 7
2018	815,000	4.125	4.125	64711N FJ 9	2028	920,000	5.250	5.250	64711N FU 4
2019	850,000	4.250	4.250	64711N FK 6	2029	970,000	5.300	5.300	64711N FV 2
2020	885,000	4.375	4.375	64711N FL 4					

$13,115,000 5.500% Term Bond due June 1, 2039; Price 100.00%; CUSIP Number 64711N FW 0†

† 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 2009A-B 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 2009A-B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2009A-B 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.

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 2009A-B 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 2009A-B 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" and "ANNUAL DEBT SERVICE REQUIREMENTS." 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 or prices at which the Series 2009A-B Bonds are offered to the public may vary from the initial reoffering yields or prices shown on the inside front cover page of this Official Statement. In connection with this offering, the initial purchasers of the Series 2009A-B Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2009A-B 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 2009A-B Bonds.

THE SERIES 2009A-B 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 2009A-B 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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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
Rhonda G. Faught[(1)]
Paul Gutierrez
Lonnie Marquez
Katherine B. Miller
Fred Mondragon
Daniel Silva[(1)]

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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(1) Appointed by the Governor of the State in March 2009. Such individuals are awaiting confirmation by the New Mexico State Senate during its next legislative session, scheduled for 2010. See "NEW MEXICO FINANCE AUTHORITY—Governing Body and Key Staff Members."

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

$18,435,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS,
SERIES 2009A

$30,225,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS,
SERIES 2009B

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page, and appendices, provides information in connection with the offer and sale of the $18,435,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009A (the "Series 2009A Bonds") and the $30,225,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009B (the "Series 2009B Bonds" and sometimes collectively herein with the Series 2009A Bonds, the "Series 2009A-B Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2009A-B 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-Second Supplemental Indenture of Trust, dated as of May 1, 2009 (the "Seventy-Second 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, 2008 included as APPENDIX A hereto.

Authority and Purpose

The Series 2009A-B 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 2009A-B 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 ("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 2009A-B Bonds. See "THE PLAN OF FINANCING" and "APPENDIX F" for a list of the Governmental Units and the amount of the Loans expected to be financed with the proceeds of the Series 2009A-B Bonds. Such Governmental Units whose Loans expected to be financed with proceeds of the Series 2009A-B Bonds are sometimes referred to herein as the "2009A-B Governmental Units."

Parity Obligations

Bonds with a lien on the Trust Estate in parity with the lien of the Series 2009A-B 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 2009A-B Bonds

The Series 2009A-B Bonds will be dated the date of their initial delivery. Interest on the Series 2009A-B Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2009. The Series 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2009A-B 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 2009A-B 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 2009A-B Bonds are subject to redemption prior to maturity. See "THE SERIES 2009A-B BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B Bonds.

Additional Bonds. The NMFA plans to issue a Series of Additional Bonds during the third quarter of 2009. The NMFA expects that such Additional Bonds will be issued in an amount not to exceed $58 million. Such Series of Additional Bonds will be issued in parity with the Series 2009A-B Bonds.

The NMFA also 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 other Series of Additional Bonds in parity with the Series 2009A-B 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 such other details of such other Series of 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 2009A-B Bond Owners that, so long as the Series 2009A-B 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"). The provisions of the Continuing Disclosure Undertaking may be amended under certain circumstances. 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 those times 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.

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 2009A-B 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 2009A-B 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 2009A-B 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. 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 (the "Financial Advisor") in connection with its issuance of the Series 2009A-B Bonds. See "FINANCIAL ADVISOR."

The NMFA's audited financial statements for the fiscal year ended June 30, 2008, 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 2009A-B Bonds

The Series 2009A-B 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 series and maturity of the Series 2009A-B Bonds will be delivered to DTC or its agent on or about June 18, 2009. The Series 2009A-B Bonds will be distributed in the initial offering by Merrill Lynch Pierce Fenner and Smith Incorporated, Piper Jaffray & Co., and Samuel A. Ramirez & Co., Inc. (collectively, the "Underwriters") for which Merrill Lynch Pierce Fenner and Smith Incorporated 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 2009A-B Bonds.

Changes to Preliminary Official Statement

Changes have been made to this Official Statement since the Preliminary Official Statement dated May 14, 2009. Such changes are reflected throughout this Official Statement and include the following: (i) modifications to the numbers to reflect the final pricing of the Series 2009A-B Bonds; (ii) changes to the expected uses of proceeds of the Series 2009A-B Bonds; (iii) changes under the caption "LITIGATION" to reflect that even though there may be litigation or controversy with respect to the levying or collection of any Revenues, none of such litigation or controversy would materially adversely affect the ability of the NMFA to pay debt service on the Series 2009A-B Bonds; and (iv) changes in APPENDIX F—2009A-B GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS" to reflect a potential change in how proceeds of the Series 2009B Bonds may be applied and potential implications of such change.

THE SERIES 2009A-B BONDS

General

The Series 2009A-B Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2009A-B 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 December 1, 2009. The Series 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2009A-B Bonds will be made in book-entry only form, and beneficial owners of the Series 2009A-B 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 2009A-B Bonds. For a more complete description of the book-entry only system, see "APPENDIX E—BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

Optional Redemption – Series 2009A Bonds. The Series 2009A Bonds maturing on or after June 1, 2020 are subject to optional redemption at any time on and after June 1, 2019, 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 2009A Bonds to be redeemed, but without premium.

Optional Redemption – Series 2009B Bonds. The Series 2009B Bonds are subject to optional redemption at any time on or after December 1, 2009, 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 2009B Bonds to be redeemed, but without premium.

Potential investors of the Series 2009B Bonds should be aware that proceeds from the Series 2009B Bonds are expected to be used to fund Loans to certain Governmental Units to finance the costs of construction of certain improvements in special assessment districts. Owners of property in those districts would have the ability to prepay their assessments at any time. Prepayments of assessments, if any, will be applied by the NMFA to redeem a corresponding amount of Series 2009B Bonds. One potential consequence of the ability to prepay assessments may be an increase in the likelihood that Series 2009B Bonds will be redeemed prior to maturity. Potential investors should consider such factors in making an investment decision with respect to the Series 2009B Bonds.

Mandatory Sinking Fund Redemption – Series 2009A Bonds. The Series 2009A Bonds maturing on June 1, 2015 and bearing interest at 5.00% per annum, 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 2009A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2013	$530,000
2014	460,000
2015†	515,000

† Final Maturity.

The Series 2009A Bonds maturing on June 1, 2018 and bearing interest at 5.00% per annum, 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 2009A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2016	$555,000
2017	490,000

2018†	615,000

† Final Maturity.

The Series 2009A 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 2009A 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	$265,000
2031	270,000
2032	260,000
2033	445,000
2034	105,000
2035	105,000
2036	105,000
2037	110,000
2038†	110,000

† Final Maturity.

If less than all of the Series 2009A Bonds maturing on June 1, 2015, June 1, 2018, or 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 2009A Bonds, in such order as may be directed by the NMFA.

Mandatory Sinking Fund Redemption – Series 2009B Bonds. The Series 2009B Bonds maturing on June 1, 2039 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 2009B 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	$1,020,000
2031	1,075,000
2032	1,135,000
2033	1,195,000
2034	1,260,000
2035	1,330,000
2036	1,405,000
2037	1,480,000
2038	1,565,000
2039†	1,650,000

† Final Maturity

If less than all of the Series 2009B Bonds maturing on June 1, 2039 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 2009B 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 2009A-B Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B 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	FY 2008-2009 Amounts	% of Total Agreement Revenues
Local Gross Receipts Tax	$15,944,400	22.95%
Enterprise System Revenues	15,504,676	22.32
General Obligation (ad valorem taxes)	14,436,368	20.78
Local Special Tax	11,449,542	16.48
State Gross Receipts Tax	6,373,188	9.17
Fire Protection Funds	2,852,160	4.11
Governmental Gross Receipts Tax	2,616,232	3.77
Special Assessments	216,647	0.31
Mill Levy	43,174	0.06
Law Enforcement Protection Funds	33,113	0.05
Total	$69,469,500	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 44.11% 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	11.05%
General Services Department (State Gross Receipts Taxes)	6,373,188	9.17
State Parks and Recreation Department (Governmental Gross Receipts Taxes)	2,616,232	3.77
Taos County (Gross Receipts Taxes)	2,595,178	3.74
Gadsden Independent Schools (Ad Valorem Taxes)	2,577,663	3.71
Department of Health (Cigarette Taxes)	2,414,947	3.48
City of Las Cruces (Lodgers Taxes)	1,795,674	2.58
Bernalillo Public Schools (Ad Valorem Taxes)	1,729,156	2.49
City of Las Cruces (Gross Receipts Tax)	1,468,382	2.11
Gallup-McKinley Schools (Federal Impact Aid Payments)	1,394,915	2.01
Total	$30,640,030	44.11%

(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—2009A-B 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 2004-2005 through 2006-2007. 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

Entity	Fiscal Year 2004-2005 % of Total Net Receipts	Fiscal Year 2005-2006 % of Total Net Receipts	Fiscal Year 2006-2007 % 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
City of Carlsbad	1.87	1.75	1.71
County of Los Alamos	1.80	1.81	1.64
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 2009A-B 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 2009A Bonds or the Series 2009B 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 2009A-B Bonds. The NMFA covenants pursuant to the Seventy-Second 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 respective Series of Series 2009A-B Bonds with debt service payable on the related Series 2009A-B Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the respective Series 2009A-B 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 the respective Series of Series 2009A-B 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 the respective series of Series 2009A-B Bonds from which the Loan relating to the Prepayment was initially funded and which Series 2009A-B Bonds 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 SERIES 2009A-B BONDS—Redemption."

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 2009A-B Bonds of the respective series relating to such Prepayment, in Authorized Denominations, to their first optional redemption date as described under the caption "THE SERIES 2009A-B BONDS—Redemption," 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 2009A-B 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. During the fiscal years indicated below, the NMFA has 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	21	7,409,313

(Source: The NMFA.)

As stated above, the likelihood of prepayments with respect to the Series 2009B Bonds may be increased due to the nature of the projects financed with proceeds of those Bonds. See "THE SERIES 2009A-B BONDS—Redemption—Optional Redemption—Series 2009B Bonds."

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 plans to issue a Series of Additional Bonds during the third quarter of 2009. The NMFA expects that such Additional Bonds will be issued in an amount not to exceed $58 million. Such Series of Additional Bonds will be issued in parity with the Series 2009A-B Bonds.

The NMFA also 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 other Series of Additional Bonds in parity with the Series 2009A-B 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 other Series of Additional Bonds are not known as of the date of this Official Statement.

No Obligations Senior to the Series 2009A-B Bonds

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 April 15, 2009:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as April 15, 2009[(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	19,475,000
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
2008C	29,130,000	29,130,000
Total Outstanding	$856,335,000	$688,043,000

(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 were outstanding as of April 15, 2009:

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of April 15, 2009[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 2009A-B 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 2009A-B 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 2009A-B Governmental Units that will be or were used to finance certain Projects for the 2009A-B Governmental Units. A portion of the proceeds of the Series 2009A-B Bonds will be used by the NMFA for the purpose of paying costs incurred in connection with the issuance of the Series 2009A-B Bonds. See APPENDIX F for a list of the 2009A-B Governmental Units and the amount of the Loans expected to be financed with the respective Series of the Series 2009A-B Bonds.

Estimated Sources and Uses of Funds

The following tables set forth the estimated sources and uses of funds in connection with the issuance of the Series 2009A-B Bonds.

SERIES 2009A BONDS

Sources of Funds	
Principal Amount	$18,435,000.00
Net Reoffering Premium	597,228.95
Total Sources	$19,032,228.95
Uses of Funds	
Public Project Revolving Fund Deposit	$18,822,960.26
Costs of Issuance[1]	209,268.69
Total Uses	$19,032,228.95

SERIES 2009B BONDS

Sources of Funds	
Principal Amount	$30,225,000.00
Total Sources	$30,225,000.00
Uses of Funds	
Program Fund Accounts[2]	$29,771,625.00
Costs of Issuance[1]	453,375.00
Total Uses	$30,225,000.00

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(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 2009A-B Bonds.

(2) Amounts in the Program Fund Accounts of the 2009A-B Governmental Units expected to be used to fund Loans at or about the same time as the issuance of the Series 2009A-B Bonds. See "APPENDIX F—2009A-B GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS—2009A-B Governmental Units."

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2009A-B Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

ANNUAL DEBT SERVICE FOR THE BONDS[1]

	Series 2009A Bonds		Series 2009B Bonds			
Fiscal Year	Principal	Interest	Principal	Interest	Outstanding Parity Bonds	Total Annual Debt Service
2010	$750,000	$734,455	–	$1,414,942	$69,527,821	$72,427,218
2011	845,000	748,356	$415,000	1,485,070	68,520,351	72,013,777
2012	850,000	731,456	470,000	1,474,695	70,636,882	74,163,033
2013	880,000	697,456	685,000	1,461,770	68,107,583	71,831,809
2014	880,000	663,081	705,000	1,441,220	64,477,903	68,167,204
2015	965,000	619,081	730,000	1,417,426	63,323,353	67,054,860
2016	955,000	575,331	755,000	1,390,964	60,078,423	63,754,718
2017	940,000	535,581	785,000	1,363,029	49,089,001	52,712,611
2018	900,000	493,081	815,000	1,332,610	47,465,759	51,006,450
2019	870,000	453,781	850,000	1,298,991	43,929,745	47,402,517
2020	705,000	410,281	885,000	1,262,866	42,426,388	45,689,536
2021	700,000	382,081	925,000	1,224,148	40,342,942	43,574,171
2022	705,000	354,081	965,000	1,181,366	36,606,723	39,812,171
2023	725,000	325,881	1,015,000	1,135,529	32,254,610	35,456,020
2024	760,000	296,881	1,065,000	1,086,048	30,556,657	33,764,586
2025	780,000	266,481	2,450,000	1,032,798	24,889,563	29,418,841
2026	820,000	234,306	830,000	909,073	24,224,179	27,017,558
2027	840,000	199,456	875,000	866,535	23,017,888	25,798,879
2028	885,000	163,756	920,000	821,035	19,076,308	21,866,099
2029	905,000	125,038	970,000	772,735	14,663,719	17,436,491
2030	265,000	84,313	1,020,000	721,325	14,097,056	16,187,694
2031	270,000	71,725	1,075,000	665,225	14,105,325	16,187,275
2032	260,000	58,900	1,135,000	606,100	13,756,825	15,816,825
2033	445,000	46,550	1,195,000	543,675	11,586,213	13,816,438
2034	105,000	25,413	1,260,000	477,950	10,225,275	12,093,638
2035	105,000	20,425	1,330,000	408,650	8,899,138	10,763,213
2036	105,000	15,438	1,405,000	335,500	8,852,250	10,713,188
2037	110,000	10,450	1,480,000	258,225	1,648,000	3,506,675
2038	110,000	5,225	1,565,000	176,825	1,643,250	3,500,300
2039	–	–	1,650,000	90,750	–	1,740,750
	$18,345,000	$9,348,342	$30,225,000	$28,657,074	$978,029,126	$1,064,694,542

(1) 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 2009A-B Bonds and all other outstanding Bonds and the resulting estimated annual coverage ratios. Revenues estimated for current and future fiscal years are based on fiscal year 2007-2008 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[1]

June 30 Fiscal Year	NMFA Portion of Governmental Gross Receipts Tax[2]	Aggregate Pledged Borrower Payments[3][4]	Estimated Total Revenues[4]	Total Annual Debt Service Requirement	Estimated Annual Coverage Ratios[5]
2010	$21,431,489	$74,877,363	$96,308,852	$72,427,218	1.33x
2011	21,431,489	74,445,317	95,876,806	72,013,777	1.33x
2012	21,431,489	75,974,141	97,405,630	74,163,033	1.31x
2013	21,431,489	75,011,758	96,443,247	71,831,809	1.34x
2014	21,431,489	71,065,687	92,497,176	68,167,204	1.36x
2015	21,431,489	70,281,150	91,712,639	67,054,860	1.37x
2016	21,431,489	65,855,158	87,286,647	63,754,718	1.37x
2017	21,431,489	55,862,391	77,293,880	52,712,611	1.47x
2018	21,431,489	53,633,089	75,064,578	51,006,450	1.47x
2019	21,431,489	49,755,781	71,187,270	47,402,517	1.50x
2020	21,431,489	48,456,122	69,887,611	45,689,536	1.53x
2021	21,431,489	45,750,559	67,182,048	43,574,171	1.54x
2022	21,431,489	42,248,102	63,679,591	39,812,171	1.60x
2023	21,431,489	36,557,043	57,988,532	35,456,020	1.64x
2024	21,431,489	34,803,945	56,235,434	33,764,586	1.67x
2025	21,431,489	30,153,698	51,585,187	29,418,841	1.75x
2026	21,431,489	27,500,693	48,932,182	27,017,558	1.81x
2027	21,431,489	26,545,375	47,976,864	25,798,879	1.86x
2028	21,431,489	21,979,011	43,410,500	21,866,099	1.99x
2029	21,431,489	17,528,256	38,959,745	17,436,491	2.23x
2030	21,431,489	16,260,080	37,691,569	16,187,694	2.33x
2031	21,431,489	16,262,174	37,693,663	16,187,275	2.33x
2032	21,431,489	15,878,555	37,310,044	15,816,825	2.36x
2033	21,431,489	13,869,621	35,301,110	13,816,438	2.56x
2034	21,431,489	12,128,702	33,560,191	12,093,638	2.78x
2035	21,431,489	10,798,235	32,229,724	10,763,213	2.99x
2036	21,431,489	10,796,767	32,228,256	10,713,188	3.01x
2037	21,431,489	3,593,298	25,024,787	3,506,675	7.14x
2038	21,431,489	3,592,562	25,024,051	3,500,300	7.15x
2039	21,431,489	1,807,580	23,239,069	1,740,750	13.35x

(1) Assumes that the Series 2009A-B Bonds are issued and outstanding.

(2) Reflects NMFA Portion of the Governmental Gross Receipts Tax collections from July 1, 2007 through June 30, 2008.

(3) 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. Assumes that the Loans with the 2009A-B Governmental Units are executed and delivered. Furthermore, assumes that the Angel Fire Loans (as defined in Appendix F) will be funded and that Revenues payable under the Angel Fire Loans will be available for payment of debt service. See "APPENDIX F—2009A GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS—Largest Repayment Obligations—Angel Fire Public Improvement District."

(4) Amounts are rounded to the nearest dollar.

(5) 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
Rhonda G. Faught[(2)]	Retired, Former Secretary of the New Mexico Department of Transportation	01/01/13
Stephen R. Flance[(3)] (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
Paul Gutierrez[(1)]	Executive Director, New Mexico Association of Counties	not applicable
Lonnie Marquez	Vice President for Administration and Finance, New Mexico Institute of Mining and Technology	01/01/12
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[(3)] (Treasurer)	President, First National Bank of New Mexico Clayton, New Mexico	01/01/12
Daniel Silva[(2)]	Former State Representative Albuquerque, New Mexico	01/01/13

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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 in March 2009. Such individuals are awaiting confirmation by the New Mexico State Senate during its next legislative session, scheduled for January 2010, and will continue to serve until the expiration of such session if no confirmation is received. If the New Mexico State Senate confirms those individuals during its next session, the terms of such individuals will expire on January 1, 2013.

(3) 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 2009A-B 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 approximately 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.

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.

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; public recreation facilities; public transportation systems; 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 May 1, 2009, the NMFA had made 777 PPRF loans totaling approximately $1.537 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 2009A-B 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. As of the date hereof, the Contingent Liquidity Account is funded to an amount of $29,600,000. 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 as of the date hereof.

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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 2009A-B Bonds, the execution, adoption or effectiveness of the Indenture, or the levying or collection of any Revenues the loss of which would materially adversely affect the ability of the NMFA to pay debt service on the Series 2009A-B Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2009A-B 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 2009A-B Bonds. See "APPENDIX F—2009A-B GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS–Agreements Generating Largest Amount of Agreement Revenues–Angel Fire Public Improvement District" for a discussion regarding an action affecting one of the of the Loans expected to be financed with a portion of the proceeds of the Series 2009B Bonds.

UNDERWRITING

The Underwriters have agreed to purchase the Series 2009A Bonds from the NMFA pursuant to a Bond Purchase Agreement dated May 28, 2009 (the "Bond Purchase Agreement"), at a price of $18,925,515.15 (being the aggregate principal amount of the Series 2009A Bonds plus a net reoffering premium of $597,228.95, and less an Underwriters' discount of $106,713.80. The Underwriters have also agreed to purchase the Series 2009B Bonds from the NMFA pursuant to the Bond Purchase Agreement at a price of $30,041,992.02 (being the aggregate principal amount of the Series 2009B Bonds less an Underwriters' discount of $183,007.98). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2009A-B 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 yields or prices at which the Series 2009A-B Bonds are offered to the public may vary from the initial public offering yields or 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.

Piper Jaffray & Co. ("Piper"), one of the Underwriters of the Series 2009A-B Bonds, has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Series 2009A-B Bonds, allocated to Piper at the original offering prices. Under the Distribution Agreement, Piper will share with AAM a portion of the fee or commission paid to Piper.

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 2009A-B 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 2009A-B Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2009A-B 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 2009A-B 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 2009A-B Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2009A-B 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 2009A-B Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code.

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 2009A-B Bonds may affect the federal tax-exempt status of the interest on the Series 2009A-B Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2009A Bonds maturing on June 1, 2018 and bearing interest at 3.00% per annum and the Series 2009A Bonds maturing on June 1 in the years 2023 through 2038, 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 2009A-B 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 2009A-B 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 2009A Bonds maturing on June 1 in the years 2010 through 2017, both dates inclusive, the Series 2009A Bonds maturing on June 1, 2018 and bearing interest at 5.00% per annum, and the Series 2009A Bonds maturing on June 1 in the years 2020 through 2022, 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 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B Bonds. Prospective purchasers of the Series 2009A-B 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 2009A-B Bonds may affect the tax status of interest on the Series 2009A-B 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 2009A-B 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 2009A-B Bonds, or the interest thereon, if any action is taken with respect to the Series 2009A-B 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 2009A-B Bonds is excluded from gross income for Federal income tax purposes, a Series 2009A-B Bondholder's Federal, State or local tax liability may otherwise be affected by the ownership or disposition of the Series 2009A-B Bonds. The nature and extent of these other tax consequences will depend upon the Series 2009A-B Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2009A-B 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 2009A-B 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 2009A-B Bonds, (iii) interest on the Series 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B Bondholders regarding the tax-exempt status of the Series 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B Bonds, and may cause the NMFA, the Governmental Units or the Series 2009A-B Bondholders to incur significant expense.

Bond Counsel is also of the opinion that interest on the Series 2009A-B 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 2009A-B 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 2009A-B 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 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 2009A-B 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, 2008, 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 29, 2008. 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 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B Bonds;

    7. modification of rights of owners of the Series 2009A-B Bonds;

    8. bond calls;

    9. defeasances;

    10. release, substitution, or sale of property securing repayment of the Series 2009A-B 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 2009A-B 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 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

2009A-B 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 2009A-B 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 2009A-B Bonds. See APPENDIX F for a discussion of Loans to Governmental Units with the largest outstanding principal loan balances.

RATINGS

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service ("Moody's") have assigned ratings of "AA+" and "Aa2," respectively, to the Series 2009A-B Bonds. An explanation of the significance of such ratings may be obtained from S&P and Moody's, respectively.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2009A-B 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 2009A-B Bonds may have an adverse effect on the market price of the Series 2009A-B Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2009A-B Bonds any proposed revision or withdrawal of the ratings on the Series 2009A-B 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 2009A-B 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, including general economic conditions. 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 2009A-B 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.

Early Redemption of Series 2009B Bonds

As previously stated under the heading "THE SERIES 2009A-B BONDS—Redemption—Optional Redemption—Series 2009B Bonds," the Series 2009B Bonds are subject to optional redemption at any time. In addition, as previously discussed, proceeds of the Series 2009B Bonds are expected to be used to finance the costs of certain improvements within special assessment districts. Owners of property within those districts have the ability to prepay their assessments at any time. The NMFA plans to apply any prepayments of assessments to redeem a corresponding amount of Series 2009B Bonds. A potential consequence of the ability to prepay assessments may be an increase in the likelihood that Series 2009B Bonds will be redeemed prior to maturity.

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 2009A-B 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, 2008

NEW MEXICO
FINANCE AUTHORITY

Financial Statements
for the Year Ended
June 30, 2008,
and Independent
Auditors' Report

NEW MEXICO FINANCE AUTHORITY

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Year Ended June 30, 2008

Governing Board

Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Gary Bland, Member
Ron Curry, Member
Charlie Dorame, Member
Ed Garcia, Member
Paul Gutierrez, Member
Lonnie Marquez, Member
Katherine Miller, Member
Fred Mondragon, Member
Joanna Prukop, Member
Craig Reeves, Member

Chief Executive Officer
William C. Sisneros

Chief Operating Officer
Jerome L. Trojan

Chief Financial Officer
John T. Duff

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, 2008, 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, 2008, as listed in the table of contents. 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, 2008, 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.

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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in

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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, 2008, 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 29, 2008, 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 14, 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.

Moss Adams / Meyners + Company, LLC

September 29, 2008

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 $108,079,275 in fiscal year 2008 from 2007.
- The Authority's total revenues increased by $125,041,170 in fiscal year 2008 from 2007.
- The total cost of all Authority programs was $122,841,109, an increase of 28,627,230 over 2007.

Authority Highlights

The New Mexico Finance Authority, created in 1992, assists New Mexico governmental units, such as cities, counties and State Governmental Departments and agencies in financing capital equipment and infrastructure projects by providing loans at tax exempt rates 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 Project 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 FY2008, the PPRF program made approximately 90 loans totaling approximately $386.8 million, compared to 93 loans totaling approximately $211.3 million in FY2007.

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 FY2008, the DWRLF made seven loans totaling $34.9 million compared to three loans totaling $5.76 million in FY2007. The FY2008 binding commitments numbered seven, approximating $27.9 million, compared to six totaling approximately $23.8 million in FY2007.

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, 2008, the Authority Board has approved 17 loans totaling $11.25 million. In FY2008, the PCCF program made two loans totaling $3.2 million.

During FY2008, the Authority issued $391.2 million in bonds to provide reimbursement to the Public Projects Revolving Loan Fund and to retire borrowings incurred by the Authority in anticipation of issuing bonds.

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 FY2008, four grants closed for a total of $1,053,260, compared to seven grants totaling $4,281,350 in FY2007.

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.

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.

Overview of the Financial Statements - continued

Government-wide Financial Statements - continued

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.

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 the Governmental Activities for the Authority are the Metro Court Financing, the State Office Building Program Financing, the State Capitol Building Improvements Program Financing, the University of New Mexico (UNM) Health Sciences Center Projects Financing, the Workers' Compensation Administration Building Financing, the Water Projects Fund Financing, the Water/Wastewater Grant Fund, the Local Governments Planning Fund, the Emergency Drought Relief Grant Fund, the Local Government Transportation Fund (GRIP II), the Bio-Mass Dairy Fund, the Economic Development Financing and the Certificates of Participation Equipment 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 Project Revolving Fund, the Drinking Water Revolving Loan Fund, the Primary Care Revolving Loan Fund, the Behavioral Health Care Revolving Loan Fund, the Child Care Revolving Loan Fund, GRIP I Administrative Fund, the Behavioral Health Capital Revolving Loan Fund, the GRIP Administrative Fund, the New Markets Tax Credits Fund, the Energy Efficiency 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.

Overview of the Financial Statements - continued

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 Project 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), the Economic Development Fund, the Local Transportation Government Fund (GRIP II) and the Bio-Mass Dairy 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 uses 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 funds 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, the GRIP Administrative Fund, the Child Care Revolving Loan Fund, the Behavioral Health Care Capital Fund, the Local Infrastructure Transportation Fund, the New Markets Tax Credits Fund, the Energy Efficiency Fund and the Behavioral Health Care Revolving Fund.

Overview of the Financial Statements - continued

Management's Discussion and Analysis

The 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.

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, 2008. FY2008 net assets for Governmental Activities and Business-type Activities were $28,241,533 and $197,914,492, respectively. Total Authority net assets for fiscal year 2008 are $226,156,025. 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	
		2008	2007	**2008**	2007	**2008**	2007
Current and other assets	$	**134,267,548**	45,024,418	**92,483,095**	84,608,587	**226,750,643**	129,633,005
Capital and non-current assets		**2,175,384**	2,396,886	**1,432,582,634**	955,034,773	**1,434,758,018**	957,431,659
Total assets	$	**136,442,932**	47,421,304	**1,525,065,729**	1,039,643,360	**1,661,508,661**	1,087,064,664
Current liabilities	$	**6,482,888**	8,187,482	**323,519,447**	154,767,837	**330,002,335**	162,955,319
Long-term liabilities		**109,883,518**	114,311,923	**995,999,482**	691,720,673	**1,105,883,000**	806,032,596
Total liabilities		**116,366,406**	122,499,405	**1,319,518,929**	846,488,510	**1,435,885,335**	968,987,915
Net Assets:							
Invested in capital assets		**113,333**	145,503	**264,652**	292,268	**377,985**	437,771
Restricted		**19,963,193**	(75,223,604)	**216,061,333**	187,200,507	**236,024,526**	111,976,903
Unrestricted		**-**	-	**(10,246,487)**	5,662,075	**(10,246,487)**	5,662,075
Total net assets		**20,076,526**	(75,078,101)	**206,079,498**	193,154,850	**226,156,024**	118,076,749
Total liabilities and net assets	$	**136,442,932**	47,421,304	**1,525,065,729**	1,039,643,360	**1,661,508,661**	1,087,064,664

Financial Analysis of the Authority as a Whole - continued

Changes in Net Assets: The Authority's change in net assets for fiscal year 2008 was an increase of $108,079,275 (Table A-2). A significant portion, twelve percent (12%), of the Authority's revenue comes from Tax Revenue. Twelve percent (12%) comes from other operating grants and contributions, and six percent (6%) from interest and investment income. Fifty-three percent (53%) comes from state general fund appropriations, and charges for services and other revenue comprise the remaining seventeen percent (17%) of total revenue.

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

		Governmental Activities		Business-Type Activities		Total	
		2008	2007	**2008**	2007	**2008**	2007
Revenues:							
Program	$	**13,614,678**	6,041,563	**51,922,659**	33,949,508	**65,537,337**	39,991,071
General		**128,361,086**	23,207,646	**37,021,961**	42,680,497	**165,383,047**	65,888,143
Total revenues		**141,975,764**	29,249,209	**88,944,620**	76,630,005	**230,920,384**	105,879,214
Expenses		**39,895,843**	29,628,373	**82,945,266**	64,585,506	**122,841,109**	94,213,879
Net revenues (loss) before transfers and reversions		**102,079,921**	(379,164)	**5,999,354**	12,044,499	**108,079,275**	11,665,335
Transfers and reversions		**(6,925,294)**	(1,228,241)	**(6,925,294)**	1,228,241	-	-
(Decrease) increase in net assets		**95,154,627**	(1,607,405)	**12,924,648**	13,272,740	**108,079,275**	11,665,335
Net assets, beginning of year		**(75,078,101)**	(73,470,696)	**193,154,850**	179,882,110	**118,076,749**	106,411,414
Net assets, end of year	$	**20,076,526**	(75,078,101)	**206,079,498**	193,154,850	**226,156,024**	118,076,749

The significant growth in governmental net assets is the result of the Authority becoming the administrator of the Local Government Transportation Fund (otherwise known as GRIP II). This program is expected to fund 116 designated road projects throughout the State with total costs approximating $183 million. This program is expected to be funded over 3 years with the Authority having received $87.8 million in funds during FY 2008. Business-type (enterprise) activities continue to grow in terms of net assets because of the growth in loan volume and bond issuances in the PPRF program and the continual growth in the loan portfolio of the Authority's other revolving loan programs.

Financial Analysis of the Authority as a Whole - continued

Governmental-Type Activities

In FY 2008, revenues generated through State General Fund Appropriations increased by $103.2 million for the governmental-type activities. The majority of this increase, $87.8 million, is a result of receiving the seed money to begin the Local Government Transportation Fund (GRIP II) and start to fund the projects authorized under the legislation. Grant expenditures for this program amounted to $4.6 million but is expected to increase significantly in FY 2009. The Authority's total expenditures for governmental-type activities during the fiscal year 2008 were $40,094,539. The largest area of expenditures, $26,173,676, 65% of the total, was in the area of grant expense

Business Type Activities

The Authority's total expenditures for business-type activities during the fiscal year were $82,746,570. The majority of business-type expenditures, $43,769,243, 53% of the total, was in the area of debt service. As noted above, expenditures and revenues increased due to the growth in the PPRF program.

Within the operating cost category, salaries and benefits comprise three percent (3%) of the total expenditures, and all other operating costs such as professional services, repairs and maintenance, travel, supplies, etc., were seven percent (7%) of the total expenditures.

Capital Assets and Debt Administration

At the end of fiscal year 2008, the Authority has invested, net of depreciation, a total of $264,252 in capital assets in business-type activities and $113,333 in capital assets for governmental-type activities. During FY 2008, capital outlay expenditures totaled $4,722. This amount represents payment of software upgrades to the Authority's new project database program which was completed in early FY 2008. 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 2008, the total amount outstanding was $1.16 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 $391.2 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.

Financial Analysis of the Authority as a Whole - continued

Bond Ratings

The Authority's bond ratings are:

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

Economic Factors and Next Year's Budgets and Rates

The FY 2008 budget provides for the Authority's administration of six programs paid from different sources of revenue:

- Operation of the PPRF program, funded from Governmental Gross Receipts tax receipts and cigarette tax revenue;
- Administration of the Water Trust Board, funded from interest earnings on the investments of the Water Project Fund.
- 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;
- The Local Governments Planning Fund, funded from the Water Planning Fund;
- The Economic Development Fund, funded from administrative fees and cigarette tax revenue.

The Authority's primary operating budget for FY2008 was $6,667,847, compared to the FY2007 budget of $6,649,027, a 0.3% increase. This nominal change in the budget reflected some increased staffing level offset by some efficiencies being realized through the addition of in-house counsel.

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, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and equivalents:			
Unrestricted	$ 27,961,097	68,229,027	96,190,124
Restricted	102,852,041	300,904,459	403,756,500
Receivables:			
Tax revenue	643,692	7,424,228	8,067,920
Interest	18,210	8,347,617	8,365,827
Grant and other	239,530	6,958,365	7,197,895
Due from other funds (Note 4) [Internal Balances]	-	1,110,138	1,110,138
Administrative fees receivable	73	708,654	708,727
Loans receivable, net of allowance (Note 3)	2,552,905	1,040,185,642	1,042,738,547
Restricted asset - escrow	-	80,877,446	80,877,446
Capital assets, net of depreciation (Note 6)	113,333	264,652	377,985
Deferred costs, net of accumulated amortization	2,062,051	10,528,699	12,590,750
Other assets	-	51,442	51,442
TOTAL ASSETS	$ 136,442,932	1,525,590,369	1,662,033,301
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued liabilities	$ 138,328	1,971,625	2,109,953
Accrued payroll	11,702	100,160	111,862
Compensated absences (Note 12)	-	200,236	200,236
Notes payable (Note 9)	1,704,789	-	1,704,789
Funds held for others	-	197,721,700	197,721,700
Accrued interest	615,564	3,269,007	3,884,571
Due to other state agencies (Note 5)	-	1,075,831	1,075,831
Due to other funds (Note 5) [Internal Balances]	1,110,138	-	1,110,138
Debt service payable	5,294	61,090,830	61,096,124
Bonds payable, current, net (Note 8)	5,712,000	58,082,000	63,794,000
	9,297,815	323,511,389	332,809,204
Noncurrent liabilities:			
Bonds payable, non-current, net of bond discount/premium (Note 8)	107,068,591	995,999,482	1,103,068,073
	107,068,591	995,999,482	1,103,068,073
TOTAL LIABILITIES	116,366,406	1,319,510,871	1,435,877,277
NET ASSETS:			
Invested in capital assets	113,333	264,652	377,985
Restricted for:			
Debt service	(105,894,139)	-	(105,894,139)
Program funds	125,857,332	216,061,333	341,918,665
Unrestricted	-	(10,246,487)	(10,246,487)
TOTAL NET ASSETS	20,076,526	206,079,498	226,156,024
TOTAL LIABILITIES AND NET ASSETS	$ 136,442,932	1,525,590,369	1,662,033,301

See Independent Auditors' Report and Notes to Financial Statements.

YEAR ENDED JUNE 30, 2008

		Governmental Activities	Business-type Activities	Total
EXPENSES:				
Capital financing	$	39,895,843	82,945,266	122,841,109
PROGRAM REVENUES:				
Charges for services		-	38,327,432	38,327,432
Operating grants and contributions		13,614,678	13,595,227	27,209,905
NET PROGRAM EXPENSES		(26,281,165)	(31,022,607)	(57,303,772)
GENERAL REVENUES:				
Governmental gross receipts and gross receipts taxes		-	27,198,766	27,198,766
Investment earnings		4,702,048	9,823,195	14,525,243
TOTAL GENERAL REVENUES		4,702,048	37,021,961	41,724,009
TRANSFERS				
State General Fund Appropriations		123,659,038	-	123,659,038
Internal		(6,925,294)	6,925,294	-
CHANGE IN NET ASSETS		95,154,627	12,924,648	108,079,275
NET ASSETS, BEGINNING OF FISCAL YEAR		(75,078,101)	193,154,850	118,076,749
NET ASSETS, END OF FISCAL YEAR	$	20,076,526	206,079,498	226,156,024

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LGTF (GRIP II)	Other Governmental Funds	Total Governmental Funds
-	14,708,960	27,961,097
-	643,692	643,692
-	6,239	18,210
-	-	239,603
-	411,000	2,552,905
-	15,769,891	31,415,507
-	645,398	645,398
-	-	1,326,996
86,071,771	8,067,050	100,879,647
86,071,771	24,482,339	134,267,548
1,273	115,949	150,030
-	-	5,294
-	1,704,789	1,704,789
52,961	15,825	1,110,138
54,234	1,836,563	2,970,251
86,017,537	11,389,885	99,018,331
-	11,255,891	32,278,966
86,017,537	22,645,776	131,297,297
86,071,771	24,482,339	134,267,548

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

YEAR ENDED JUNE 30, 2008

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	$	131,297,297
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		262,399
Accumulated depreciation is		(149,066)
Total capital assets, net of depreciation		113,333
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		2,062,051
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 $1,899,591		(112,780,591)
Accrued interest payable		(615,564)
Total long-term and other liabilities		(113,396,155)
Net assets of governmental activities (Statement of Net Assets)	$	20,076,526

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Water Project Fund	LGTF (GRIP II)	Other Governmental Funds	Total Governmental Funds
13,614,446	-	-	13,614,446
-	-	28,605	335,673
430,665	2,867,859	1,001,064	4,366,375
232	-	-	232
14,045,343	2,867,859	1,029,669	18,316,726
-	-	35,141	177,552
126,058	1,111	166,526	384,633
221,742	42,908	108,992	504,317
10,209	331	2,262	21,613
670	1,962	364	8,081
1,950	277	1,539	5,256
50,589	7,645	27,284	127,316
19,207,567	4,596,088	2,369,981	26,173,636
1,521	-	1,244	4,722
-	-	2,486,000	5,706,000
-	-	4,144,149	5,466,464
19,620,306	4,650,322	9,343,482	38,579,590
(5,574,963)	(1,782,463)	(8,313,813)	(20,262,864)
7,847,868	87,800,000	11,405,725	123,659,038
-	-	(5,284,406)	(6,925,294)
-	-	(3,376,935)	(7,024,568)
7,847,868	87,800,000	2,744,384	109,709,176
2,272,905	86,017,537	(5,569,429)	89,446,312
7,546,572	-	28,215,205	41,850,985
9,819,477	86,017,537	22,645,776	131,297,297

YEAR ENDED JUNE 30, 2008

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	$ 89,446,312
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	5,706,000
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	52,274

YEAR ENDED JUNE 30, 2008

Change from prior year in amortization of bond issuance costs:		
Deferred issuance costs FY07 (p. 17 PY)	$ 2,251,383	
Deferred issuance costs FY08 (p. 15 CY)	2,062,051	
		(189,332)
Change from prior year in amorization of bond premium/discount:		
Amortization of bond premium/discount FY07 (p. 72 PY)	2,071,134	
Amortization of bond premium/discount FY08 (p. 71 CY)	1,899,591	
		171,543
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	4,722	
Depreciation expense	(36,892)	
Excess of depreciation expense over capital outlay		(32,170)
Decrease in capital assets		-
Change in net assets of governmental activities (Statement of Activities)		$ 95,154,627

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Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
165,350	-	3,415,530	-	-	-	68,229,026
-	-	-	-	-	-	7,424,228
1,694	-	-	-	-	-	8,347,617
-	-	-	-	-	-	6,958,365
-	-	-	-	-	-	-
-	-	-	-	-	-	2,152,874
154	-	-	-	-	-	708,654
167,198	-	3,415,530	-	-	-	93,820,764
369,692	-	-	-	-	-	1,040,185,642
-	-	-	-	-	-	-
23,549	275,058	-	2,945,638	-	-	300,904,459
-	-	-	-	-	-	80,877,446
						-
2,341	1,790	1,508	-	2,694	1,102	264,651
-	-	-	-	-	-	10,528,699
-	-	-	-	-	-	51,442
395,582	276,848	1,508	2,945,638	2,694	1,102	1,432,812,339
562,780	276,848	3,417,038	2,945,638	2,694	1,102	1,526,633,103
1,301	-	-	-	19,395	-	1,971,626
447	129	306	-	5,125	47	300,397
-	-	-	20,664	-	-	3,269,007
7,218	-	-	-	-	-	61,090,830
792	250,000	-	-	-	-	197,721,700
-	-	-	-	-	-	1,075,831
3,648	82,784	1,839	-	404,894	14,432	1,042,736
-	-	-	-	-	-	-
-	-	-	125,000	-	-	58,082,000
13,406	332,913	2,145	145,664	429,414	14,479	324,554,127
-	-	-	2,125,000	-	-	995,999,482
-	-	-	2,125,000	-	-	995,999,482
13,406	332,913	2,145	2,270,664	429,414	14,479	1,320,553,609
2,341	1,790	1,508	-	2,694	1,102	264,651
547,033	(57,855)	1,493,404	471,402	-	(14,479)	200,804,989
-	-	1,919,981	203,572	(429,414)	-	5,009,854
549,374	(56,065)	3,414,893	674,974	(426,720)	(13,377)	206,079,494
562,780	276,848	3,417,038	2,945,638	2,694	1,102	1,526,633,103

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	Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
	-	-	-	-	-	-	27,169,340
	-	-	-	-	-	-	13,595,226
	989	-	722,444	-	-	-	5,729,869
	10,884	-	-	-	-	-	32,597,563
	7,025	10,603	94,540	109,611	-	-	9,823,193
	18,898	10,603	816,984	109,611	-	-	88,915,191
	-	-	181,475	-	-	-	206,375
	-	-	-	-	-	-	543,018
	-	-	-	-	-	-	132,638
	5,064	2,785	2,330	168	79,823	1,568	3,580,587
	20,584	4,840	8,331	-	136,589	957	2,698,553
	823	23	692	-	5,880	68	59,442
	614	(56)	(20)	-	-	-	31,889
	77	7	18	-	602	2	825
	276	161	149	-	1,172	65	33,135
	695	(8)	-	-	-	-	11,213
	5,174	2,740	3,937	-	38,874	1,227	845,439
	320	160	160	-	320	160	56,595
	-	-	-	129,734	-	-	43,769,243
	33,627	10,652	197,072	129,902	263,260	4,047	51,968,952
	(14,729)	(49)	619,912	(20,291)	(263,260)	(4,047)	36,946,239
	-	-	-	-	-	-	29,426
	(14,729)	(49)	619,912	(20,291)	(263,260)	(4,047)	36,975,665
	38,215	-	875,000	217,666	-	-	6,925,294
	-	-	-	-	-	-	(30,976,315)
	-	-	-	-	-	-	-
	38,215	-	875,000	217,666	-	-	(24,051,021)
	23,486	(49)	1,494,912	197,375	(263,260)	(4,047)	12,924,644
	525,888	(56,016)	1,919,981	477,599	(163,460)	(9,330)	193,154,850
	549,374	(56,065)	3,414,893	674,974	(426,720)	(13,377)	206,079,494

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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
(25,336)	(20,631)	(4,910)	(8,798)	-	(132,188)	(909)	(5,689,685)
(14,249)	(17,122)	5,284	(7,235)	(167)	124,689	1,120	(9,338,654)
-	-	-	-	-	-	-	(543,018)
-	-	-	-	(130,882)	-	-	(33,582,785)
-	-	-	(181,475)	-	-	-	(206,375)
-	-	-	-	-	-	-	27,169,340
-	-	-	-	-	-	-	13,234,531
289,550	18,066	10,603	94,540	109,611	-	-	42,164,527
-	989	-	722,444	-	-	-	4,676,033
249,965	(18,698)	10,977	619,476	(21,438)	(7,499)	211	37,883,914
-	38,215	-	875,000	217,666	-	-	9,016,320
-	-	-	-	-	-	-	(30,781,562)
1,200,778	25	-	-	-	-	-	122,784,279
1,200,778	38,240	-	875,000	217,666	-	-	101,019,037
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,715,627
(3,200,000)	-	-	-	-	-	-	(399,572,968)
327,108	31,296	-	-	-	-	-	57,419,331
-	-	-	-	-	-	-	391,245,000
-	-	-	-	(125,000)	-	-	(37,785,000)
284,698	-	-	-	-	-	-	17,489,144
-	-	-	-	-	-	-	(31,338,974)
(277)	(463)	(376)	(299)	-	(559)	(211)	(28,979)
(2,588,471)	30,833	(376)	(299)	(125,000)	(559)	(211)	143,181
(1,137,728)	50,375	10,601	1,494,177	71,228	(8,058)	-	139,046,132
3,279,427	138,524	264,457	1,921,353	2,874,410	-	-	230,079,295
2,141,699	188,899	275,058	3,415,530	2,945,638	(8,058)	-	369,125,427
174,874	23,486	(49)	1,494,912	197,375	(263,260)	(4,047)	12,345,576
160	320	160	160	-	320	160	56,595
-	(38,215)	-	(875,000)	(217,666)	-	-	19,868,969
(5,527)	157	-	-	-	-	-	(5,322,514)
80,458	(4,446)	10,866	(596)	(1,147)	255,441	4,098	8,265,194
249,965	(18,698)	10,977	619,476	(21,438)	(7,499)	211	37,883,914

AS OF JUNE 30, 2007

		Agency Funds
ASSETS:		
Cash at Trustee:		
Program funds	$	143,033,858
Expense funds		237,132,982
Bond reserve funds		6,000
TOTAL ASSETS	$	380,172,840
LIABILITIES:		
Accounts payable	$	3,923,929
Debt service payable		329,378,837
Funds held for the New Mexico Department of Transportation		46,870,074
TOTAL LIABILITIES	$	380,172,840

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.

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.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **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.

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
- UNM Health Sciences Fund
- Water Project Fund
- LGTF (GRIP II)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Special Revenue Funds - continued

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Special Revenue Funds - continued

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.

Special Revenue Fund – Local Government Transportation Fund. In 2007, New Mexico Legislature authorized the establishment of the Local Government Transportation Fund within the New Mexico Finance Authority. This fund provides funding for 116 local government transportation projects as approved by the legislature. The Fund consists of general fund appropriations and severance tax bond proceeds appropriated to the fund in fiscal years 2007 through 2009. Projects are funded based upon project readiness. The interest earnings in the fund are subject to appropriation by legislature.

Special Revenue Fund – Dairy Biomass Loan Fund. This fund was created by the 2006 Legislature to convert dairy waste to energy statewide. The Authority is working with the New Mexico Energy, Minerals and Natural Resources Department to identify biomass projects that support renewable energy development.

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).

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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Basis of Presentation - Fund Accounting - continued**

Debt Service Funds - continued

Debt Service Fund - Workers' Compensation Financing Fund - continued. 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.

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

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- continued. 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.

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

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 - continued. 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.

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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Enterprise Funds - continued

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.

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

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 - continued. 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Enterprise Funds - continued

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.

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. Though it's a Limited Liability Company, Finance New Mexico LLC, the Authority has received an allocation of $110,000,000 to encourage capital infusion throughout New Mexico by providing private business greater access to capital in rural or undeserved areas of the state.. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Enterprise Funds - continued

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 (Note 13).

- **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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Measurement Focus and Basis of Accounting - continued**

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, 2008 was $46,538,759.

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. The cash on deposit with the State Treasurer is invested in a money market fund registered with the Securities and Exchange Commission rated AAAm by Standard & Poor's.

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.

- **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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Loans - continued**

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, 2008, 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, 2008. 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.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **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.

- **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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Bond Discounts, Premiums and Issuance Costs - continued**

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.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Interfund and Interagency Transactions - continued**

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 trustee in the names of the applicable government entity and the Authority. 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	$	147,117,448	147,117,448
The Primary Care Capital Fund held at the State Treasurer's Office		545,566	545,566
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts		21,600,027	21,600,027
Bank of Albuquerque trust accounts		246,849,598	246,849,598
Reserve on Bond Payable held in Bank of America		279,359	279,359
Wells Fargo operating accounts (collateralized at 50%)		1,100,832	1,141,690
Cash held at the Reserve		82,453,794	82,453,795
		499,946,624	499,987,483
Agency Fund:			
Money market accounts invested in Bank of Albuquerque		380,172,840	380,172,840
	$	880,119,464	880,160,323

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

The Authority's State Treasurer funds are contained in the New Mexico *GROW* LGIP, a Securities and Exchange Commission registered money market fund rated AAAm by Standard & Poor's, and at June 30, 2008 are valued at $147,117,448, with a 46-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. All are fully collateralized and the collateral is held in the Authority's name.

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.

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, 2008:

Enterprise funds:	
Public Projects Revolving Loan Fund, net of allowance of $1,067,970	$ 1,001,731,515
Drinking Water State Revolving Loan Fund	30,907,764
Primary Care Capital Fund	7,176,671
Behavioral Health Capital Fund	369,692
	1,040,185,642
Governmental funds:	
Smart Money Loans	1,825,254
C.O.P.S.	411,000
Water Trust Board Loan/Grants	316,651
	2,552,905
	$ 1,042,738,547

- **Public Projects Revolving Loan Fund**

The Public Projects Revolving Loan Fund loans receivable balance at June 30, 2008 is $1,001,731,515, net of an allowance for loan loss of $1,067,970, 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, 2008 to June 30, 2009	$ 63,106,681	37,947,082	101,053,763
July 1, 2009 to maturity	939,692,804	376,210,888	1,315,903,692
	$ 1,002,799,485	414,157,970	1,416,957,455

3. LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued

- **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, 2008 to June 30, 2009	$	1,198,908	562,504	1,761,412
July 1, 2009 to maturity		29,708,856	5,922,559	35,631,415
	$	30,907,764	6,485,063	37,392,827

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

- **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, 2008 to June 30, 2009	$	915,959	206,455	1,122,414
July 1, 2009 to maturity		6,260,712	1,211,732	7,472,444
	$	7,176,671	1,418,187	8,594,858

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

- **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, 2008 to June 30, 2009	$	32,237	10,167	42,404
July 1, 2009 to maturity		337,455	48,231	385,686
	$	369,692	58,398	428,090

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

- **"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, 2008 to June 30, 2009	$	-	-	-
July 1, 2009 to maturity		1,825,254	-	1,825,254
	$	1,825,254	-	1,825,254

No allowance for uncollectible loans has been established at this time. The loans are secured by commercial real estate mortgages.

3. LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued

- **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, 2008 to June 30, 2009	$	62,000	24,358	86,358
July 1, 2009 to maturity		349,000	68,501	417,501
	$	411,000	92,859	503,859

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

- **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, 2008 to June 30, 2009	$	16,201	-	16,201
July 1, 2009 to maturity		300,450	-	300,450
	$	316,651	-	316,651

Allowance has not yet been established as these loans were established late in fiscal year 2008 and repayments have not been made. An appropriate allowance will be made in fiscal year 2009.

4. 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, 2008 consist of the following:

		Due to: Enterprise Funds Public Project Revolving Funds 200's
Due From:		
Governmental Funds:		
Metro Court	304	$ -
Water and Wastewater Grant	307	6,707
Water Project Fund	309	28,106
Emergency Drought Relief	312	-
Water Planning Grant	313	9,118
Economic Development	314	1,013,246
LGTF - GRIP II	323	52,961
Total Governmental Funds		1,110,138
Enteprise Funds:		
GRIP Fund	104	82,247
Drinking Water	500	52,734
Child Care	319	82,784
Behavioral Health	311	3,648
Local Road Fund	504	1,839
Primary Care	501	118,307
NM Tax Credit	600	412,952
Energy Efficiency	601	14,432
PPRF	200s	273,793
Total Enterprise Funds		1,042,736
		$ 2,152,874

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Transfers Out							
GRIP Admin.	PPRF	Behav. Health	Cig Tax	Drinking Water	Local Road	Total	Net Transfers In (Out)
-	-	-	-	-	-	-	(7,400,230)
-	4,884,677	-	-	-	-	4,884,677	(1,640,888)
-	2,357,229	-	-	-	-	2,357,229	2,357,229
-	2,814,375	-	-	-	-	2,814,375	(241,405)
-	10,056,281	-	-	-	-	10,056,281	(6,925,294)
-	6,500,000	-	-	-	-	6,500,000	(2,091,026)
-	13,520	-	-	-	-	13,520	(861,480)
-	-	-	-	-	-	25,316,719	6,657,838
-	-	-	38,215	-	-	38,215	38,215
-	-	-	-	-	-	255,882	217,667
-	2,089,080	-	-	-	-	2,089,080	2,089,080
875,000	-	-	-	-	-	875,000	875,000
875,000	18,658,881	-	38,215	-	-	45,144,697	-

5. OPERATING TRANSFERS

Governmental Funds Operating Transfers from (to) Other State Agencies

State Agency	Agency Fund Number		Economic Development Fund	UNM Health Sciences Fund	Other Governmental Funds	Total
Dept. of Finance & Administration	34100	$	7,100,000	9,505,445	107,053,593	123,659,038
University of New Mexico	95100		-	(3,647,633)	-	(3,647,633)
New Mexico Department of Workforce Solutions	63100		-	-	(557,079)	(557,079)
New Mexico State University	95200		-	-	(2,819,856)	(2,819,856)
		$	7,100,000	5,857,812	103,676,658	116,634,470

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	$	(950,000)	-
University of New Mexico	95100		(24,177,732)	(4,984,752)
NM Department of Health	66500		(287,297)	-
NM Environment Department	66700		(576,534)	-
		$	(25,991,563)	(4,984,752)

The Authority received $123,659,038 in New Mexico state general fund appropriations from the Department of Finance and Administration.

5. OPERATING TRANSFERS - continued

The following enterprise funds made the following transfers to other state agencies during the year ended June 30, 2008:

The PPRF Series 2005 C & D Metro Court Refunding transferred $950,000 in rebates to Metro Court.

The Drinking Water Revolving Fund transferred $4,984,752 to the New Mexico Environment Department (NMED) for billings, and the PPRF Direct Cash Loans transferred $576,534 to the NMED for debt service for PPRF administration.

The PPRF Series 2005 E Fund transferred $24,177,732 to the University of New Mexico (UNM) for reimbursement of construction costs related to the UNM Cancer Center.

The PPRF Direct Cash Loans transferred $287,297 to Gila Regional Medical Center for payment of debt service.

The following debt service funds made the following transfers to other state agencies during the year ended June 30, 2008:

The UNM Health Sciences 2004A transferred $3,647,633 for revenue rebate to UNM from cigarette tax collections.

The Workers' Compensation Series 1996 transferred $557,079 for revenue rebate to Workers' Compensation.

The State Building GRT Purchase Fund transferred $2,819,856 in program fund requests to project draw requests and debt service payments.

6. CAPITAL ASSETS

A summary of changes in capital assets follows:

Business-type Activities		Balance June 30, 2007	Additions	Adjustments/ Deletions	Balance June 30, 2008
Depreciable assets:					
Furniture and fixtures at historical cost	$	98,166	-	-	98,166
Computer hardware and software		388,702	20,739	-	409,441
Machinery and equipment		24,768	-	-	24,768
Leasehold improvements		26,932	8,240	-	35,172
		538,568	28,979	-	567,547
Accumulated depreciation:					
Furniture and fixtures		(144,059)	(9,789)	-	(153,848)
Computer hardware and software		(87,843)	(40,829)	-	(128,672)
Machinery and equipment		(8,512)	(2,470)	-	(10,982)
Leasehold improvements		(5,886)	(3,507)	-	(9,393)
		(246,300)	(56,595)	-	302,895
Net total	$	292,268	(27,616)	-	264,652

Depreciation expense was $15,060 in the Operating Fund, $18,587 in the Public Project Revolving Fund, $9,197 in the Drinking Water Revolving Loan Fund, $12,470 in the GRIP Administrative Fund, $160 in the Primary Care Fund, $320 in the Behavioral Health Capital Fund, $160 in the Child Care Revolving Loan Fund, $160 in the Local Road Fund, $320 in the Tax Credits Fund and $160 in the Energy Efficiency Fund for the year ended June 30, 2008.

6. CAPITAL ASSETS - continued

Governmental Activities		Balance June 30, 2007	Additions	Adjustments/ Deletions	Balance June 30, 2008
Depreciable assets:					
Furniture and fixtures at historical cost	$	100,636	-	-	100,636
Computer hardware and software		119,374	4,722	-	124,096
Machinery and equipment		24,349	-	-	24,349
Leasehold improvements		13,318	-	-	13,318
		257,677	4,722	-	262,399
Accumulated depreciation:					
Furniture and fixtures		(59,121)	(14,149)	-	(73,270)
Computer hardware and software		(37,854)	(17,448)	-	(55,302)
Machinery and equipment		(10,578)	(3,423)	-	(14,001)
Leasehold improvements		(4,621)	(1,872)	-	(6,493)
Accumulated depreciation		(112,174)	(36,892)	-	(149,066)
Net total	$	145,503	(32,170)	-	113,333

7. BONDS PAYABLE

Bonds outstanding as of June 30, 2008, for the Authority's enterprise funds consist of the following:

- **Public Project Revolving Funds (PPRF)**

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.

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.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - continued**

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.

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.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - continued**

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.

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) originate loans or reimburse 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.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - continued**

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) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2006 C Bonds; and 3) pay 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 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) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 A Bonds; 3) pay accrued interest; and 4) pay costs incurred with the issuance of the Series 2007 A Bonds.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - 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 Projects 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 Series 2007B Bonds; (3) purchase a debt service reserve fund surety bond for deposit into the Debt Service Reserve Account established for the Series 2007B Bonds; and (4) pay costs incurred in connection with the issuance of the Series 2007B Bonds.

PPRF Series 2007C. On September 26, 2007, the Authority issued $131,860,000 of Subordinate Lien Public Project Revolving Fund Series 2007 C Revenue Bonds. The 2007 C Series Bonds were issued to: 1) reimburse the Public Projects 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 Series 2007C Bonds; (3) purchase a debt service reserve fund surety bond for deposit into the Debt Service Reserve Account established for the Series 2007C Bonds; and (4) pay costs incurred in connection with the issuance of the Series 2007C Bonds.

PPRF Series 2007E. On November 8, 2007, the Authority issued $61,945,000 of Senior Lien Public Project Revolving Fund Series 2007 E Revenue Bonds. The 2007 E Series Bonds were issued to: 1) reimburse the Public Projects 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 Series 2007E Bonds; and (3) pay costs incurred in connection with the issuance of the Series 2007E Bonds.

PPRF Series 2008A. On April 17, 2008, the Authority issued $158,965,000 of Senior Lien Public Project Revolving Fund Series 2008 A Revenue Bonds. The 2008A Series Bonds were issued to: 1) reimburse the Public Projects 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 Series 2008A Bonds; and (3) pay costs incurred in connection with the issuance of the Series 2008A Bonds.

7. BONDS PAYABLE - continued

Bonds outstanding as of June 30, 2008, to be paid out of the Authority's debt service funds consist of the following:

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.

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.

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.

7. BONDS PAYABLE - continued

Metro Court Financing Fund - continued.
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.

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.

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 1995B. 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%.

7. 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.

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.

7. BONDS PAYABLE - continued

Bonds payable and related premium/discount balances consist of the following at June 30, 2008:

		Amount	Interest Rate	Final Maturity
Enterprise Funds:				
PPRF 1999A, B, C and D	$	9,760,000	3.15 - 6.80	6/1/2018
PPRF 2000A		200,000	4.10 - 5.30	6/1/2009
PPRF 2000B and C		8,800,000	4.35 - 5.80	6/1/2009
PPRF 2002A		19,975,000	2.00 - 5.00	6/1/2026
PPRF 2003A		21,959,000	2.00 - 4.75	6/1/2025
PPRF 2003B		19,340,000	2.00 - 5.00	6/1/2021
PPRF 2004A		32,265,000	1.125 - 5.875	6/1/2031
PPRF 2004B		37,875,000	3.00 - 5.50	6/1/2033
PPRF 2004C		146,170,000	2.50 - 5.25	6/1/2024
PPRF 2005C and D		51,015,000	3.05 - 5.00	6/15/2025
PPRF 2005A		15,145,000	3.00 – 5.00	6/1/2025
PPRF 2005B		12,665,000	3.00 – 4.25	6/1/2020
PPRF 2005E		23,630,000	3.875 - 5.00	6/15/2025
PPRF 2005F		21,035,000	3.75 - 5.00	6/15/2025
PPRF 2006A		49,090,000	4.00 - 5.00	6/15/2035
PPRF 2006B		36,410,000	4.00 - 5.00	6/1/2036
PPRF 2006C		37,485,000	4.00 - 5.00	6/15/2027
PPRF 2006D		51,785,000	4.25 - 5.00	6/1/2036
PPRF 2007A		32,295,000	4.00 - 5.00	6/15/2027
PPRF 2007B		37,490,000	4.00 - 5.00	6/15/2034
PPRF 2007C		129,360,000	4.25 - 5.25	6/15/2027
PPRF 2007E		60,960,000	4.00 - 5.00	6/1/2032
PPRF 2008A		157,615,000	3.50 - 5.00	6/1/2038
CIG TAX 2006 – Behavioral		2,250,000	5.51	5/1/2026
		1,014,574,000		
Bond premium and discount, net on enterprise funds bonds payable		39,507,482		
Total	$	1,054,081,482		

7. BONDS PAYABLE – continued

		Amount	Interest Rate	Final Maturity
To be paid out of Debt Service Funds:				
UNM Health Sciences	$	22,460,000	2.00 - 5.00	4/1/2019
UNM Health Sciences 2004B		8,460,000	2.10 - 5.50	4/1/2019
Workers' Compensation Financing		2,540,000	5.00 - 5.60	3/1/2017
Metro Court Financing Fund		45,595,000	1.65 - 5.50	6/15/2011
State Capitol Improvement Financing		5,385,000	7.00	6/1/2021
State Building Purchase Fund		26,030,000	4.00 - 5.00	11/1/2006
COP-Equipment Loan Fund Series		191,000	4.05 - 5.40	10/1/2016
COP-Equipment Loan Fund Series		57,000	3.85 - 5.20	4/1/2016
COP-Equipment Loan Fund Series		163,000	4.50 - 5.70	4/1/2012
		110,881,000		
Bond premium and discount, net on Debt Service Funds bonds payable		1,899,591		
Total	$	112,780,591		

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

		Principal	Interest	Total
2009	$	63,794,000	53,783,568	117,577,568
2010		56,818,000	51,064,441	107,882,441
2011		100,504,000	48,695,791	149,199,791
2012		60,777,000	44,069,750	104,846,750
2013		70,940,000	46,272,661	117,212,661
2014 - 2018		297,218,000	158,097,077	455,315,077
2019 - 2023		243,393,000	92,241,085	335,634,085
2024 - 2028		136,066,000	40,104,275	176,170,275
2029 - 2033		62,295,000	17,668,144	79,963,144
2034 - 2038		33,650,000	3,571,650	37,221,650
Total	$	1,125,455,000	555,568,442	1,681,023,442

7. BONDS PAYABLE - continued

The bonds payable activity for the year is as follows:

		Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008
Enterprise Funds	$	661,114,000	391,245,000	(37,785,000)	1,014,574,000
Debt Service Funds		116,587,000	-	(5,706,000)	110,881,000
Total	$	777,701,000	391,245,000	(43,491,000)	1,125,455,000

The amount of bonds payable due within one year is $63,794,000.

8. 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 (3.980% at June 30, 2008), note due in annual installments of $156,941 (currently), including interest, through May 2015. Note is offset by cigarette tax proceeds received from the State of New Mexico.	$	1,704,789
Less current maturities		156,941
	$	1,547,848

Long-term debt maturities on note payable to PPRF Fund as of June 30, 2008, are as follows:

Years ending June 30:		
2009	$	156,941
2010		163,848
2011		171,223
2012		179,102
2013		187,505
2014 and thereafter		846,170
	$	1,704,789

9. LINE OF CREDIT

The Authority has a tax-exempt $100,000,000 line of credit with a bank. Advances may be taken against the facility for the funding of loans made by the Authority. Advances, plus accrued interest, must be repaid within six months from the proceeds of Authority bond issuances. The interest rate on advances changes monthly, and is equal to the one-month U.S. dollar LIBOR index plus 17 basis points. The Authority pays a commitment fee on the unused balance of the line at an annual rate of 6 basis points as long as the Authority's long-term debt rating by Standard & Poor's is AA- or better. The Authority's rating is currently AA+. In the event the Authority's rating drops below AA-, the unused fee would increase to 9 basis points.

9. LINE OF CREDIT – continued

At June 30, 2008, there were no amounts due under the line of credit. During the year then ended, the Authority drew a total of $144,509,901 and repaid $175,848,875 in principal and $944,596 in interest. There have been no advances between June 30, 2008 and the date of the independent auditor's report.

10. OPERATING LEASE COMMITMENT

The Authority is committed under various lease agreements for office space, a vehicle and copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2008 amounted to approximately $316,000.

Future minimum lease payments for these leases are as follows:

Years ending June 30:		
2009	$	330,506
2010		342,810
2011		22,908
2012		15,545
2013		847
2014 and thereafter		-
	$	712,616

11. 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 $361,328, $301,983 and $263,313 for the years ended June 30, 2008, 2007 and 2006, respectively. Substantially all full time employees participate in this plan.

11. RETIREMENT PLAN - continued

Presented below is the June 30, 2008, Statement of Fiduciary Net Assets and Statements of Change in Net Assets:

Statement of Fiduciary Net Assets

Assets:		
Cash	$	23,941
Self-directed accounts (cash and investments)		1,651,831
Guaranteed Account		2,621
Participant loans receivable		38,162
Total assets	$	1,716,555
Net assets:		
Pension plan participants' benefits	$	1,716,555

Statement of Changes in Net Assets

Additions:		
Investment earnings	$	(91,969)
Employer contributions		361,328
Rollover contributions		34,297
Employee contributions		120,951
Total additions		424,607
Deductions:		
Distributions to participants		(405,013)
Investment expenses		(13,925)
Total deductions		(418,938)
Change in net assets		5,669
Net assets - beginning		1,710,886
Net assets - ending	$	1,716,555

11. 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, 2008 were $14,106.

12. COMPENSATED ABSENCES

During the year ended June 30, 2008, the following changes occurred in the compensated absences liabilities:

	Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008
$	192,088	214,582	206,434	200,236

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.

13. AGENCY TRANSACTIONS

- **Bond Issues**

In 2003, the State Legislature authorized the issuance of $1.6 billion in bonds to fund statewide transportation expansion and improvement projects known as Governor Richardson's Investment Partnership (GRIP). The Authority was authorized to issue $1.6 billion in bonds (the Bonds) in several installments on behalf of the New Mexico Department of Transportation (NMDOT). The Bonds were issued by the Authority as agent for the NMDOT. The Bonds are liabilities of NMDOT, not the Authority, and are not included in the Authority's financial statements.

13. AGENCY TRANSACTIONS - continued

- **Bond Issues – continued**

In May 2004, the Authority issued the following bonds pursuant to the GRIP legislation:

		Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
State Transportation Revenue Bonds (Senior Lien) Series 2004A	$	700,000,000	743,556,815	43,556,815	7,987,367
State Transportation Refunding: Revenue Bonds (Subordinate Lien) Series 2004B		237,950,000	254,297,187	16,347,187	2,980,638
Series 2004C (Adjustable Rate)		200,000,000	200,000,000	-	2,505,264
Total	$	1,137,950,000	1,197,854,002	59,904,002	13,473,269

The proceeds of the Series 2004A issuance were used to fund the construction of GRIP transportation projects. The proceeds of the Series 2004B and 2004C issuances were used to advance refund certain older debt issues of the NMDOT. The proceeds were used to purchase U.S. government securities which were deposited in an irrevocable trust to provide for all future debt service payments on the refunded issues. The bonds issued in 2004 the 2006 bonds discussed below, and any subsequent bonds that may be issued in the future are special, limited obligations of the NMDOT, payable solely from certain federal funds that are paid into the State Road Fund, certain taxes and fees that are required to be paid into the State Road Fund, and certain taxes and fees required by law to be paid into the Highway Infrastructure Fund.

In December, 2006, the Authority issued the following additional bonds pursuant to the GRIP legislation:

		Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
State Transportation Revenue Bonds (Senior Lien) Series 2006A	$	150,000,000	160,886,296	10,886,296	1,192,789
State Transportation Revenue and Refunding Bonds (Subordinate Lien) Series 2006B		40,085,000	41,797,863	1,712,863	352,732

13. AGENCY TRANSACTIONS - continued

- **Bond Issues – continued**

		Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien) Series 2006C Subseries C-1through C-3	$	220,000,000	200,000,000	-	1,698,064
Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien) Series 2006D (Taxable) Subseries D-1 through D-2		50,400,000	50,400,000	-	400,000
Total	$	460,485,000	473,084,159	12,599,159	3,643,585

With the exception of $10,071,197 deposited to an escrow account for refunded bonds, all of the net proceeds of the 2006 bonds were used to fund GRIP transportation projects.

- **GRIP Administrative fee**

For services provided by the Authority in the issuance and administration of the Bonds, NMDOT pays an annual fee to the Authority of twenty-five basis points of the outstanding principal balance of the Bonds. One-half of the fee is set aside by the Authority in the Local Transportation Infrastructure Fund ("LTIF") to fund local highway and transportation projects.

For the year ended June 30, 2008, the Authority received 2,882,887 in administrative fees related to the Bonds. One-half of this amount was deposited in the LTIF, the remaining one-half was recorded as revenue to the Authority.

At June 30, 2008, the Trustee for the Bonds held $380,172,840 in cash in various program and debt service accounts related to the Bonds.

- **Refunding of Variable Rate Bonds**

The 2004C, 2006C, and 2006D Series bonds were issued as Auction Rate Securities ("ARS"). ARS are one of the two principal types of securities for which interest rates are reset in a periodic auction process. For each of these Series, the rates were reset in weekly auctions. All of the bonds were insured by certain municipal bond insurance companies. In late 2007 and early 2008, the market for ARS was negatively impacted by a number of factors, the principal event being downgrades of the ratings of certain insurers of ARS. These downgrades and other events caused the weekly auctions of the bonds to "fail', meaning that insufficient bids were received to permit resale of all of the bonds. In the event of a

13. AGENCY TRANSACTIONS - continued

- **Refunding of Variable Rate Bonds**

failed auction, no bonds are resold, even though some bids were received. In a failed ARS suction, the existing holders of the bonds must continue to hold their bonds until the next successful auction. The procedures applicable to a failed auction included a provision that the interest rate on the bonds resets to a default rate. In the case of the 2004C bonds, the default rate was one-month LIBOR plus 175 basis points. The default rate for the 2006C and D bonds was 12%.

In April and May, 2008, the Authority refunded all of the ARS Series 2004C, 2006C, and 2006D, reissuing the bonds as Variable Rate Demand Notes (VRDN). The interest rates for these bonds reset in weekly auctions, as was the case for the ARS. The principal difference between the ARS and the VRDN is that the ARS were credit-enhanced with insurance, while the VRDN are supported by bank letters of credit. The following bonds were issued:

		Par Value
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A	$	115,200,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B		220,000,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C		84,800,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008D (Taxable)		50,400,000
Total	$	460,400,000

All of the above refunding bonds were issued at par. The DOT provided additional funds totaling $2,641,872 to pay for the cost of issuance of the bonds.

- **Derivative Instruments**

At the time of the 2004 GRIP bond issuance, the Authority entered into interest rate exchange agreements ("swaps") with respect both to the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately-starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

13. AGENCY TRANSACTIONS - continued

- **Derivative Instruments - continued**

In all of the swaps, the Authority receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has the effect of converting the variable rate bonds to "synthetic fixed-rate" issues.

As in the case of the GRIP bonds, the Authority has entered into the swaps as an agent for the DOT, and no amounts with respect to the swap transactions appear in the Authority's financial statements. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the 2008 A through D Series).

- **Objectives of the Swaps**

The Authority's objective in entering into the swap agreements was to obtain a lower interest cost for the 2004 bonds than could have been obtained at the time had they been issued as fixed-rate bonds. With respect to the planned 2006, issuance, the Authority believed in 2004 that it would be desirable to "lock in" a synthetic fixed rate of 5% or less for a portion of the bonds anticipated to be issued in 2006.

- **Significant Terms**

2004 Swaps:

Counterparty	Royal Bank of Canada	Goldman Sachs	Lehman Brothers*
Notional Amount	$100,000,000	$50,000,000	$50,000,000
Receipt Rate	68 % of 1 month LIBOR**	68 % of 1 month LIBOR**	68 % of 1 month LIBOR**
Payment Rate (Synthetic Fixed Rate)	3.934%	3.934%	3.934%
Embedded Option(s)	None	None	None
Effective Date	May 20, 2004	May 20, 2004	May 20, 2004
Termination Date:	June 15, 2024	June 15, 2024	June 15, 2024

* On October 6, 2008, as discussed below, Lehman Brothers was replaced as the counterparty by Deutsche Bank. The significant terms of the Deutsche Bank swap are the same as the Lehman Brothers swap.

**For the period May 20, 2004 to June 15, 2006 the rate was the BMA Municipal Swap Index

13. AGENCY TRANSACTIONS - continued

- **Significant Terms - continued**

2006 Forward Starting Swaps:

Counterparty	JPMorgan Chase Bank	UBS AG
Notional Amount	$110,000,000	$110,000,000
Receipt Rate	SIFMA Municipal Swap Index	SIFMA Municipal Swap Index
Payment Rate	5.072%	5.072%
Embedded Option(s)	"Knockout" option – Counterparty may cancel if the index remains above 7% for more than 180 days	"Knockout" option – Counterparty may cancel if the index remains above 7% for more than 180 days
Option premium to the Authority	0.34%	0.34%
Net payment rate ("Synthetic Fixed Rate"), equals the payment rate less option premium	4.732%	4.732%
Effective Date	December 15, 2006	December 15, 2006
Termination Date:	December 15, 2026	December 15, 2026

No cash was paid or received at the initiation of any of the above swaps.

13. AGENCY TRANSACTIONS - continued

- **Fair Value**

The estimated fair value of the swaps at June 30, 2008 was as follows:

Counterparty		Notional Value	Fair Value*
Goldman Sachs	$	50,000,000	(3,617,674)
Lehman Brothers		50,000,000	(3,592,705)
Royal Bank of Canada		100,000,000	(7,235,348)
JPMorgan Chase Bank		110,000,000	(16,441,991)
UBS AG		110,000,000	(16,441,991)
Total	$	420,000,000	(47,329,709)

*The Fair Value is the estimated amount that would have been received by or paid to the Authority if the agreements had been terminated at June 30, 2008 under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2008. Negative amounts indicate payments that would have been made by the Authority to the counterparties.

- **Associated Debt**

Variable Rate Debt*			2008 Debt Service Principal	2008 Debt Service Interest	Net Swap Payments Made (Received)	Total	Actual Synthetic Fixed Rate
Series 2008A and C	$	200,000,000	-	7,520,995	1,864,390	9,385,385	4,693%
Series 2008B		220,000,000	-	8,360,775	2,890,693	11,251,468	5.114%

*The interest and swap payments for these bonds include the payments for the 2004 and 2006 Series bonds that that the 2008 series bonds replaced during the fiscal year.

- **Replacement of Counterparty**

The terms of the Authority's agreements with the swap counterparties provide that a bankruptcy filing is an event that terminates the agreement. In September 2008, Lehman Brothers, one of the counterparties for the 2004 swaps, filed for bankruptcy. The Authority evaluated a number of options and replaced Lehman Brothers with Deutsche Bank as the counterparty for this swap. All significant terms of the new agreement with Deutsche Bank remain the same as the original Lehman Brothers agreement. At the closing of the transaction on October 6, 2008, Deutsche Bank paid the then-current termination value as provided by the original agreement. The amount paid was calculated pursuant to the agreement to be $4,840,000. This was approximately $300,000 greater than the amount due Lehman

13. AGENCY TRANSACTIONS - continued

- **Replacement of Counterparty - continued**

Brothers, which was calculated, per the agreement, as of September 23, 2008, a termination date triggered by the bankruptcy filing. The excess funds were deposited in a debt service account and will be used to make debt service payments on the bonds.

Credit Risk

Credit risk is the possibility that a counterparty will not fulfill its obligations.

The credit ratings of the counterparties, at October 10, 2008, were:

	Moody's	S&P	Fitch
Royal Bank of Canada	Aaa	AA-	AA
Goldman Sachs	Aaa	AAA	NR
Deutsche Bank	Aa1	AA-	AA-
JP Morgan Chase	Aaa	AA	AA-
UBS AG	Aa2	AA-	AA-

Presently, the Authority has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to the Authority if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. No termination value currently exceeds these limits, and, accordingly, no collateral is posted. The swap agreements permit the netting of amounts owed between the Authority and the counterparty, mitigating, to some extent, the level of credit risk that would exist if the Authority were owed a termination value by a counterparty. The authority believes it has an adequate degree of diversification with regard to counterparties.

Interest Rate Risk

The knock-out option in the 2006 swaps leaves the Authority open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and the Authority would have outstanding unhedged variable rate debt in a 7% interest rate environment.

Basis Risk

Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. The Authority has little or no such risk with respect to the 2004 bonds as the 2004 swaps pay a variable rate equal to the SIFMA Municipal Swap index which has very closely approximated, historically, the rates paid on variable rate municipal debt. The Authority has basis risk, however, with respect to the 2006 swaps. The variable rate the Authority

13. AGENCY TRANSACTIONS - continued

- **Risks - continued**

Basis Risk - continued
receives with respect to the 2006 swaps is 68% of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal; Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2006 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated.

One event that would cause a divergence between the indices is a significant change in U.S. income tax rates. This might result in 68% of LIBOR no longer approximating the tax-exempt rate set by the market for the Authority's variable rate debt.

- **Termination Risk**

The unplanned termination of one or more of the swaps exposes the Authority to the possibility that the synthetic fixed rate expected to be obtained on the variable rate debt will not, in fact, be achieved. The swap agreements contain the standard ISDA provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, the Authority, but not the counterparties, can terminate the swaps at any time with 30-day notice. As discussed above, an unplanned termination occurred due to the bankruptcy filing by Lehman Brothers. In this situation, the Authority was successful in replacing the counterparty with another on the same terms, resulting in no loss to the Authority. There can be no assurance that the same result could be obtained if other unplanned terminations occur in the future.

14. SUBSEQUENT EVENTS

After June 30, 2008, 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 – Town of Bernalillo	7/11/2008	$ 1,016,321
DL – Catron County – Quemado Lake VFD	7/18/2008	101,500
DL – Sierra SWCD	7/18/2008	133,658
DL – Village of Willard	7/18/2008	225,993
DL – City of Santa Fe	8/1/2008	3,610,000
DL – City of Sunland Park	8/15/2008	186,690
DL – Cuba SWCD	8/22/2008	24,360
DL – Village of Reserve	8/22/2008	101,500
DL – Torrance County	9/5/2008	30,450
DL – City of Las Cruces	9/12/2008	1,708,755
DL – Town of Lake Arthur	9/19/2008	56,995
DL – Valencia County – Highland Meadows VFD	9/19/2008	137,025
DL – Upper Chama SWCD	9/19/2007	218,245
DL – Otero County – 16 Springs VFD	9/26/2008	162,400
Water Project Fund/Water Trust Board:		
WPF/WTB – Claunch Pinto Soil and Water Conservation District	7/18/2008	600,000
WPF/WTB – Santo Domingo Pueblo	8/1/2008	293,000
WPF/WTB – City of Lordsburg	8/22/2008	850,000
WPF/WTB – NM Interstate Stream Commission	8/29/2008	750,000
WPF/WTB – NM Interstate Stream Commission	8/29/2008	2,000,000
WPF/WTB – City of Clovis – ENMRWA	9/5/2008	1,250,000
WPF/WTB – City of Clovis – ENMRWA	9/5/2008	2,271,400
Planning Grant Fund:		
P/G – Ancones MDWCA	7/11/2008	25,000
P/G – Sangre de Cristo Regional MDWCA	7/11/2008	18,000
P/G – Canjilon MDWCA & MSWA	8/8/2008	22,500
P/G – Sierra County	9/5/2008	50,000
Water Waste Water Grant Funding:		
WW – City of Moriarty	9/19/2008	396,000

14. SUBSEQUENT EVENTS - continued

PPRF Series 2008B. On October 16, 2008, the Authority issued $24,430,000 of Senior Lien Public Project Revolving Fund Series 2008 B Revenue Bonds. The 2008 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, and 2) pay costs incurred with the issuance of the Series 2008 B Bonds.

15. DEFICIT FUND / NET ASSETS

There are deficit fund balances of $56,065 in the Child Care Revolving Loan Fund, $426,720 in the New Mexico Tax Credits Fund and $13,377 in the Energy Efficiency Fund. The operating fund will cover the deficits in these 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 2009A-B Bonds, copies of the Indenture will be available at the principal office of the Representative. Subsequent to the offering of the Series 2009A-B 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 2009A-B Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Seventy-Second 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 2009A-B Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2009A-B Bonds and otherwise exercise ownership rights with respect to Series 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B Bonds, each June 1 and December 1, commencing December 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 2009A-B 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 2009A-B 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 2009A-B Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2009A-B 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.

"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 2009A-B 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 2009A-B 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 2009A Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009A, in an initial aggregate principal amount of $18,435,000.

"Series 2009A-B Bonds" means, collectively, the Series 2009A Bonds and the Series 2009B Bonds.

"Series 2009B Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009B, in an initial aggregate principal amount of $30,225,000.

"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.

"Underwriters" means, with respect to the Series 2009A-B Bonds, Merrill Lynch Pierce Fenner and Smith Incorporated, Piper Jaffray & Co., and Samuel A. Ramirez & Co., Inc.

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."

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.

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 2009A-B 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
1999-2008

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1999	1,808,082	279,040,168	0.8%	1.2%
2000	1,820,704	282,171,936	0.7	1.1
2001	1,828,330	285,039,803	0.4	1.0
2002	1,848,986	287,726,647	1.1	0.9
2003	1,867,909	290,210,914	1.0	0.9
2004	1,889,266	292,892,127	1.1	0.9
2005	1,912,884	295,560,549	1.3	0.9
2006	1,937,916	298,362,973	1.3	0.9
2007	1,964,402	301,290,332	1.4	1.0
2008	1,984,356	304,059,724	1.0	0.9

(Source: Population Division, U.S. Census Bureau, March 2009.)

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 1998-2007.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Growth 2006-2007	Growth 1998-2007
Total employment	945,474	951,156	972,954	977,815	987,693	1,013,107	1,038,845	1,051,704	1,091,651	1,115,677	2.20%	18.00%
Wage and salary employment	765,582	773,819	789,690	801,610	809,872	822,438	838,544	855,049	877,954	887,936	1.25	16.11
Proprietors employment	179,892	177,337	183,264	176,205	177,821	190,669	200,301	196,655	213,697	227,741	6.57	26.60
Farm proprietors employment	15,818	15,237	14,985	17,470	17,649	17,035	16,972	17,159	17,095	17,519	2.48	10.75
Nonfarm proprietors employment	164,074	162,100	168,279	158,735	160,172	173,634	183,329	179,496	196,602	210,222	6.93	28.13
Farm employment	23,203	21,982	21,760	24,091	24,038	23,855	23,757	24,550	24,318	24,575	1.06	5.91
Nonfarm employment	922,271	929,174	951,194	953,724	963,655	989,252	1,015,088	1,027,154	1,067,333	1,091,169	2.23	18.31
Private employment	723,483	730,406	748,804	748,250	754,776	775,615	797,520	808,390	853,037	881,017	3.28	21.77
Forestry, fishing, related activities and other[1]	7,469	7,250	7,144	7,019	7,284	7,080	7,132	7,219	7,164	7,086	(0.84)	(4.89)
Mining[2]	19,348	17,428	18,823	19,469	17,520	18,875	19,025	21,118	23,666	24,596	3.93	27.12
Utilities	4,253	4,214	4,312	4,272	4,100	4,120	4,063	4,082	4,142	4,397	6.16	3.39
Construction[3]	60,783	60,167	60,646	63,144	61,086	63,927	68,145	72,453	79,654	82,275	3.29	35.36
Manufacturing	48,246	46,895	47,294	46,001	43,939	41,770	40,954	41,083	42,857	42,563	(0.69)	(11.78)
Durable goods manufacturing[4]	35,139	33,902	33,888	32,671	30,887	28,868	28,162	28,412	29,877	29,705	(0.58)	(15.46)
Nondurable goods manufacturing[5]	13,107	12,993	13,406	13,330	13,052	12,902	12,792	12,671	12,980	12,858	(0.94)	(1.90)
Wholesale trade	27,862	27,634	28,022	27,970	27,181	26,761	27,441	28,248	29,419	30,243	2.80	8.55
Retail trade[6]	115,073	113,110	112,676	111,250	111,912	113,827	115,746	116,168	118,189	121,257	2.60	5.37
Transportation and warehousing[7]	24,726	24,310	24,903	23,854	23,930	23,920	24,980	25,077	26,060	27,625	6.01	11.72
Information[8]	16,468	17,287	18,194	19,331	18,584	17,942	17,238	17,240	18,511	18,663	0.82	13.33
Finance and insurance[9]	33,079	32,216	31,904	30,996	31,079	31,515	31,844	31,460	32,210	32,460	0.78	(1.87)
Real estate and rental and leasing[10]	26,192	27,250	30,598	29,117	29,489	32,319	34,859	35,664	38,754	41,905	8.13	59.99
Professional and technical services	59,006	60,081	62,146	60,386	60,693	64,443	67,459	66,884	75,824	81,750	7.82	38.55
Management of companies and enterprises	6,307	5,848	5,815	6,083	5,923	5,423	5,354	6,388	6,426	6,105	(5.00)	(3.20)
Administrative and waste services[11]	43,969	47,680	51,125	52,659	53,555	53,077	54,423	54,336	58,185	60,687	4.30	38.02
Educational services	10,457	11,067	11,411	11,826	12,535	13,936	14,838	15,015	15,850	16,645	5.02	59.18
Health care and social assistance[12]	82,368	85,883	89,726	89,614	96,323	102,830	107,352	108,336	112,171	115,090	2.60	39.73
Arts, entertainment and recreation[13]	18,359	19,294	19,605	18,570	19,496	20,722	21,479	21,062	22,081	22,823	3.36	24.32
Accommodation and food services[14]	70,552	72,611	74,398	76,403	77,903	79,733	80,498	81,137	84,443	85,528	1.28	21.23
Other services, except public administration[15]	48,966	50,181	50,062	50,286	52,244	53,395	54,690	55,420	57,431	59,319	3.29	21.14
Government and government enterprises[16]	198,788	198,768	202,390	205,474	208,879	213,637	217,568	218,764	214,296	210,152	1.93	5.72

(1) The “Forestry, fishing, related activities, and other” category includes: forestry and logging; fishing, hunting and trapping; agriculture and forestry support activities; and other.
(2) The “Mining” category includes: oil and gas extraction; mining (except oil and gas); and support activities for mining.
(3) The “Construction” category includes: construction of buildings; heavy and civil engineering construction; and specialty trade contractors.
(4) The “Durable good manufacturing” category includes: wood product manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment and appliance manufacturing; motor vehicles, bodies and trailers, and parts manufacturing; other transportation equipment manufacturing; furniture and related product manufacturing; and miscellaneous manufacturing.
(5) The “Nondurable goods manufacturing” category includes: food manufacturing; beverage and tobacco product manufacturing; textile mills; textile product mills; apparel manufacturing; leather and allied product manufacturing; paper manufacturing; printing and related support activities; petroleum and coal products manufacturing; chemical manufacturing; and plastics and rubber products manufacturing.
(6) The “Retail trade” category includes: motor vehicle and parts dealers; furniture and home furnishings stores; electronics and appliance stores; building material and garden supply stores; food and beverage stores; health and personal care stores; gasoline stations; clothing and clothing accessories stores; sporting goods, hobby, book and music stores; general merchandise stores; miscellaneous store retailers; and nonstore retailers.
(7) The “Transportation and warehousing” category includes: air transportation; rail transportation; water transportation; truck transportation; transit and ground passenger transportation; pipeline transportation; scenic and sightseeing transportation; support activities for transportation; couriers and messengers; and warehousing and storage.
(8) The “Information” category includes: publishing industries, except Internet; motion picture and sound recording industries; broadcasting, except Internet; Internet publishing and broadcasting; telecommunications; ISPs, search portals and data processing; and other information services.
(9) The “Finance and insurance” category includes: monetary authorities-central bank; credit intermediation and related activities; securities, commodity contracts, investments; insurance carriers and related activities; and funds, trusts and other financial vehicles.
(10) The “Real estate and rental and leasing” category includes: real estate; rental and leasing services; and lessors of nonfinancial intangible assets.
(11) The “Administrative and waste services” category includes: administrative and support services; and waste management and remediation services.
(12) The “Health care and social assistance” category includes: ambulatory health care services; hospitals; nursing and residential care facilities; and social assistance.
(13) The “Arts, entertainment and recreation” category includes: performing arts and spectator sports; museums, historical sites, zoos and parks; and amusement, gambling and recreation.
(14) The “Accommodation and food services” category includes: accommodation; and food services and drinking places.
(15) The “Other services, except public administration” category includes: repair and maintenance; personal and laundry services; membership associations and organizations; private households;
(16) The “Government and government enterprises” category includes: federal, civilian; military; state and local; and state government and local government.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, February 2009.)

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
1999-2008

	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
1999	840	139,439	793	133,414	5.5%	4.3%	128%
2000	853	142,278	811	136,531	4.9	4.0	123
2001	864	143,654	822	137,071	4.9	4.6	107
2002	872	144,803	824	136,413	5.6	5.8	97
2003[3]	889	146,485	836	137,474	6.0	6.2	97
2004[3]	902	147,692	850	139,556	5.7	5.5	104
2005[3]	918	149,445	871	142,029	5.1	5.0	102
2006[3]	935	151,414	897	144,427	4.1	4.7	87
2007[3]	945	153,101	912	145,972	3.5	4.7	74
2008[3]	959	154,506	919	145,596	4.2	5.8	72

(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 2004-2008 New Mexico figures reflect revised population controls, model re-estimation, and new seasonal factors, and that 2000 and 2003-2008 United States figures are affected by changes in population controls.

(Source: U.S. Department of Labor, Bureau of Labor Statistics, March 2009.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1999-2008

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
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	53,382,823	10,252,973,000	7.2	5.6
2006	56,870,351	10,978,053,000	6.5	7.1
2007	60,318,370	11,634,322,000	6.1	6.0
2008[1]	63,679,909	12,086,533,576	5.6	3.9

(1) Preliminary estimate.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2009.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1999-2008

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	N.M.	U.S.
1999	$21,042	27,939	75%	1.9%	3.9%
2000	22,144	29,847	74	5.2	6.8
2001	24,141	30,582	79	9.0	2.5
2002	24,330	30,838	79	0.8	0.8
2003	24,975	31,530	79	2.7	2.2
2004	26,366	33,157	80	5.6	5.2
2005	27,907	34,690	80	5.8	4.6
2006	29,346	36,794	80	5.2	6.1
2007	30,706	38,615	80	4.6	4.9
2008	32,091	39,751	81	4.5	3.5

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2009.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
1990, 2000, 2001 AND 2007

	New Mexico (Dollars in Thousands) 2007[1]	2001[1]	2000	1990	United States (Dollars in Millions) 2007[1]	2001[1]	2000	1990	Percent Change 2001-2007 N.M.	U.S.	Distribution of 2007 Wages and Salaries N.M.	U.S.
Farm Total	227,595	176,072	179,521	95,849	20,042	17,920	16,781	11,767	29.3%	11.84%	0.71%	0.32%
Non-Farm												
Private												
Agricultural Services, Forestry, Fishing	88,280	72,008	143,971	62,663	19,137	15,968	30,886	15,164	22.6	19.85	0.28	0.30
Mining	1,202,142	726,676	671,919	507,585	53,874	32,132	31,219	26,655	65.4	67.66	3.76	0.85
Construction	2,247,873	1,481,698	1,306,228	577,016	367,585	271,681	256,807	140,468	51.7	35.30	7.03	5.78
Manufacturing[2]	1,886,583	1,670,758	1,656,465	980,349	810,937	773,184	830,026	561,384	12.9	4.88	5.90	12.76
Transportation & Public Utilities[3]	1,548,282	1,239,195	1,351,378	884,830	340,493	295,851	313,333	179,390	24.9	15.09	4.85	5.36
Wholesale Trade	1,114,180	834,834	950,471	552,522	369,146	283,974	332,549	189,402	33.5	29.99	3.49	5.81
Retail Trade[4]	3,360,680	2,564,031	2,434,023	1,316,067	571,382	463,539	449,642	264,791	31.1	23.27	10.52	8.99
Finance, Insurance & Real Estate[5]	1,485,740	1,060,638	1,027,385	543,814	622,750	444,684	431,911	207,758	40.1	40.04	4.65	9.80
Services[6]	10,578,618	6,633,316	5,916,169	2,945,866	2,119,125	1,535,895	1,382,404	644,429	59.5	37.97	33.11	33.34
Total Private	23,512,378	16,283,154	15,458,009	8,370,712	5,274,429	4,116,908	4,058,777	2,229,441	44.4	28.12	73.58	82.99
Government												
Federal, Civilian	1,911,686	1,366,112	1,280,241	917,118	181,868	134,679	135,011	99,598	39.9	35.04	5.98	2.86
Military	666,286	495,168	477,480	440,596	86,314	54,970	50,520	46,332	34.6	57.02	2.09	1.36
State & Local	5,636,256	4,700,434	4,374,109	2,472,762	792,613	615,467	572,880	356,505	19.9	28.78	17.64	12.47
Total Government	8,214,228	6,561,714	6,131,830	3,830,476	1,060,795	805,116	758,411	502,435	25.2	31.76	25.71	16.69
Non-Farm Total:	31,726,601	22,844,868	21,589,839	12,201,188	6,335,224	4,922,024	4,817,188	2,731,876	38.9	28.71	99.29	99.68
Total	31,954,201	23,020,940	21,769,360	12,297,037	6,355,266	4,939,944	4,833,969	2,743,643	38.8%	28.65	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 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 2009A and Series 2009B

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 2009A in the aggregate principal amount of $18,435,000 (the "Series 2009A Bonds") and its Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009B in the aggregate principal amount of $30,225,000 (the "Series 2009B Bonds," and together with the Series 2009A Bonds, the "Series 2009A-B Bonds"). The Series 2009A-B 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 2009A-B 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 2009A-B 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"), by and between Sunwest Bank, National Association, Albuquerque, New Mexico, as the predecessor Trustee, and as further supplemented by a Seventy-Second Supplemental Indenture of Trust dated as of May 1, 2009 (together with the General Indenture, the "Indenture"), by and between the NMFA and the Bank of Albuquerque, N.A., Albuquerque, New Mexico, as trustee (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 of New Mexico (the "State"), duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 2009A-B 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 2009A-B Bonds subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2009A-B 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 2009A-B 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. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on or ownership of the Series 2009A-B Bonds.

5. The interest on the Series 2009A-B Bonds is exempt from State personal income taxes.

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

(a) the rights of the holders of the Series 2009A-B Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2009A-B Bonds or any other offering material relating to the Series 2009A-B 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 and they should not 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 2009A-B Bonds, payment of principal, premium, if any, interest on the Series 2009A-B Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2009A-B 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 2009A-B Bonds. The Series 2009A-B 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 2009A-B Bond certificate will be issued for each maturity of the Series 2009A-B 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 2009A-B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A-B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009A-B 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 2009A-B 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 2009A-B Bonds, except in the event that use of the book-entry system for the Series 2009A-B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009A-B 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 2009A-B 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 2009A-B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B 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 2009A-B Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2009A-B 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 2009A-B 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

2009A-B GOVERNMENTAL UNITS AND LARGEST REPAYMENT OBLIGATIONS

2009A-B Governmental Units

As previously stated, a portion of the proceeds of the Series 2009A-B Bonds is being used to reimburse the NMFA for Loans previously made or to be made to the 2009A-B Governmental Units. The 2009A-B 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
Village of Angel Fire	$167,212.00	$16,720.56	5/1/2018
Village of Angel Fire	395,000.00	39,500.00	5/1/2018
Village of Angel Fire	201,000.00	20,100.00	5/1/2013
Lincoln County	205,315.00	20,531.50	5/1/2019
Lincoln County	225,933.00	22,593.30	5/1/2019
City of Alamogordo	196,910.00	–	5/1/2017
Quay County	192,850.00	–	5/1/2021
City of Raton	2,410,000.00	230,006.25	5/1/2033
Town of Clayton	278,110.00	–	5/1/2014
Otero County	293,712.00	29,371.20	5/1/2019
Sierra County	399,379.00	28,476.68	5/1/2031
City of Truth or Consequences	2,958,802.00	264,918.91	5/1/2029
General Services Department	2,456,300.00	–	6/1/2038
Socorro County	446,069.00	29,476.06	5/1/2029
Socorro County	338,898.00	33,889.80	5/1/2019
Torrance County	493,201.00	35,911.64	5/1/2029
Otero County	233,450.00	–	5/1/2019
Otero County	182,700.00	–	5/1/2019
Otero County	189,783.00	18,978.30	5/1/2019
Sierra County	438,147.00	31,671.64	5/1/2029
Department of Cultural Affairs	368,780.00	–	5/1/2020
City of Santa Rosa	347,753.00	–	5/1/2017
City of Alamogordo[2]	5,575,000.00	451,625.00	6/1/2029
City of Rio Rancho Special Assessment District No. 7[2][3]	5,000,000.00	–	6/1/2025
Village of Angel Fire Public Improvement District[2][3][4]	25,250,000.00	–	8/1/2038
TOTAL	$49,244,304.00		

(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 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 2009A-B Bonds upon the satisfaction of certain conditions.

(3) Represents loans that are expected to be funded with proceeds of the Series 2009B Bonds. All other Loans will be funded with the proceeds of the Series 2009A Bonds.

(4) See "Agreements Generating Largest Amount of Agreement Revenues–Angel Fire Public Improvement District" below.

(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 $95,804,075 and are scheduled to mature on June 1, 2038.

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 on June 1, 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 on June 1, 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.

Angel Fire Public Improvement District. The NMFA has made a loan (the "Original Angel Fire Loan") to the Angel Fire Public Improvement District (the "Angel Fire District") and the NMFA expects to make an additional loan to the Angel Fire District with a portion of the proceeds of the Series 2009B Bonds (the "Subsequent Angel Fire Loan," and collectively with the Original Angel Fire Loan, the "Angel Fire Loans"). Proceeds from the Angel Fire Loans are expected to be applied to finance infrastructure improvements within the Angel Fire District. It is anticipated that the public improvements will consist of road work, PVC water lines and PVC sanitary sewer lines. If the Subsequent Angel Fire Loan is consummated, the Angel Fire Loans will be outstanding in the aggregate principal amount of $26.25 million and will be scheduled to mature in August 2038. The Angel Fire District plans to pledge to the NMFA its Special Tax Levy for repayment of the Angel Fire Loans. The Special Tax Levy will be an annual special levy assessed on all the property within the Angel Fire District. Such annual levy for debt service will create a lien, which can be enforced personally against the owner of the property or enforced by sale of the property (which can commence within 6 months from delinquency).

An action was recently filed against the Angel Fire District, and others, including the NMFA, which challenges the creation of the Angel Fire District. If the action is decided in favor of the petitioners, the Angel Fire District would not be considered to be properly created and any actions taken by the Angel Fire District, including the Angel Fire Loans, would be void and unenforceable. Proceeds from the Series 2009B Bonds intended to fund the Subsequent Angel Fire Loan will be held in trust with the Trustee until such time that the action is resolved. In the event the Angel Fire District is determined not to be properly formed, the NMFA will not fund the Subsequent Angel Fire Loan and will not apply proceeds from the Series 2009B Bonds that were intended to be used to fund the Subsequent Angel Fire Loan for that purpose. Instead the NMFA expects to apply such proceeds to fund Loans to other Governmental Units or to redeem a corresponding amount of Series 2009B Bonds at the time they become subject to redemption. See "THE SERIES 2009A-B BONDS—Redemption–Optional Redemption–Series 2009B Bonds" herein. The NMFA believes that the selection of any of the aforementioned courses of action will not materially adversely affect payment of debt service on the Series 2009 Bonds since the NMFA will replace the stream of Revenues that would have been provided by the Angel Fire Loans with another stream of Revenues that would be provided by any such Loans or the amount of debt service on the Series 2009 Bonds will be reduced by redeeming a portion of the Series 2009B Bonds.

State Department of Health—Cigarette Tax Bonds. In the event that the Subsequent Angel Fire Loan is not executed, the Agreement that would represent the fifth largest repayment obligation is the obligation of the State Department of Health. 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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NEW MEXICO FINANCE AUTHORITY • SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2009A AND SERIES 2009B

New Mexico FINANCE AUTHORITY

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NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Special Tax Counsel to the NMFA, interest on the Series 2009C Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2009C Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includable in adjusted current earnings for purposes of corporate AMT. Special Tax Counsel is also of the opinion that, under the laws of the State of New Mexico as currently enacted and construed, interest on the Series 2009C Bonds is excludable from net income of the owners thereof for State of New Mexico income tax purposes. Such Special Tax Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009C Bonds. See "TAX MATTERS."

New Mexico FINANCE AUTHORITY

$55,810,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2009C

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 2009C 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 2009C Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each maturity of the Series 2009C Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2009C Bonds will be made in book-entry form only, and beneficial owners of the Series 2009C 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 2009C Bonds.

The Series 2009C Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2009C Bonds accrues from the date of initial delivery of the Series 2009C Bonds and is payable on June 1 and December 1 of each year, commencing December 1, 2009. Principal of the Series 2009C 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 2009C Bonds are subject to redemption prior to maturity.

Proceeds of the Series 2009C Bonds will be used by the NMFA for the purpose of purchasing securities from the New Mexico Spaceport Authority that will be issued to finance a Project for such governmental entity. The principal of and premium, if any, and interest on the Series 2009C 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 2009C 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 2009C 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 2009C 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 2009C 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 2009C Bonds will be passed on by Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, Bond Counsel to the NMFA. Certain legal matters with respect to the tax status of the interest paid on the Series 2009C Bonds will be passed on by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Special Tax 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 issuance of Series 2009C Bonds. It is expected that a single certificate for each maturity of the Series 2009C Bonds will be delivered to DTC or its agent on or about July 16, 2009.

RBC Capital Markets

Samuel A. Ramirez & Co., Inc. Goldman, Sachs & Co.

This Official Statement is dated June 25, 2009 and the information contained herein speaks only as of that date.

NEW MEXICO FINANCE AUTHORITY

$55,810,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS,
SERIES 2009C

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2010	$2,025,000	2.500%	0.580%	64711N FX 8
2011	1,905,000	3.000	1.330	64711N FY 6
2012	525,000	2.500	1.800	64711N FZ 3
2012	1,440,000	3.000	1.800	64711N GT 6
2013	920,000	2.750	2.240	64711N GA 7
2013	100,000	4.000	2.240	64711N GU 3
2013	1,000,000	5.000	2.240	64711N GV 1
2014	1,660,000	3.000	2.700	64711N GB 5
2014	440,000	4.000	2.700	64711N GW 9
2015	2,165,000	5.000	2.950	64711N GC 3
2016	400,000	3.500	3.200	64711N GD 1
2016	175,000	4.000	3.200	64711N GX 7
2016	1,700,000	5.000	3.200	64711N GY 5
2017	525,000	4.000	3.480	64711N GE 9
2017	1,855,000	5.000	3.480	64711N GZ 2
2018	650,000	4.000	3.690	64711N GF 6
2018	1,845,000	5.000	3.690	64711N HA 6
2019	565,000	4.000	3.850	64711N GG 4
2019	2,050,000	5.000	3.850	64711N HB 4
2020	1,740,000	4.000	4.060	64711N GH 2
2020	1,000,000	5.000	4.060(c)	64711N HC 2
2021	1,855,000	4.125	4.180	64711N GJ 8
2021	1,000,000	5.000	4.180(c)	64711N HD 0
2022	1,640,000	4.250	4.280	64711N GK 5
2022	1,345,000	5.000	4.280(c)	64711N HE 8
2023	550,000	4.375	4.380	64711N GL 3
2023	2,570,000	5.000	4.380(c)	64711N HF 5
2024	2,100,000	4.400	4.460	64711N GM 1
2024	1,175,000	5.000	4.460(c)	64711N HG 3
2025	2,205,000	4.500	4.540	64711N GN 9
2025	1,220,000	5.000	4.540(c)	64711N HH 1
2026	425,000	4.600	4.620	64711N GP 4
2026	3,160,000	5.000	4.620(c)	64711N HJ 7
2027	400,000	4.625	4.700	64711N GQ 2
2027	3,360,000	5.250	4.700(c)	64711N HK 4
2028	3,955,000	5.250	4.770(c)	64711N GR 0
2029	2,060,000	4.800	4.860	64711N GS 8
2029	2,105,000	5.250	4.860(c)	64711N HL 2

† 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 2009C 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 2009C Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2009C 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, 2019.

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 2009C 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 2009C 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 contained in the Official Statement including under the captions "THE PLAN OF FINANCING—Estimated Sources and Uses of Funds" and "ANNUAL DEBT SERVICE REQUIREMENTS." 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 or prices at which the Series 2009C Bonds are offered to the public may vary from the initial reoffering yields or prices shown on the inside front cover page of this Official Statement. In connection with this offering, the initial purchasers of the Series 2009C Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2009C 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 2009C Bonds.

THE SERIES 2009C 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 2009C 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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Salt Lake City, Utah

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

(1) Appointed by the Governor of the State in March 2009. Such individuals are awaiting confirmation by the New Mexico State Senate during its next legislative session, scheduled for 2010. See "NEW MEXICO FINANCE AUTHORITY—Governing Body and Key Staff Members."

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

$55,810,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS,
SERIES 2009C

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page, and appendices, provides information in connection with the offer and sale of the $55,810,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009C (the "Series 2009C Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2009C 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-Third Supplemental Indenture of Trust, dated as of June 1, 2009 (the "Seventy-Third 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 "Certain 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, 2008 included as APPENDIX A hereto.

Authority and Purpose

The Series 2009C 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 2009C Bonds will be used by the NMFA for the purpose of purchasing securities from the New Mexico Spaceport Authority (the "2009C Governmental Unit") that will be issued to finance a Project for the 2009C Governmental Unit (the "2009C Project"). See "THE PLAN OF FINANCING" and "APPENDIX G" for a description of the 2009C Governmental Unit, the amount of obligations to be purchased from such 2009C Governmental Unit (the "2009C Governmental Unit Bonds") and the revenues pledged to the repayment of the 2009C Governmental Unit Bonds. The NMFA has previously made and may in the future make Loans to "qualified entities" under the Act to finance a Project. Such entities are known as "Governmental Units." See "APPENDIX F" for a brief description of the Loans representing the five largest repayment obligations.

Parity Obligations

Bonds with a lien on the Trust Estate in parity with the lien of the Series 2009C 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 2009C Bonds

The Series 2009C Bonds will be dated the date of their initial delivery. Interest on the Series 2009C Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2009. The Series 2009C 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 2009C 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 2009C 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 2009C 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 2009C Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2009C 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 2009C 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 2009C Bonds are subject to redemption prior to maturity. See "THE SERIES 2009C BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2009C 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 2009C 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 2009C 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 2009C 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 2009C 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 such 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 2009C Bond Owners that, so long as the Series 2009C Bonds remain outstanding, the NMFA will provide (i) 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, and (ii) notice of certain material events to the Municipal Securities Rulemaking Board in an electronic format in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). The provisions of the Continuing Disclosure Undertaking may be amended under certain circumstances. 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 those times 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.

Tax Considerations

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Special Tax Counsel to the NMFA, interest on the Series 2009C Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2009C Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includable in adjusted current earnings for purposes of corporate AMT.

Special Tax Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2009C Bonds.

Special Tax Counsel is also of the opinion that, under the laws of the State of New Mexico as currently enacted and construed, interest on the Series 2009C Bonds is excludable from net income of the owners thereof for State of New Mexico income tax purposes. See "TAX MATTERS" herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2009C 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-1. Certain legal matters with respect to the tax status of the interest paid on the Series 2009C Bonds will be passed upon by Ballard Spahr Andrews & Ingersoll, LLP, Special Tax Counsel to NMFA and will deliver its opinion in the form included in APPENDIX D-2. 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, Lake Oswego, Oregon has acted as financial advisor to the NMFA (the "Financial Advisor") in connection with its issuance of the Series 2009C Bonds. See "FINANCIAL ADVISOR."

The NMFA's audited financial statements for the fiscal year ended June 30, 2008, 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 2009C Bonds

The Series 2009C 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 2009C Bonds will be delivered to DTC or its agent on or about July 16, 2009. The Series 2009C Bonds will be distributed in the initial offering by RBC Capital Markets Corporation, Samuel A. Ramirez & Co., Inc. and Goldman, Sachs & Co. (collectively, the "Underwriters") for which RBC Capital Markets Corporation 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 2009C Bonds.

THE SERIES 2009C BONDS

General

The Series 2009C Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2009C 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 December 1, 2009. The Series 2009C Bonds will be issued in the aggregate principal amount and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2009C 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 2009C Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount and maturity of each of the Series 2009C Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2009C Bonds will be made in book-entry only form, and beneficial owners of the Series 2009C 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 2009C 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 2009C Bonds maturing on or after June 1, 2020, are subject to optional redemption at any time on and after June 1, 2019, 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 2009C Bonds to be redeemed, but without premium.

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 2009C Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2009C 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 2009C 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 2009C 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 G for a description of the 2009C Governmental Unit and the Loan financed with the Series 2009C 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 2009-2010. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

Type of Revenue	FY 2009-2010 Amounts	% of Total Agreement Revenues
Local Gross Receipts Tax	$21,097,119	27.00%
Enterprise System Revenues	19,718,605	25.23
General Obligation (ad valorem taxes)	12,824,937	16.41
Local Special Tax	11,895,501	15.22
State Gross Receipts Tax	6,383,740	8.17
Fire Protection Funds	3,126,067	4.00
Governmental Gross Receipts Tax	2,618,786	3.35
Special Assessments	440,501	0.56
Mill Levy	40,958	0.05
Total	$78,146,213	100.00%

Note: Totals may not add due to rounding.
(Source: The NMFA.)

The following table lists the ten Agreements that, based on scheduled payments in fiscal year 2009-2010 and assuming no prepayments of the Agreements, are expected to generate the largest Agreement Revenues in fiscal year 2009-2010. These ten Agreements comprise 44.46% of projected Agreement Revenues for fiscal year 2009-2010.

AGREEMENTS EXPECTED TO GENERATE THE LARGEST AGREEMENT REVENUES[1]

Borrower	FY 2009-2010 Debt Service	% of Total Pledged Revenues[1]
Albuquerque Bernalillo Water Utilities Authority (Enterprise System Revenues)	$10,460,749	13.39%
General Services Department (State Gross Receipts Taxes)	6,345,386	8.12
New Mexico Spaceport Authority (Gross Receipts Tax)	3,999,744	5.12
State Parks and Recreation Department (Governmental Gross Receipts Tax) [2]	2,618,786	3.35
Taos County (Gross Receipts Tax)	2,600,998	3.33
Department of Health (Cigarette Taxes)	2,346,148	3.00
City of Las Cruces (Lodgers Taxes)	1,797,435	2.30
Gadsden Independent Schools (Ad Valorem Taxes)	1,734,678	2.22
City of Las Cruces (Gross Receipts Tax)	1,445,312	1.85
Gallup-McKinley County Schools (Federal Impact Aid Payments)	1,396,929	1.79
Total	$34,746,163	44.46%

(1) Reflects a percentage of total loan agreement revenues, not including the NMFA Portion of Governmental Gross Receipts Taxes.
(2) Preliminary; subject to change. Assumes issuance of 2009C Governmental Unit Bonds. See "APPENDIX G—THE 2009C GOVERNMENTAL UNIT AND THE 2009C PROJECT."
(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—INFORMATION REGARDING THE 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 2004-2005 through 2008-2009.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2004-2005 THROUGH 2008-2009

	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009
Total Net Receipts	$24,582,478	$26,918,001	$27,936,430	$29,186,583	$29,478,440
NMFA Portion of the Governmental Gross Receipts Tax	$18,445,414	$19,689,576	$21,335,908	$21,431,489	$21,905,054

(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 2004-2005 through 2006-2007. 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

Entity	Fiscal Year 2004-2005 % of Total Net Receipts	Fiscal Year 2005-2006 % of Total Net Receipts	Fiscal Year 2006-2007 % 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
City of Carlsbad	1.87	1.75	1.71
County of Los Alamos	1.80	1.81	1.64
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 2009C 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.

<u>Debt Service Reserve Fund</u>. 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 2009C Bonds.

<u>Investment Earnings</u>. 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

<u>Covenants Applicable to the Series 2009C Bonds</u>. The NMFA covenants pursuant to the Seventy-Third Supplemental Indenture, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to the Loan originated with proceeds of the Series 2009C Bonds with debt service payable on the Series 2009C Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2009C 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 the Loan financed with proceeds of the Series 2009C 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 of the Series 2009C Bonds from which the Loan was initially funded and which Series 2009C Bonds 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 SERIES 2009C BONDS—Redemption."

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 2009C Bonds in Authorized Denominations, to their first optional redemption date as described under the caption "THE SERIES 2009C BONDS—Redemption," 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 2009C 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. During the fiscal years indicated below, the NMFA has 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	27	9,243,983

(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 on a parity with the Series 2009C 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 other Additional Bonds are not known as of the date of this Official Statement.

No Obligations Senior to the Series 2009C Bonds

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 June 15, 2009:

Series[(1)(2)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of June 15, 2009[(3)]
1999A	$13,135,000	$5,475,000
1999B	3,025,000	945,000
1999C	2,265,000	420,000
1999D	4,875,000	1,740,000
2002A	55,610,000	16,345,000
2003A	39,945,000	20,326,000
2003B	25,370,000	17,145,000
2004A-1	28,410,000	17,090,000
2004A-2	14,990,000	12,485,000
2004B-1	48,135,000	33,345,000
2004B-2	1,405,000	1,020,000
2004C	168,890,000	139,140,000
2005A	19,015,000	13,505,000
2005B	13,500,000	12,145,000
2006B	38,260,000	35,050,000
2006D	56,400,000	50,885,000
2007E	61,945,000	56,395,000
2008A	158,965,000	153,720,000
2008B	36,545,000	34,535,000
2008C	29,130,000	28,620,000
Total	$856,335,000	$650,331,000

(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) On June 18, 2009, the NMFA issued two additional series of Bonds under the Indenture: the Series 2009A Bonds in the amount of $18,435,000 (the "Series 2009A Bonds") and the Series 2009B Bonds in the amount of $30,225,000 (the "Series 2009B Bonds").

(3) 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 2009-2010 and assuming no prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2009-2010.

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 were outstanding as of June 15, 2009:

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of June 15, 2009[2]
2005C[3]	$50,395,000	$49,030,000
2005E	23,630,000	23,630,000
2005F	21,950,000	20,095,000
2006A	49,545,000	48,180,000
2006C	39,860,000	35,760,000
2007A	34,010,000	30,440,000
2007B	38,475,000	34,175,000
2007C	131,860,000	125,045,000
Total	$389,725,000	$366,355,000

(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 2009C 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 2009C Bonds will be used by the NMFA for the purpose of purchasing securities from the 2009C Governmental Unit that will be issued to finance the 2009C Project. See "APPENDIX G—THE 2009C GOVERNMENTAL UNIT AND THE 2009C PROJECT" for a description of the 2009C Governmental Unit and the 2009C Project.

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 2009C Bonds.

Sources of Funds	
Principal Amount	$55,810,000.00
2009C Governmental Unit Contribution	837,150.00
Net Reoffering Premium	2,194,732.00
Total Sources	$58,841,882.00
Uses of Funds	
Program Fund Accounts[1]	$58,000,000.00
Underwriter's Discount	311,078.50
Costs of Issuance and NMFA Processing Fee[2]	530,803.50
Total Uses	$58,841,882.00

(1) Amounts in the Program Fund Account of the 2009C Governmental Unit will be used to fund the Loan to the 2009C Governmental Unit at or about the same time as the issuance of the Series 2009C Bonds. See "APPENDIX G—THE 2009C GOVERNMENTAL UNIT AND THE 2009C PROJECT."

(2) Costs of Issuance include legal fees, rating agency fees, Trustee fees, financial advisory fees and other costs and expenses related to the issuance of the Series 2009C Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2009C Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

ANNUAL DEBT SERVICE FOR THE BONDS[1]

	Series 2009C Bonds			
Fiscal Year	Principal	Interest	Outstanding Parity Bonds	Total Annual Debt Service
2010	$2,025,000	$2,203,807	$72,385,462	$76,614,268
2011	1,905,000	2,468,011	71,973,456	76,346,467
2012	1,965,000	2,410,861	74,124,190	78,500,052
2013	2,020,000	2,354,536	71,829,499	76,204,035
2014	2,100,000	2,275,236	68,164,894	72,540,130
2015	2,165,000	2,207,836	67,052,550	71,425,387
2016	2,275,000	2,099,586	63,752,408	68,126,995
2017	2,380,000	1,993,586	52,710,301	57,083,887
2018	2,495,000	1,879,836	50,969,140	55,343,976
2019	2,615,000	1,761,586	47,402,517	51,779,103
2020	2,740,000	1,636,486	45,689,536	50,066,022
2021	2,855,000	1,516,886	43,574,171	47,946,057
2022	2,985,000	1,390,368	39,812,171	44,187,538
2023	3,120,000	1,253,418	35,456,020	39,829,437
2024	3,275,000	1,100,855	33,764,586	38,140,441
2025	3,425,000	949,705	29,418,841	33,793,546
2026	3,585,000	789,480	27,017,558	31,392,038
2027	3,760,000	611,930	25,798,879	30,170,809
2028	3,955,000	417,030	21,866,099	26,238,129
2029	4,165,000	209,393	17,436,491	21,810,884
2030	–	–	16,187,694	16,187,694
2031	–	–	16,187,275	16,187,275
2032	–	–	15,816,825	15,816,825
2033	–	–	13,816,438	13,816,438
2034	–	–	12,093,638	12,093,638
2035	–	–	10,763,213	10,763,213
2036	–	–	10,713,188	10,713,188
2037	–	–	3,506,675	3,506,675
2038	–	–	3,461,175	3,461,175
2039	–	–	1,740,750	1,740,750
Totals	$55,810,000	$31,530,433	$1,064,485,637	$1,151,826,070

(1) 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 2009C Bonds and all other outstanding Bonds and the resulting estimated annual coverage ratios. Revenues estimated for current and future fiscal years are based on fiscal year 2007-2008 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—Trust Estate—The Governmental Gross Receipts Tax," "—Agreement Revenues" and "—Additional Pledged Loans" for descriptions of the Revenues presented in the table under the headings "Governmental Gross Receipts Tax Collections" and "Top Payers of Governmental Gross

Receipts Taxes." 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(1)

June 30 Fiscal Year	NMFA Portion of Governmental Gross Receipts Tax(2)	Aggregate Pledged Borrower Payments(3)(4)	Estimated Total Revenues(4)	Total Annual Debt Service Requirement	Estimated Annual Coverage Ratios(5)
2010	$21,431,489	$79,079,377	$100,510,866	$76,614,268	1.31x
2011	21,431,489	78,802,197	100,233,686	76,346,467	1.31x
2012	21,431,489	80,334,171	101,765,660	78,500,052	1.30x
2013	21,431,489	79,371,063	100,802,552	76,204,035	1.32x
2014	21,431,489	75,431,442	96,862,931	72,540,130	1.34x
2015	21,431,489	74,650,005	96,081,494	71,425,387	1.35x
2016	21,431,489	70,231,014	91,662,503	68,126,995	1.35x
2017	21,431,489	60,237,246	81,668,735	57,083,887	1.43x
2018	21,431,489	58,009,194	79,440,683	55,343,976	1.44x
2019	21,431,489	54,133,636	75,565,125	51,779,103	1.46x
2020	21,431,489	52,833,877	74,265,366	50,066,022	1.48x
2021	21,431,489	50,128,714	71,560,203	47,946,057	1.49x
2022	21,431,489	46,629,538	68,061,027	44,187,538	1.54x
2023	21,431,489	40,931,330	62,362,819	39,829,437	1.57x
2024	21,431,489	39,180,669	60,612,158	38,140,441	1.59x
2025	21,431,489	34,529,272	55,960,761	33,793,546	1.66x
2026	21,431,489	31,881,041	53,312,530	31,392,038	1.70x
2027	21,431,489	30,922,961	52,354,450	30,170,809	1.74x
2028	21,431,489	26,356,485	47,787,974	26,238,129	1.82x
2029	21,431,489	21,907,873	43,339,362	21,810,884	1.99x
2030	21,431,489	16,260,080	37,691,569	16,187,694	2.33x
2031	21,431,489	16,262,174	37,693,663	16,187,275	2.33x
2032	21,431,489	15,878,555	37,310,044	15,816,825	2.36x
2033	21,431,489	13,869,621	35,301,110	13,816,438	2.56x
2034	21,431,489	12,128,702	33,560,191	12,093,638	2.78x
2035	21,431,489	10,798,235	32,229,724	10,763,213	2.99x
2036	21,431,489	10,796,767	32,228,256	10,713,188	3.01x
2037	21,431,489	3,593,298	25,024,787	3,506,675	7.14x
2038	21,431,489	3,592,562	25,024,051	3,461,175	7.23x
2039	21,431,489	1,807,580	23,239,069	1,740,750	13.35x

(1) Assumes that the Series 2009C Bonds are issued and outstanding.

(2) Reflects NMFA Portion of the Governmental Gross Receipts Tax collections from July 1, 2007 through June 30, 2008.

(3) 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. Assumes that the Loans financed with proceeds of the Series 2009A Bonds and Series 2009B Bonds are executed and delivered. Furthermore, assumes that the Angel Fire Loans (as defined in Appendix F) will be funded and Revenues payable under the Angel Fire Loans will be available for payment of debt service. See "APPENDIX F— INFORMATION REGARDING THE LARGEST REPAYMENT OBLIGATIONS—Action Involving Angel Fire Improvement District."

(4) Amounts are rounded to the nearest dollar.

(5) 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 Paul Gutierrez. 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
Rhonda G. Faught[(2)(3)]	Retired, Former Secretary of the New Mexico Department of Transportation	01/01/13
Stephen R. Flance[(3)] (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
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	01/01/12
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[(3)] (Treasurer)	President, First National Bank of New Mexico Clayton, New Mexico	01/01/12
Daniel Silva[(2)(3)]	Former State Representative Albuquerque, New Mexico	01/01/13

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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 in March 2009. Such individuals are awaiting confirmation by the New Mexico State Senate during its next legislative session, scheduled for January 2010, and will continue to serve until the expiration of such session if no confirmation is received. If the New Mexico State Senate confirms those individuals during its next session, the terms of such individuals will expire on January 1, 2013.

(3) 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 2009C 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 approximately 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.

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.

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; public recreation facilities; public transportation systems; 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 May 1, 2009, the NMFA had made 777 PPRF loans totaling approximately $1.537 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 2009C 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 NMFA, urgent economic development projects, loan originations, or addressing other purposes as determined by the NMFA. As of the date hereof, the Contingent Liquidity Account is funded to an amount of $29,600,000. 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 as of the date hereof.

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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	138,425,000	6/15/2014
Transportation	Highways	150,000,000	150,000,000	12/15/2026
Transportation	Highways	40,085,000	32,345,000	12/15/2026
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 2009C Bonds, the execution, adoption or effectiveness of the Indenture, or the levying or collection of any Revenues the loss of which would materially adversely affect the ability of the NMFA to pay debt service on the Series 2009C Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2009C 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 2009C Bonds. See "APPENDIX F—INFORMATION REGARDING THE LARGEST REPAYMENT OBLIGATIONS—Action Involving Angel Fire Public Improvement District" for a discussion regarding an action affecting one of the Loans expected to be financed with a portion of the proceeds of the Series 2009B Bonds.

UNDERWRITING

The Underwriters have agreed to purchase the Series 2009C Bonds from the NMFA pursuant to a Bond Purchase Agreement dated June 25, 2009 (the "Bond Purchase Agreement"), at a price of $57,693,653.50 (being the aggregate principal amount of the Series 2009C Bonds plus a net reoffering premium of $2,194,732.00, and less an Underwriters' discount of $311,078.50). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2009C 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 yields or prices at which the Series 2009C Bonds are offered to the public may vary from the initial public offering yields or 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

Federal Income Tax

Excludability of Interest. In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Special Tax Counsel to the NMFA, interest on the Series 2009C Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2009C Bonds, assuming the accuracy of the certifications of the NMFA and the 2009C Governmental Unit and continuing compliance by the

NMFA and the 2009C Governmental Unit with the requirements of the Internal Revenue Code of 1986 (the "Code"). Interest on the Series 2009C Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includable in adjusted current earnings for purposes of corporate AMT.

No Further Opinion. Special Tax Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2009C Bonds.

Original Issue Premium. Certain of the Series 2009C Bonds are offered at a premium ("original issue premium") over principal amount. Original issue premium is amortizable periodically over the term of a Series 2009C Bond through reductions in the holder's tax basis for the Series 2009C Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Series 2009C Bond rather than creating a deductible expense or loss. Series 2009C Bondholders should consult their tax advisers for an explanation of the amortization rules.

Original Issue Discount. Certain of the Series 2009C Bonds are offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. Original issue discount on a Series 2009C Bond accrues as tax-exempt interest periodically over the term of the Series 2009C Bond. The accrual of original issue discount increases the holder's tax basis in the Series 2009C Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Series 2009C Bondholders should consult their tax advisers for an explanation of the accrual rules.

State of New Mexico Income Tax

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Special Tax Counsel to the NMFA, under the laws of the State of New Mexico as currently enacted and construed, interest on the Series 2009C Bonds is excludable from net income of the owners thereof for State of New Mexico income tax purposes.

A copy of the proposed form of opinion of Special Tax Counsel is attached hereto as "APPENDIX D-2—FORM OF OPINION OF SPECIAL TAX COUNSEL."

LEGAL MATTERS

In connection with the issuance and sale of the Series 2009C 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-1. Certain legal matters with respect to the tax status of the interest paid on the Series 2009C Bonds will be passed on by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah, Special Tax Counsel to NMFA and will deliver its opinion in substantially the form included in APPENDIX D-2. 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. 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 2009C 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, 2008, 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 29, 2008. 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 2009C Bonds pursuant to which it will agree to provide the following information:

- to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format 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 2009C 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 2004-2005 through 2008-2009" 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 the MSRB, 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 MSRB, 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, notice of the occurrence of any of the following events (if applicable) with respect to the Series 2009C 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 2009C Bonds;
    7. modification of rights of owners of the Series 2009C Bonds;
    8. bond calls;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the Series 2009C 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 2009C 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 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 2009C 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 2009C 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 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. For fiscal year 2002-2003 annual financial information and operating data and audited financial statements for the NMFA were filed, 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 2009C Bonds. See APPENDIX F for a discussion of Loans to Governmental Units with the largest outstanding principal loan balances.

RATINGS

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service ("Moody's") have assigned ratings of "AA+" and "Aa2," respectively, to the Series 2009C Bonds. An explanation of the significance of such ratings may be obtained from S&P and Moody's, respectively.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2009C 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 2009C Bonds may have an adverse effect on the market price of the Series 2009C Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2009C Bonds any proposed revision or withdrawal of the ratings on the Series 2009C 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 2009C 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, including general economic conditions. 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—Trust Estate—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 2009C 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 2009C 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, 2008

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NEW MEXICO
FINANCE AUTHORITY

Financial Statements
for the Year Ended
June 30, 2008,
and Independent
Auditors' Report

NEW MEXICO FINANCE AUTHORITY

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Official Roster

Year Ended June 30, 2008

Governing Board

Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Gary Bland, Member
Ron Curry, Member
Charlie Dorame, Member
Ed Garcia, Member
Paul Gutierrez, Member
Lonnie Marquez, Member
Katherine Miller, Member
Fred Mondragon, Member
Joanna Prukop, Member
Craig Reeves, Member

Chief Executive Officer
William C. Sisneros

Chief Operating Officer
Jerome L. Trojan

Chief Financial Officer
John T. Duff

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, 2008, 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, 2008, as listed in the table of contents. 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, 2008, 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.

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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in

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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, 2008, 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 29, 2008, 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 14, 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 29, 2008

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 $108,079,275 in fiscal year 2008 from 2007.
- The Authority's total revenues increased by $125,041,170 in fiscal year 2008 from 2007.
- The total cost of all Authority programs was $122,841,109, an increase of 28,627,230 over 2007.

Authority Highlights

The New Mexico Finance Authority, created in 1992, assists New Mexico governmental units, such as cities, counties and State Governmental Departments and agencies in financing capital equipment and infrastructure projects by providing loans at tax exempt rates 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 Project 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 FY2008, the PPRF program made approximately 90 loans totaling approximately $386.8 million, compared to 93 loans totaling approximately $211.3 million in FY2007.

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 FY2008, the DWRLF made seven loans totaling $34.9 million compared to three loans totaling $5.76 million in FY2007. The FY2008 binding commitments numbered seven, approximating $27.9 million, compared to six totaling approximately $23.8 million in FY2007.

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, 2008, the Authority Board has approved 17 loans totaling $11.25 million. In FY2008, the PCCF program made two loans totaling $3.2 million.

During FY2008, the Authority issued $391.2 million in bonds to provide reimbursement to the Public Projects Revolving Loan Fund and to retire borrowings incurred by the Authority in anticipation of issuing bonds.

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 FY2008, four grants closed for a total of $1,053,260, compared to seven grants totaling $4,281,350 in FY2007.

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.

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.

Overview of the Financial Statements - continued

Government-wide Financial Statements - continued

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.

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 the Governmental Activities for the Authority are the Metro Court Financing, the State Office Building Program Financing, the State Capitol Building Improvements Program Financing, the University of New Mexico (UNM) Health Sciences Center Projects Financing, the Workers' Compensation Administration Building Financing, the Water Projects Fund Financing, the Water/Wastewater Grant Fund, the Local Governments Planning Fund, the Emergency Drought Relief Grant Fund, the Local Government Transportation Fund (GRIP II), the Bio-Mass Dairy Fund, the Economic Development Financing and the Certificates of Participation Equipment 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 Project Revolving Fund, the Drinking Water Revolving Loan Fund, the Primary Care Revolving Loan Fund, the Behavioral Health Care Revolving Loan Fund, the Child Care Revolving Loan Fund, GRIP I Administrative Fund, the Behavioral Health Capital Revolving Loan Fund, the GRIP Administrative Fund, the New Markets Tax Credits Fund, the Energy Efficiency 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.

Overview of the Financial Statements - continued

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 Project 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), the Economic Development Fund, the Local Transportation Government Fund (GRIP II) and the Bio-Mass Dairy 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 uses 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 funds 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, the GRIP Administrative Fund, the Child Care Revolving Loan Fund, the Behavioral Health Care Capital Fund, the Local Infrastructure Transportation Fund, the New Markets Tax Credits Fund, the Energy Efficiency Fund and the Behavioral Health Care Revolving Fund.

Overview of the Financial Statements - continued

Management's Discussion and Analysis

The 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.

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, 2008. FY2008 net assets for Governmental Activities and Business-type Activities were $28,241,533 and $197,914,492, respectively. Total Authority net assets for fiscal year 2008 are $226,156,025. 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	
		2008	2007	**2008**	2007	**2008**	2007
Current and other assets	$	**134,267,548**	45,024,418	**92,483,095**	84,608,587	**226,750,643**	129,633,005
Capital and non-current assets		**2,175,384**	2,396,886	**1,432,582,634**	955,034,773	**1,434,758,018**	957,431,659
Total assets	$	**136,442,932**	47,421,304	**1,525,065,729**	1,039,643,360	**1,661,508,661**	1,087,064,664
Current liabilities	$	**6,482,888**	8,187,482	**323,519,447**	154,767,837	**330,002,335**	162,955,319
Long-term liabilities		**109,883,518**	114,311,923	**995,999,482**	691,720,673	**1,105,883,000**	806,032,596
Total liabilities		**116,366,406**	122,499,405	**1,319,518,929**	846,488,510	**1,435,885,335**	968,987,915
Net Assets:							
Invested in capital assets		**113,333**	145,503	**264,652**	292,268	**377,985**	437,771
Restricted		**19,963,193**	(75,223,604)	**216,061,333**	187,200,507	**236,024,526**	111,976,903
Unrestricted		**-**	-	**(10,246,487)**	5,662,075	**(10,246,487)**	5,662,075
Total net assets		**20,076,526**	(75,078,101)	**206,079,498**	193,154,850	**226,156,024**	118,076,749
Total liabilities and net assets	$	**136,442,932**	47,421,304	**1,525,065,729**	1,039,643,360	**1,661,508,661**	1,087,064,664

Financial Analysis of the Authority as a Whole - continued

Changes in Net Assets: The Authority's change in net assets for fiscal year 2008 was an increase of $108,079,275 (Table A-2). A significant portion, twelve percent (12%), of the Authority's revenue comes from Tax Revenue. Twelve percent (12%) comes from other operating grants and contributions, and six percent (6%) from interest and investment income. Fifty-three percent (53%) comes from state general fund appropriations, and charges for services and other revenue comprise the remaining seventeen percent (17%) of total revenue.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	**2008**	2007	**2008**	2007
Revenues:						
Program	$ **13,614,678**	6,041,563	**51,922,659**	33,949,508	**65,537,337**	39,991,071
General	**128,361,086**	23,207,646	**37,021,961**	42,680,497	**165,383,047**	65,888,143
Total revenues	**141,975,764**	29,249,209	**88,944,620**	76,630,005	**230,920,384**	105,879,214
Expenses	**39,895,843**	29,628,373	**82,945,266**	64,585,506	**122,841,109**	94,213,879
Net revenues (loss) before transfers and reversions	**102,079,921**	(379,164)	**5,999,354**	12,044,499	**108,079,275**	11,665,335
Transfers and reversions	**(6,925,294)**	(1,228,241)	**(6,925,294)**	1,228,241	**-**	-
(Decrease) increase in net assets	**95,154,627**	(1,607,405)	**12,924,648**	13,272,740	**108,079,275**	11,665,335
Net assets, beginning of year	**(75,078,101)**	(73,470,696)	**193,154,850**	179,882,110	**118,076,749**	106,411,414
Net assets, end of year	$ **20,076,526**	(75,078,101)	**206,079,498**	193,154,850	**226,156,024**	118,076,749

The significant growth in governmental net assets is the result of the Authority becoming the administrator of the Local Government Transportation Fund (otherwise known as GRIP II). This program is expected to fund 116 designated road projects throughout the State with total costs approximating $183 million. This program is expected to be funded over 3 years with the Authority having received $87.8 million in funds during FY 2008. Business-type (enterprise) activities continue to grow in terms of net assets because of the growth in loan volume and bond issuances in the PPRF program and the continual growth in the loan portfolio of the Authority's other revolving loan programs.

Financial Analysis of the Authority as a Whole - continued

Governmental-Type Activities

In FY 2008, revenues generated through State General Fund Appropriations increased by $103.2 million for the governmental-type activities. The majority of this increase, $87.8 million, is a result of receiving the seed money to begin the Local Government Transportation Fund (GRIP II) and start to fund the projects authorized under the legislation. Grant expenditures for this program amounted to $4.6 million but is expected to increase significantly in FY 2009. The Authority's total expenditures for governmental-type activities during the fiscal year 2008 were $40,094,539. The largest area of expenditures, $26,173,676, 65% of the total, was in the area of grant expense

Business Type Activities

The Authority's total expenditures for business-type activities during the fiscal year were $82,746,570. The majority of business-type expenditures, $43,769,243, 53% of the total, was in the area of debt service. As noted above, expenditures and revenues increased due to the growth in the PPRF program.

Within the operating cost category, salaries and benefits comprise three percent (3%) of the total expenditures, and all other operating costs such as professional services, repairs and maintenance, travel, supplies, etc., were seven percent (7%) of the total expenditures.

Capital Assets and Debt Administration

At the end of fiscal year 2008, the Authority has invested, net of depreciation, a total of $264,252 in capital assets in business-type activities and $113,333 in capital assets for governmental-type activities. During FY 2008, capital outlay expenditures totaled $4,722. This amount represents payment of software upgrades to the Authority's new project database program which was completed in early FY 2008. 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 2008, the total amount outstanding was $1.16 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 $391.2 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.

Financial Analysis of the Authority as a Whole - continued

Bond Ratings

The Authority's bond ratings are:

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

Economic Factors and Next Year's Budgets and Rates

The FY 2008 budget provides for the Authority's administration of six programs paid from different sources of revenue:

- Operation of the PPRF program, funded from Governmental Gross Receipts tax receipts and cigarette tax revenue;
- Administration of the Water Trust Board, funded from interest earnings on the investments of the Water Project Fund.
- 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;
- The Local Governments Planning Fund, funded from the Water Planning Fund;
- The Economic Development Fund, funded from administrative fees and cigarette tax revenue.

The Authority's primary operating budget for FY2008 was $6,667,847, compared to the FY2007 budget of $6,649,027, a 0.3% increase. This nominal change in the budget reflected some increased staffing level offset by some efficiencies being realized through the addition of in-house counsel.

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, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and equivalents:			
Unrestricted	$ 27,961,097	68,229,027	96,190,124
Restricted	102,852,041	300,904,459	403,756,500
Receivables:			
Tax revenue	643,692	7,424,228	8,067,920
Interest	18,210	8,347,617	8,365,827
Grant and other	239,530	6,958,365	7,197,895
Due from other funds (Note 4) [Internal Balances]	-	1,110,138	1,110,138
Administrative fees receivable	73	708,654	708,727
Loans receivable, net of allowance (Note 3)	2,552,905	1,040,185,642	1,042,738,547
Restricted asset - escrow	-	80,877,446	80,877,446
Capital assets, net of depreciation (Note 6)	113,333	264,652	377,985
Deferred costs, net of accumulated amortization	2,062,051	10,528,699	12,590,750
Other assets	-	51,442	51,442
TOTAL ASSETS	$ 136,442,932	1,525,590,369	1,662,033,301
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued liabilities	$ 138,328	1,971,625	2,109,953
Accrued payroll	11,702	100,160	111,862
Compensated absences (Note 12)	-	200,236	200,236
Notes payable (Note 9)	1,704,789	-	1,704,789
Funds held for others	-	197,721,700	197,721,700
Accrued interest	615,564	3,269,007	3,884,571
Due to other state agencies (Note 5)	-	1,075,831	1,075,831
Due to other funds (Note 5) [Internal Balances]	1,110,138	-	1,110,138
Debt service payable	5,294	61,090,830	61,096,124
Bonds payable, current, net (Note 8)	5,712,000	58,082,000	63,794,000
	9,297,815	323,511,389	332,809,204
Noncurrent liabilities:			
Bonds payable, non-current, net of bond discount/premium (Note 8)	107,068,591	995,999,482	1,103,068,073
	107,068,591	995,999,482	1,103,068,073
TOTAL LIABILITIES	116,366,406	1,319,510,871	1,435,877,277
NET ASSETS:			
Invested in capital assets	113,333	264,652	377,985
Restricted for:			
Debt service	(105,894,139)	-	(105,894,139)
Program funds	125,857,332	216,061,333	341,918,665
Unrestricted	-	(10,246,487)	(10,246,487)
TOTAL NET ASSETS	20,076,526	206,079,498	226,156,024
TOTAL LIABILITIES AND NET ASSETS	$ 136,442,932	1,525,590,369	1,662,033,301

See Independent Auditors' Report and Notes to Financial Statements.

YEAR ENDED JUNE 30, 2008

		Governmental Activities	Business-type Activities	Total
EXPENSES:				
Capital financing	$	39,895,843	82,945,266	122,841,109
PROGRAM REVENUES:				
Charges for services		-	38,327,432	38,327,432
Operating grants and contributions		13,614,678	13,595,227	27,209,905
NET PROGRAM EXPENSES		(26,281,165)	(31,022,607)	(57,303,772)
GENERAL REVENUES:				
Governmental gross receipts and gross receipts taxes		-	27,198,766	27,198,766
Investment earnings		4,702,048	9,823,195	14,525,243
TOTAL GENERAL REVENUES		4,702,048	37,021,961	41,724,009
TRANSFERS				
State General Fund Appropriations		123,659,038	-	123,659,038
Internal		(6,925,294)	6,925,294	-
CHANGE IN NET ASSETS		95,154,627	12,924,648	108,079,275
NET ASSETS, BEGINNING OF FISCAL YEAR		(75,078,101)	193,154,850	118,076,749
NET ASSETS, END OF FISCAL YEAR	$	20,076,526	206,079,498	226,156,024

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LGTF (GRIP II)	Other Governmental Funds	Total Governmental Funds
-	14,708,960	27,961,097
-	643,692	643,692
-	6,239	18,210
-	-	239,603
-	411,000	2,552,905
-	15,769,891	31,415,507
-	645,398	645,398
-	-	1,326,996
86,071,771	8,067,050	100,879,647
86,071,771	24,482,339	134,267,548
1,273	115,949	150,030
-	-	5,294
-	1,704,789	1,704,789
52,961	15,825	1,110,138
54,234	1,836,563	2,970,251
86,017,537	11,389,885	99,018,331
-	11,255,891	32,278,966
86,017,537	22,645,776	131,297,297
86,071,771	24,482,339	134,267,548

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

YEAR ENDED JUNE 30, 2008

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	$	131,297,297
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		262,399
Accumulated depreciation is		(149,066)
Total capital assets, net of depreciation		113,333
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		2,062,051
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 $1,899,591		(112,780,591)
Accrued interest payable		(615,564)
Total long-term and other liabilities		(113,396,155)
Net assets of governmental activities (Statement of Net Assets)	$	20,076,526

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Water Project Fund	LGTF (GRIP II)	Other Governmental Funds	Total Governmental Funds
13,614,446	-	-	13,614,446
-	-	28,605	335,673
430,665	2,867,859	1,001,064	4,366,375
232	-	-	232
14,045,343	2,867,859	1,029,669	18,316,726
-	-	35,141	177,552
126,058	1,111	166,526	384,633
221,742	42,908	108,992	504,317
10,209	331	2,262	21,613
670	1,962	364	8,081
1,950	277	1,539	5,256
50,589	7,645	27,284	127,316
19,207,567	4,596,088	2,369,981	26,173,636
1,521	-	1,244	4,722
-	-	2,486,000	5,706,000
-	-	4,144,149	5,466,464
19,620,306	4,650,322	9,343,482	38,579,590
(5,574,963)	(1,782,463)	(8,313,813)	(20,262,864)
7,847,868	87,800,000	11,405,725	123,659,038
-	-	(5,284,406)	(6,925,294)
-	-	(3,376,935)	(7,024,568)
7,847,868	87,800,000	2,744,384	109,709,176
2,272,905	86,017,537	(5,569,429)	89,446,312
7,546,572	-	28,215,205	41,850,985
9,819,477	86,017,537	22,645,776	131,297,297

See Independent Auditors' Report and Notes to Financial Statements.

YEAR ENDED JUNE 30, 2008

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	$	89,446,312
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		5,706,000
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		52,274

YEAR ENDED JUNE 30, 2008

Change from prior year in amortization of bond issuance costs:		
Deferred issuance costs FY07 (p. 17 PY)	$ 2,251,383	
Deferred issuance costs FY08 (p. 15 CY)	2,062,051	
		(189,332)
Change from prior year in amorization of bond premium/discount:		
Amortization of bond premium/discount FY07 (p. 72 PY)	2,071,134	
Amortization of bond premium/discount FY08 (p. 71 CY)	1,899,591	
		171,543
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	4,722	
Depreciation expense	(36,892)	
Excess of depreciation expense over capital outlay		(32,170)
Decrease in capital assets		-
Change in net assets of governmental activities (Statement of Activities)		$ 95,154,627

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	Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
	165,350	-	3,415,530	-	-	-	68,229,026
	-	-	-	-	-	-	7,424,228
	1,694	-	-	-	-	-	8,347,617
	-	-	-	-	-	-	6,958,365
	-	-	-	-	-	-	-
	-	-	-	-	-	-	2,152,874
	154	-	-	-	-	-	708,654
	167,198	-	3,415,530	-	-	-	93,820,764
	369,692	-	-	-	-	-	1,040,185,642
	-	-	-	-	-	-	-
	23,549	275,058	-	2,945,638	-	-	300,904,459
	-	-	-	-	-	-	80,877,446
							-
	2,341	1,790	1,508	-	2,694	1,102	264,651
	-	-	-	-	-	-	10,528,699
	-	-	-	-	-	-	51,442
	395,582	276,848	1,508	2,945,638	2,694	1,102	1,432,812,339
	562,780	276,848	3,417,038	2,945,638	2,694	1,102	1,526,633,103
	1,301	-	-	-	19,395	-	1,971,626
	447	129	306	-	5,125	47	300,397
	-	-	-	20,664	-	-	3,269,007
	7,218	-	-	-	-	-	61,090,830
	792	250,000	-	-	-	-	197,721,700
	-	-	-	-	-	-	1,075,831
	3,648	82,784	1,839	-	404,894	14,432	1,042,736
	-	-	-	-	-	-	-
	-	-	-	125,000	-	-	58,082,000
	13,406	332,913	2,145	145,664	429,414	14,479	324,554,127
	-	-	-	2,125,000	-	-	995,999,482
	-	-	-	2,125,000	-	-	995,999,482
	13,406	332,913	2,145	2,270,664	429,414	14,479	1,320,553,609
	2,341	1,790	1,508	-	2,694	1,102	264,651
	547,033	(57,855)	1,493,404	471,402	-	(14,479)	200,804,989
	-	-	1,919,981	203,572	(429,414)	-	5,009,854
	549,374	(56,065)	3,414,893	674,974	(426,720)	(13,377)	206,079,494
	562,780	276,848	3,417,038	2,945,638	2,694	1,102	1,526,633,103

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Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
-	-	-	-	-	-	27,169,340
-	-	-	-	-	-	13,595,226
989	-	722,444	-	-	-	5,729,869
10,884	-	-	-	-	-	32,597,563
7,025	10,603	94,540	109,611	-	-	9,823,193
18,898	10,603	816,984	109,611	-	-	88,915,191
-	-	181,475	-	-	-	206,375
-	-	-	-	-	-	543,018
-	-	-	-	-	-	132,638
5,064	2,785	2,330	168	79,823	1,568	3,580,587
20,584	4,840	8,331	-	136,589	957	2,698,553
823	23	692	-	5,880	68	59,442
614	(56)	(20)	-	-	-	31,889
77	7	18	-	602	2	825
276	161	149	-	1,172	65	33,135
695	(8)	-	-	-	-	11,213
5,174	2,740	3,937	-	38,874	1,227	845,439
320	160	160	-	320	160	56,595
-	-	-	129,734	-	-	43,769,243
33,627	10,652	197,072	129,902	263,260	4,047	51,968,952
(14,729)	(49)	619,912	(20,291)	(263,260)	(4,047)	36,946,239
-	-	-	-	-	-	29,426
(14,729)	(49)	619,912	(20,291)	(263,260)	(4,047)	36,975,665
38,215	-	875,000	217,666	-	-	6,925,294
-	-	-	-	-	-	(30,976,315)
-	-	-	-	-	-	-
38,215	-	875,000	217,666	-	-	(24,051,021)
23,486	(49)	1,494,912	197,375	(263,260)	(4,047)	12,924,644
525,888	(56,016)	1,919,981	477,599	(163,460)	(9,330)	193,154,850
549,374	(56,065)	3,414,893	674,974	(426,720)	(13,377)	206,079,494

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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
(25,336)	(20,631)	(4,910)	(8,798)	-	(132,188)	(909)	(5,689,685)
(14,249)	(17,122)	5,284	(7,235)	(167)	124,689	1,120	(9,338,654)
-	-	-	-	-	-	-	(543,018)
-	-	-	-	(130,882)	-	-	(33,582,785)
-	-	-	(181,475)	-	-	-	(206,375)
-	-	-	-	-	-	-	27,169,340
-	-	-	-	-	-	-	13,234,531
289,550	18,066	10,603	94,540	109,611	-	-	42,164,527
-	989	-	722,444	-	-	-	4,676,033
249,965	(18,698)	10,977	619,476	(21,438)	(7,499)	211	37,883,914
-	38,215	-	875,000	217,666	-	-	9,016,320
-	-	-	-	-	-	-	(30,781,562)
1,200,778	25	-	-	-	-	-	122,784,279
1,200,778	38,240	-	875,000	217,666	-	-	101,019,037
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,715,627
(3,200,000)	-	-	-	-	-	-	(399,572,968)
327,108	31,296	-	-	-	-	-	57,419,331
-	-	-	-	-	-	-	391,245,000
-	-	-	-	(125,000)	-	-	(37,785,000)
284,698	-	-	-	-	-	-	17,489,144
-	-	-	-	-	-	-	(31,338,974)
(277)	(463)	(376)	(299)	-	(559)	(211)	(28,979)
(2,588,471)	30,833	(376)	(299)	(125,000)	(559)	(211)	143,181
(1,137,728)	50,375	10,601	1,494,177	71,228	(8,058)	-	139,046,132
3,279,427	138,524	264,457	1,921,353	2,874,410	-	-	230,079,295
2,141,699	188,899	275,058	3,415,530	2,945,638	(8,058)	-	369,125,427
174,874	23,486	(49)	1,494,912	197,375	(263,260)	(4,047)	12,345,576
160	320	160	160	-	320	160	56,595
-	(38,215)	-	(875,000)	(217,666)	-	-	19,868,969
(5,527)	157	-	-	-	-	-	(5,322,514)
80,458	(4,446)	10,866	(596)	(1,147)	255,441	4,098	8,265,194
249,965	(18,698)	10,977	619,476	(21,438)	(7,499)	211	37,883,914

Statement of Fiduciary Assets and Liabilities - Agency Funds

AS OF JUNE 30, 2007

		Agency Funds
ASSETS:		
Cash at Trustee:		
Program funds	$	143,033,858
Expense funds		237,132,982
Bond reserve funds		6,000
TOTAL ASSETS	$	380,172,840
LIABILITIES:		
Accounts payable	$	3,923,929
Debt service payable		329,378,837
Funds held for the New Mexico Department of Transportation		46,870,074
TOTAL LIABILITIES	$	380,172,840

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.

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.

- **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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **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.

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
- UNM Health Sciences Fund
- Water Project Fund
- LGTF (GRIP II)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Special Revenue Funds - continued

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Special Revenue Funds - continued

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.

Special Revenue Fund – Local Government Transportation Fund. In 2007, New Mexico Legislature authorized the establishment of the Local Government Transportation Fund within the New Mexico Finance Authority. This fund provides funding for 116 local government transportation projects as approved by the legislature. The Fund consists of general fund appropriations and severance tax bond proceeds appropriated to the fund in fiscal years 2007 through 2009. Projects are funded based upon project readiness. The interest earnings in the fund are subject to appropriation by legislature.

Special Revenue Fund – Dairy Biomass Loan Fund. This fund was created by the 2006 Legislature to convert dairy waste to energy statewide. The Authority is working with the New Mexico Energy, Minerals and Natural Resources Department to identify biomass projects that support renewable energy development.

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).

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Debt Service Funds - continued

Debt Service Fund - Workers' Compensation Financing Fund - continued. 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.

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

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- continued. 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.

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

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 - continued. 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.

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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Enterprise Funds - continued

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.

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

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 - continued. 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Enterprise Funds - continued

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.

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. Though it's a Limited Liability Company, Finance New Mexico LLC, the Authority has received an allocation of $110,000,000 to encourage capital infusion throughout New Mexico by providing private business greater access to capital in rural or undeserved areas of the state.. 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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Basis of Presentation - Fund Accounting - continued**

Enterprise Funds - continued

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 (Note 13).

- **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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Measurement Focus and Basis of Accounting - continued**

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, 2008 was $46,538,759.

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. The cash on deposit with the State Treasurer is invested in a money market fund registered with the Securities and Exchange Commission rated AAAm by Standard & Poor's.

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.

- **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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Loans - continued**

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, 2008, 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, 2008. 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.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **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.

- **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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Bond Discounts, Premiums and Issuance Costs - continued**

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.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Interfund and Interagency Transactions - continued**

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 trustee in the names of the applicable government entity and the Authority. 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	$	147,117,448	147,117,448
The Primary Care Capital Fund held at the State Treasurer's Office		545,566	545,566
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts		21,600,027	21,600,027
Bank of Albuquerque trust accounts		246,849,598	246,849,598
Reserve on Bond Payable held in Bank of America		279,359	279,359
Wells Fargo operating accounts (collateralized at 50%)		1,100,832	1,141,690
Cash held at the Reserve		82,453,794	82,453,795
		499,946,624	499,987,483
Agency Fund:			
Money market accounts invested in Bank of Albuquerque		380,172,840	380,172,840
	$	880,119,464	880,160,323

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

The Authority's State Treasurer funds are contained in the New Mexico *GROW* LGIP, a Securities and Exchange Commission registered money market fund rated AAAm by Standard & Poor's, and at June 30, 2008 are valued at $147,117,448, with a 46-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. All are fully collateralized and the collateral is held in the Authority's name.

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.

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, 2008:

Enterprise funds:	
Public Projects Revolving Loan Fund, net of allowance of $1,067,970	$ 1,001,731,515
Drinking Water State Revolving Loan Fund	30,907,764
Primary Care Capital Fund	7,176,671
Behavioral Health Capital Fund	369,692
	1,040,185,642
Governmental funds:	
Smart Money Loans	1,825,254
C.O.P.S.	411,000
Water Trust Board Loan/Grants	316,651
	2,552,905
	$ 1,042,738,547

- **Public Projects Revolving Loan Fund**

The Public Projects Revolving Loan Fund loans receivable balance at June 30, 2008 is $1,001,731,515, net of an allowance for loan loss of $1,067,970, 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, 2008 to June 30, 2009	$ 63,106,681	37,947,082	101,053,763
July 1, 2009 to maturity	939,692,804	376,210,888	1,315,903,692
	$ 1,002,799,485	414,157,970	1,416,957,455

3. LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued

- **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, 2008 to June 30, 2009	$	1,198,908	562,504	1,761,412
July 1, 2009 to maturity		29,708,856	5,922,559	35,631,415
	$	30,907,764	6,485,063	37,392,827

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

- **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, 2008 to June 30, 2009	$	915,959	206,455	1,122,414
July 1, 2009 to maturity		6,260,712	1,211,732	7,472,444
	$	7,176,671	1,418,187	8,594,858

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

- **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, 2008 to June 30, 2009	$	32,237	10,167	42,404
July 1, 2009 to maturity		337,455	48,231	385,686
	$	369,692	58,398	428,090

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

- **"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, 2008 to June 30, 2009	$	-	-	-
July 1, 2009 to maturity		1,825,254	-	1,825,254
	$	1,825,254	-	1,825,254

No allowance for uncollectible loans has been established at this time. The loans are secured by commercial real estate mortgages.

3. LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued

- **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, 2008 to June 30, 2009	$	62,000	24,358	86,358
July 1, 2009 to maturity		349,000	68,501	417,501
	$	411,000	92,859	503,859

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

- **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, 2008 to June 30, 2009	$	16,201	-	16,201
July 1, 2009 to maturity		300,450	-	300,450
	$	316,651	-	316,651

Allowance has not yet been established as these loans were established late in fiscal year 2008 and repayments have not been made. An appropriate allowance will be made in fiscal year 2009.

4. 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, 2008 consist of the following:

		Due to: Enterprise Funds Public Project Revolving Funds 200's
Due From:		
Governmental Funds:		
Metro Court	304	$ -
Water and Wastewater Grant	307	6,707
Water Project Fund	309	28,106
Emergency Drought Relief	312	-
Water Planning Grant	313	9,118
Economic Development	314	1,013,246
LGTF - GRIP II	323	52,961
Total Governmental Funds		1,110,138
Enteprise Funds:		
GRIP Fund	104	82,247
Drinking Water	500	52,734
Child Care	319	82,784
Behavioral Health	311	3,648
Local Road Fund	504	1,839
Primary Care	501	118,307
NM Tax Credit	600	412,952
Energy Efficiency	601	14,432
PPRF	200s	273,793
Total Enterprise Funds		1,042,736
		$ 2,152,874

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Transfers Out								
GRIP Admin.	PPRF	Behav. Health	Cig Tax	Drinking Water	Local Road	Total	Net Transfers In (Out)
-	-	-	-	-	-	-	(7,400,230)
-	4,884,677	-	-	-	-	4,884,677	(1,640,888)
-	2,357,229	-	-	-	-	2,357,229	2,357,229
-	2,814,375	-	-	-	-	2,814,375	(241,405)
-	10,056,281	-	-	-	-	10,056,281	(6,925,294)
-	6,500,000	-	-	-	-	6,500,000	(2,091,026)
-	13,520	-	-	-	-	13,520	(861,480)
-	-	-	-	-	-	25,316,719	6,657,838
-	-	-	38,215	-	-	38,215	38,215
-	-	-	-	-	-	255,882	217,667
-	2,089,080	-	-	-	-	2,089,080	2,089,080
875,000	-	-	-	-	-	875,000	875,000
875,000	18,658,881	-	38,215	-	-	45,144,697	-

5. OPERATING TRANSFERS

Governmental Funds Operating Transfers from (to) Other State Agencies

State Agency	Agency Fund Number	Economic Development Fund	UNM Health Sciences Fund	Other Governmental Funds	Total
Dept. of Finance & Administration	34100	$ 7,100,000	9,505,445	107,053,593	123,659,038
University of New Mexico	95100	-	(3,647,633)	-	(3,647,633)
New Mexico Department of Workforce Solutions	63100	-	-	(557,079)	(557,079)
New Mexico State University	95200	-	-	(2,819,856)	(2,819,856)
		$ 7,100,000	5,857,812	103,676,658	116,634,470

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	$ (950,000)	-
University of New Mexico	95100	(24,177,732)	(4,984,752)
NM Department of Health	66500	(287,297)	-
NM Environment Department	66700	(576,534)	-
		$ (25,991,563)	(4,984,752)

The Authority received $123,659,038 in New Mexico state general fund appropriations from the Department of Finance and Administration.

5. OPERATING TRANSFERS - continued

The following enterprise funds made the following transfers to other state agencies during the year ended June 30, 2008:

The PPRF Series 2005 C & D Metro Court Refunding transferred $950,000 in rebates to Metro Court.

The Drinking Water Revolving Fund transferred $4,984,752 to the New Mexico Environment Department (NMED) for billings, and the PPRF Direct Cash Loans transferred $576,534 to the NMED for debt service for PPRF administration.

The PPRF Series 2005 E Fund transferred $24,177,732 to the University of New Mexico (UNM) for reimbursement of construction costs related to the UNM Cancer Center.

The PPRF Direct Cash Loans transferred $287,297 to Gila Regional Medical Center for payment of debt service.

The following debt service funds made the following transfers to other state agencies during the year ended June 30, 2008:

The UNM Health Sciences 2004A transferred $3,647,633 for revenue rebate to UNM from cigarette tax collections.

The Workers' Compensation Series 1996 transferred $557,079 for revenue rebate to Workers' Compensation.

The State Building GRT Purchase Fund transferred $2,819,856 in program fund requests to project draw requests and debt service payments.

6. CAPITAL ASSETS

A summary of changes in capital assets follows:

Business-type Activities		Balance June 30, 2007	Additions	Adjustments/ Deletions	Balance June 30, 2008
Depreciable assets:					
Furniture and fixtures at historical cost	$	98,166	-	-	98,166
Computer hardware and software		388,702	20,739	-	409,441
Machinery and equipment		24,768	-	-	24,768
Leasehold improvements		26,932	8,240	-	35,172
		538,568	28,979	-	567,547
Accumulated depreciation:					
Furniture and fixtures		(144,059)	(9,789)	-	(153,848)
Computer hardware and software		(87,843)	(40,829)	-	(128,672)
Machinery and equipment		(8,512)	(2,470)	-	(10,982)
Leasehold improvements		(5,886)	(3,507)	-	(9,393)
		(246,300)	(56,595)	-	302,895
Net total	$	292,268	(27,616)	-	264,652

Depreciation expense was $15,060 in the Operating Fund, $18,587 in the Public Project Revolving Fund, $9,197 in the Drinking Water Revolving Loan Fund, $12,470 in the GRIP Administrative Fund, $160 in the Primary Care Fund, $320 in the Behavioral Health Capital Fund, $160 in the Child Care Revolving Loan Fund, $160 in the Local Road Fund, $320 in the Tax Credits Fund and $160 in the Energy Efficiency Fund for the year ended June 30, 2008.

6. CAPITAL ASSETS - continued

Governmental Activities		Balance June 30, 2007	Additions	Adjustments/ Deletions	Balance June 30, 2008
Depreciable assets:					
Furniture and fixtures at historical cost	$	100,636	-	-	100,636
Computer hardware and software		119,374	4,722	-	124,096
Machinery and equipment		24,349	-	-	24,349
Leasehold improvements		13,318	-	-	13,318
		257,677	4,722	-	262,399
Accumulated depreciation:					
Furniture and fixtures		(59,121)	(14,149)	-	(73,270)
Computer hardware and software		(37,854)	(17,448)	-	(55,302)
Machinery and equipment		(10,578)	(3,423)	-	(14,001)
Leasehold improvements		(4,621)	(1,872)	-	(6,493)
Accumulated depreciation		(112,174)	(36,892)	-	(149,066)
Net total	$	145,503	(32,170)	-	113,333

7. BONDS PAYABLE

Bonds outstanding as of June 30, 2008, for the Authority's enterprise funds consist of the following:

- **Public Project Revolving Funds (PPRF)**

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.

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.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - continued**

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.

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.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - continued**

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.

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) originate loans or reimburse 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.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - continued**

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) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2006 C Bonds; and 3) pay 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 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) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 A Bonds; 3) pay accrued interest; and 4) pay costs incurred with the issuance of the Series 2007 A Bonds.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - 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 Projects 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 Series 2007B Bonds; (3) purchase a debt service reserve fund surety bond for deposit into the Debt Service Reserve Account established for the Series 2007B Bonds; and (4) pay costs incurred in connection with the issuance of the Series 2007B Bonds.

PPRF Series 2007C. On September 26, 2007, the Authority issued $131,860,000 of Subordinate Lien Public Project Revolving Fund Series 2007 C Revenue Bonds. The 2007 C Series Bonds were issued to: 1) reimburse the Public Projects 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 Series 2007C Bonds; (3) purchase a debt service reserve fund surety bond for deposit into the Debt Service Reserve Account established for the Series 2007C Bonds; and (4) pay costs incurred in connection with the issuance of the Series 2007C Bonds.

PPRF Series 2007E. On November 8, 2007, the Authority issued $61,945,000 of Senior Lien Public Project Revolving Fund Series 2007 E Revenue Bonds. The 2007 E Series Bonds were issued to: 1) reimburse the Public Projects 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 Series 2007E Bonds; and (3) pay costs incurred in connection with the issuance of the Series 2007E Bonds.

PPRF Series 2008A. On April 17, 2008, the Authority issued $158,965,000 of Senior Lien Public Project Revolving Fund Series 2008 A Revenue Bonds. The 2008A Series Bonds were issued to: 1) reimburse the Public Projects 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 Series 2008A Bonds; and (3) pay costs incurred in connection with the issuance of the Series 2008A Bonds.

7. BONDS PAYABLE - continued

Bonds outstanding as of June 30, 2008, to be paid out of the Authority's debt service funds consist of the following:

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.

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.

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.

7. BONDS PAYABLE - continued

Metro Court Financing Fund - continued.
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.

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.

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 1995B. 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%.

7. 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.

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.

7. BONDS PAYABLE - continued

Bonds payable and related premium/discount balances consist of the following at June 30, 2008:

		Amount	Interest Rate	Final Maturity
Enterprise Funds:				
PPRF 1999A, B, C and D	$	9,760,000	3.15 - 6.80	6/1/2018
PPRF 2000A		200,000	4.10 - 5.30	6/1/2009
PPRF 2000B and C		8,800,000	4.35 - 5.80	6/1/2009
PPRF 2002A		19,975,000	2.00 - 5.00	6/1/2026
PPRF 2003A		21,959,000	2.00 - 4.75	6/1/2025
PPRF 2003B		19,340,000	2.00 - 5.00	6/1/2021
PPRF 2004A		32,265,000	1.125 - 5.875	6/1/2031
PPRF 2004B		37,875,000	3.00 - 5.50	6/1/2033
PPRF 2004C		146,170,000	2.50 - 5.25	6/1/2024
PPRF 2005C and D		51,015,000	3.05 - 5.00	6/15/2025
PPRF 2005A		15,145,000	3.00 – 5.00	6/1/2025
PPRF 2005B		12,665,000	3.00 – 4.25	6/1/2020
PPRF 2005E		23,630,000	3.875 - 5.00	6/15/2025
PPRF 2005F		21,035,000	3.75 - 5.00	6/15/2025
PPRF 2006A		49,090,000	4.00 - 5.00	6/15/2035
PPRF 2006B		36,410,000	4.00 - 5.00	6/1/2036
PPRF 2006C		37,485,000	4.00 - 5.00	6/15/2027
PPRF 2006D		51,785,000	4.25 - 5.00	6/1/2036
PPRF 2007A		32,295,000	4.00 - 5.00	6/15/2027
PPRF 2007B		37,490,000	4.00 - 5.00	6/15/2034
PPRF 2007C		129,360,000	4.25 - 5.25	6/15/2027
PPRF 2007E		60,960,000	4.00 - 5.00	6/1/2032
PPRF 2008A		157,615,000	3.50 - 5.00	6/1/2038
CIG TAX 2006 – Behavioral		2,250,000	5.51	5/1/2026
		1,014,574,000		
Bond premium and discount, net on enterprise funds bonds payable		39,507,482		
Total	$	1,054,081,482		

7. BONDS PAYABLE – continued

	Amount	Interest Rate	Final Maturity
To be paid out of Debt Service Funds:			
UNM Health Sciences	$ 22,460,000	2.00 - 5.00	4/1/2019
UNM Health Sciences 2004B	8,460,000	2.10 - 5.50	4/1/2019
Workers' Compensation Financing	2,540,000	5.00 - 5.60	3/1/2017
Metro Court Financing Fund	45,595,000	1.65 - 5.50	6/15/2011
State Capitol Improvement Financing	5,385,000	7.00	6/1/2021
State Building Purchase Fund	26,030,000	4.00 - 5.00	11/1/2006
COP-Equipment Loan Fund Series	191,000	4.05 - 5.40	10/1/2016
COP-Equipment Loan Fund Series	57,000	3.85 - 5.20	4/1/2016
COP-Equipment Loan Fund Series	163,000	4.50 - 5.70	4/1/2012
	110,881,000		
Bond premium and discount, net on Debt Service Funds bonds payable	1,899,591		
Total	$ 112,780,591		

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

	Principal	Interest	Total
2009	$ 63,794,000	53,783,568	117,577,568
2010	56,818,000	51,064,441	107,882,441
2011	100,504,000	48,695,791	149,199,791
2012	60,777,000	44,069,750	104,846,750
2013	70,940,000	46,272,661	117,212,661
2014 - 2018	297,218,000	158,097,077	455,315,077
2019 - 2023	243,393,000	92,241,085	335,634,085
2024 - 2028	136,066,000	40,104,275	176,170,275
2029 - 2033	62,295,000	17,668,144	79,963,144
2034 - 2038	33,650,000	3,571,650	37,221,650
Total	$ 1,125,455,000	555,568,442	1,681,023,442

7. BONDS PAYABLE - continued

The bonds payable activity for the year is as follows:

		Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008
Enterprise Funds	$	661,114,000	391,245,000	(37,785,000)	1,014,574,000
Debt Service Funds		116,587,000	-	(5,706,000)	110,881,000
Total	$	777,701,000	391,245,000	(43,491,000)	1,125,455,000

The amount of bonds payable due within one year is $63,794,000.

8. 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 (3.980% at June 30, 2008), note due in annual installments of $156,941 (currently), including interest, through May 2015. Note is offset by cigarette tax proceeds received from the State of New Mexico.	$	1,704,789
Less current maturities		156,941
	$	1,547,848

Long-term debt maturities on note payable to PPRF Fund as of June 30, 2008, are as follows:

Years ending June 30:

2009	$	156,941
2010		163,848
2011		171,223
2012		179,102
2013		187,505
2014 and thereafter		846,170
	$	1,704,789

9. LINE OF CREDIT

The Authority has a tax-exempt $100,000,000 line of credit with a bank. Advances may be taken against the facility for the funding of loans made by the Authority. Advances, plus accrued interest, must be repaid within six months from the proceeds of Authority bond issuances. The interest rate on advances changes monthly, and is equal to the one-month U.S. dollar LIBOR index plus 17 basis points. The Authority pays a commitment fee on the unused balance of the line at an annual rate of 6 basis points as long as the Authority's long-term debt rating by Standard & Poor's is AA- or better. The Authority's rating is currently AA+. In the event the Authority's rating drops below AA-, the unused fee would increase to 9 basis points.

9. LINE OF CREDIT – continued

At June 30, 2008, there were no amounts due under the line of credit. During the year then ended, the Authority drew a total of $144,509,901 and repaid $175,848,875 in principal and $944,596 in interest. There have been no advances between June 30, 2008 and the date of the independent auditor's report.

10. OPERATING LEASE COMMITMENT

The Authority is committed under various lease agreements for office space, a vehicle and copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2008 amounted to approximately $316,000.

Future minimum lease payments for these leases are as follows:

Years ending June 30:		
2009	$	330,506
2010		342,810
2011		22,908
2012		15,545
2013		847
2014 and thereafter		-
	$	712,616

11. 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 $361,328, $301,983 and $263,313 for the years ended June 30, 2008, 2007 and 2006, respectively. Substantially all full time employees participate in this plan.

11. RETIREMENT PLAN - continued

Presented below is the June 30, 2008, Statement of Fiduciary Net Assets and Statements of Change in Net Assets:

Statement of Fiduciary Net Assets

Assets:		
Cash	$	23,941
Self-directed accounts (cash and investments)		1,651,831
Guaranteed Account		2,621
Participant loans receivable		38,162
Total assets	$	1,716,555
Net assets:		
Pension plan participants' benefits	$	1,716,555

Statement of Changes in Net Assets

Additions:		
Investment earnings	$	(91,969)
Employer contributions		361,328
Rollover contributions		34,297
Employee contributions		120,951
Total additions		424,607
Deductions:		
Distributions to participants		(405,013)
Investment expenses		(13,925)
Total deductions		(418,938)
Change in net assets		5,669
Net assets - beginning		1,710,886
Net assets - ending	$	1,716,555

11. 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, 2008 were $14,106.

12. COMPENSATED ABSENCES

During the year ended June 30, 2008, the following changes occurred in the compensated absences liabilities:

	Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008
$	192,088	214,582	206,434	200,236

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.

13. AGENCY TRANSACTIONS

- **Bond Issues**

In 2003, the State Legislature authorized the issuance of $1.6 billion in bonds to fund statewide transportation expansion and improvement projects known as Governor Richardson's Investment Partnership (GRIP). The Authority was authorized to issue $1.6 billion in bonds (the Bonds) in several installments on behalf of the New Mexico Department of Transportation (NMDOT). The Bonds were issued by the Authority as agent for the NMDOT. The Bonds are liabilities of NMDOT, not the Authority, and are not included in the Authority's financial statements.

13. AGENCY TRANSACTIONS - continued

- **Bond Issues – continued**

In May 2004, the Authority issued the following bonds pursuant to the GRIP legislation:

		Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
State Transportation Revenue Bonds (Senior Lien) Series 2004A	$	700,000,000	743,556,815	43,556,815	7,987,367
State Transportation Refunding: Revenue Bonds (Subordinate Lien) Series 2004B		237,950,000	254,297,187	16,347,187	2,980,638
Series 2004C (Adjustable Rate)		200,000,000	200,000,000	-	2,505,264
Total	$	1,137,950,000	1,197,854,002	59,904,002	13,473,269

The proceeds of the Series 2004A issuance were used to fund the construction of GRIP transportation projects. The proceeds of the Series 2004B and 2004C issuances were used to advance refund certain older debt issues of the NMDOT. The proceeds were used to purchase U.S. government securities which were deposited in an irrevocable trust to provide for all future debt service payments on the refunded issues. The bonds issued in 2004 the 2006 bonds discussed below, and any subsequent bonds that may be issued in the future are special, limited obligations of the NMDOT, payable solely from certain federal funds that are paid into the State Road Fund, certain taxes and fees that are required to be paid into the State Road Fund, and certain taxes and fees required by law to be paid into the Highway Infrastructure Fund.

In December, 2006, the Authority issued the following additional bonds pursuant to the GRIP legislation:

		Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
State Transportation Revenue Bonds (Senior Lien) Series 2006A	$	150,000,000	160,886,296	10,886,296	1,192,789
State Transportation Revenue and Refunding Bonds (Subordinate Lien) Series 2006B		40,085,000	41,797,863	1,712,863	352,732

13. AGENCY TRANSACTIONS - continued

- **Bond Issues – continued**

		Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien) Series 2006C Subseries C-1through C-3	$	220,000,000	200,000,000	-	1,698,064
Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien) Series 2006D (Taxable) Subseries D-1 through D-2		50,400,000	50,400,000	-	400,000
Total	$	460,485,000	473,084,159	12,599,159	3,643,585

With the exception of $10,071,197 deposited to an escrow account for refunded bonds, all of the net proceeds of the 2006 bonds were used to fund GRIP transportation projects.

- **GRIP Administrative fee**

For services provided by the Authority in the issuance and administration of the Bonds, NMDOT pays an annual fee to the Authority of twenty-five basis points of the outstanding principal balance of the Bonds. One-half of the fee is set aside by the Authority in the Local Transportation Infrastructure Fund ("LTIF") to fund local highway and transportation projects.

For the year ended June 30, 2008, the Authority received 2,882,887 in administrative fees related to the Bonds. One-half of this amount was deposited in the LTIF, the remaining one-half was recorded as revenue to the Authority.

At June 30, 2008, the Trustee for the Bonds held $380,172,840 in cash in various program and debt service accounts related to the Bonds.

- **Refunding of Variable Rate Bonds**

The 2004C, 2006C, and 2006D Series bonds were issued as Auction Rate Securities ("ARS"). ARS are one of the two principal types of securities for which interest rates are reset in a periodic auction process. For each of these Series, the rates were reset in weekly auctions. All of the bonds were insured by certain municipal bond insurance companies. In late 2007 and early 2008, the market for ARS was negatively impacted by a number of factors, the principal event being downgrades of the ratings of certain insurers of ARS. These downgrades and other events caused the weekly auctions of the bonds to "fail', meaning that insufficient bids were received to permit resale of all of the bonds. In the event of a

13. AGENCY TRANSACTIONS - continued

- **Refunding of Variable Rate Bonds**

failed auction, no bonds are resold, even though some bids were received. In a failed ARS suction, the existing holders of the bonds must continue to hold their bonds until the next successful auction. The procedures applicable to a failed auction included a provision that the interest rate on the bonds resets to a default rate. In the case of the 2004C bonds, the default rate was one-month LIBOR plus 175 basis points. The default rate for the 2006C and D bonds was 12%.

In April and May, 2008, the Authority refunded all of the ARS Series 2004C, 2006C, and 2006D, reissuing the bonds as Variable Rate Demand Notes (VRDN). The interest rates for these bonds reset in weekly auctions, as was the case for the ARS. The principal difference between the ARS and the VRDN is that the ARS were credit-enhanced with insurance, while the VRDN are supported by bank letters of credit. The following bonds were issued:

		Par Value
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A	$	115,200,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B		220,000,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C		84,800,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008D (Taxable)		50,400,000
Total	$	460,400,000

All of the above refunding bonds were issued at par. The DOT provided additional funds totaling $2,641,872 to pay for the cost of issuance of the bonds.

- **Derivative Instruments**

At the time of the 2004 GRIP bond issuance, the Authority entered into interest rate exchange agreements ("swaps") with respect both to the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately-starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

13. AGENCY TRANSACTIONS - continued

- **Derivative Instruments - continued**

In all of the swaps, the Authority receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has the effect of converting the variable rate bonds to "synthetic fixed-rate" issues.

As in the case of the GRIP bonds, the Authority has entered into the swaps as an agent for the DOT, and no amounts with respect to the swap transactions appear in the Authority's financial statements. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the 2008 A through D Series).

- **Objectives of the Swaps**

The Authority's objective in entering into the swap agreements was to obtain a lower interest cost for the 2004 bonds than could have been obtained at the time had they been issued as fixed-rate bonds. With respect to the planned 2006, issuance, the Authority believed in 2004 that it would be desirable to "lock in" a synthetic fixed rate of 5% or less for a portion of the bonds anticipated to be issued in 2006.

- **Significant Terms**

2004 Swaps:

Counterparty	Royal Bank of Canada	Goldman Sachs	Lehman Brothers*
Notional Amount	$100,000,000	$50,000,000	$50,000,000
Receipt Rate	68 % of 1 month LIBOR**	68 % of 1 month LIBOR**	68 % of 1 month LIBOR**
Payment Rate (Synthetic Fixed Rate)	3.934%	3.934%	3.934%
Embedded Option(s)	None	None	None
Effective Date	May 20, 2004	May 20, 2004	May 20, 2004
Termination Date:	June 15, 2024	June 15, 2024	June 15, 2024

* On October 6, 2008, as discussed below, Lehman Brothers was replaced as the counterparty by Deutsche Bank. The significant terms of the Deutsche Bank swap are the same as the Lehman Brothers swap.

**For the period May 20, 2004 to June 15, 2006 the rate was the BMA Municipal Swap Index

13. AGENCY TRANSACTIONS - continued

- **Significant Terms - continued**

2006 Forward Starting Swaps:

Counterparty	JPMorgan Chase Bank	UBS AG
Notional Amount	$110,000,000	$110,000,000
Receipt Rate	SIFMA Municipal Swap Index	SIFMA Municipal Swap Index
Payment Rate	5.072%	5.072%
Embedded Option(s)	"Knockout" option – Counterparty may cancel if the index remains above 7% for more than 180 days	"Knockout" option – Counterparty may cancel if the index remains above 7% for more than 180 days
Option premium to the Authority	0.34%	0.34%
Net payment rate ("Synthetic Fixed Rate"), equals the payment rate less option premium	4.732%	4.732%
Effective Date	December 15, 2006	December 15, 2006
Termination Date:	December 15, 2026	December 15, 2026

No cash was paid or received at the initiation of any of the above swaps.

13. AGENCY TRANSACTIONS - continued

- **Fair Value**

The estimated fair value of the swaps at June 30, 2008 was as follows:

Counterparty		Notional Value	Fair Value*
Goldman Sachs	$	50,000,000	(3,617,674)
Lehman Brothers		50,000,000	(3,592,705)
Royal Bank of Canada		100,000,000	(7,235,348)
JPMorgan Chase Bank		110,000,000	(16,441,991)
UBS AG		110,000,000	(16,441,991)
Total	$	420,000,000	(47,329,709)

*The Fair Value is the estimated amount that would have been received by or paid to the Authority if the agreements had been terminated at June 30, 2008 under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2008. Negative amounts indicate payments that would have been made by the Authority to the counterparties.

- **Associated Debt**

Variable Rate Debt*			2008 Debt Service Principal	2008 Debt Service Interest	Net Swap Payments Made (Received)	Total	Actual Synthetic Fixed Rate
Series 2008A and C	$	200,000,000	-	7,520,995	1,864,390	9,385,385	4,693%
Series 2008B		220,000,000	-	8,360,775	2,890,693	11,251,468	5.114%

*The interest and swap payments for these bonds include the payments for the 2004 and 2006 Series bonds that that the 2008 series bonds replaced during the fiscal year.

- **Replacement of Counterparty**

The terms of the Authority's agreements with the swap counterparties provide that a bankruptcy filing is an event that terminates the agreement. In September 2008, Lehman Brothers, one of the counterparties for the 2004 swaps, filed for bankruptcy. The Authority evaluated a number of options and replaced Lehman Brothers with Deutsche Bank as the counterparty for this swap. All significant terms of the new agreement with Deutsche Bank remain the same as the original Lehman Brothers agreement. At the closing of the transaction on October 6, 2008, Deutsche Bank paid the then-current termination value as provided by the original agreement. The amount paid was calculated pursuant to the agreement to be $4,840,000. This was approximately $300,000 greater than the amount due Lehman

13. AGENCY TRANSACTIONS - continued

- **Replacement of Counterparty - continued**

Brothers, which was calculated, per the agreement, as of September 23, 2008, a termination date triggered by the bankruptcy filing. The excess funds were deposited in a debt service account and will be used to make debt service payments on the bonds.

Credit Risk

Credit risk is the possibility that a counterparty will not fulfill its obligations.

The credit ratings of the counterparties, at October 10, 2008, were:

	Moody's	S&P	Fitch
Royal Bank of Canada	Aaa	AA-	AA
Goldman Sachs	Aaa	AAA	NR
Deutsche Bank	Aa1	AA-	AA-
JP Morgan Chase	Aaa	AA	AA-
UBS AG	Aa2	AA-	AA-

Presently, the Authority has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to the Authority if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. No termination value currently exceeds these limits, and, accordingly, no collateral is posted. The swap agreements permit the netting of amounts owed between the Authority and the counterparty, mitigating, to some extent, the level of credit risk that would exist if the Authority were owed a termination value by a counterparty. The authority believes it has an adequate degree of diversification with regard to counterparties.

Interest Rate Risk

The knock-out option in the 2006 swaps leaves the Authority open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and the Authority would have outstanding unhedged variable rate debt in a 7% interest rate environment.

Basis Risk

Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. The Authority has little or no such risk with respect to the 2004 bonds as the 2004 swaps pay a variable rate equal to the SIFMA Municipal Swap index which has very closely approximated, historically, the rates paid on variable rate municipal debt. The Authority has basis risk, however, with respect to the 2006 swaps. The variable rate the Authority

13. AGENCY TRANSACTIONS - continued

- **Risks - continued**

Basis Risk - continued

receives with respect to the 2006 swaps is 68% of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal; Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2006 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated.

One event that would cause a divergence between the indices is a significant change in U.S. income tax rates. This might result in 68% of LIBOR no longer approximating the tax-exempt rate set by the market for the Authority's variable rate debt.

- **Termination Risk**

The unplanned termination of one or more of the swaps exposes the Authority to the possibility that the synthetic fixed rate expected to be obtained on the variable rate debt will not, in fact, be achieved. The swap agreements contain the standard ISDA provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, the Authority, but not the counterparties, can terminate the swaps at any time with 30-day notice. As discussed above, an unplanned termination occurred due to the bankruptcy filing by Lehman Brothers. In this situation, the Authority was successful in replacing the counterparty with another on the same terms, resulting in no loss to the Authority. There can be no assurance that the same result could be obtained if other unplanned terminations occur in the future.

14. SUBSEQUENT EVENTS

After June 30, 2008, 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 – Town of Bernalillo	7/11/2008	$	1,016,321
DL – Catron County – Quemado Lake VFD	7/18/2008		101,500
DL – Sierra SWCD	7/18/2008		133,658
DL – Village of Willard	7/18/2008		225,993
DL – City of Santa Fe	8/1/2008		3,610,000
DL – City of Sunland Park	8/15/2008		186,690
DL – Cuba SWCD	8/22/2008		24,360
DL – Village of Reserve	8/22/2008		101,500
DL – Torrance County	9/5/2008		30,450
DL – City of Las Cruces	9/12/2008		1,708,755
DL – Town of Lake Arthur	9/19/2008		56,995
DL – Valencia County – Highland Meadows VFD	9/19/2008		137,025
DL – Upper Chama SWCD	9/19/2007		218,245
DL – Otero County – 16 Springs VFD	9/26/2008		162,400
Water Project Fund/Water Trust Board:			
WPF/WTB – Claunch Pinto Soil and Water Conservation District	7/18/2008		600,000
WPF/WTB – Santo Domingo Pueblo	8/1/2008		293,000
WPF/WTB – City of Lordsburg	8/22/2008		850,000
WPF/WTB – NM Interstate Stream Commission	8/29/2008		750,000
WPF/WTB – NM Interstate Stream Commission	8/29/2008		2,000,000
WPF/WTB – City of Clovis – ENMRWA	9/5/2008		1,250,000
WPF/WTB – City of Clovis – ENMRWA	9/5/2008		2,271,400
Planning Grant Fund:			
P/G – Ancones MDWCA	7/11/2008		25,000
P/G – Sangre de Cristo Regional MDWCA	7/11/2008		18,000
P/G – Canjilon MDWCA & MSWA	8/8/2008		22,500
P/G – Sierra County	9/5/2008		50,000
Water Waste Water Grant Funding:			
WW – City of Moriarty	9/19/2008		396,000

14. SUBSEQUENT EVENTS - continued

PPRF Series 2008B. On October 16, 2008, the Authority issued $24,430,000 of Senior Lien Public Project Revolving Fund Series 2008 B Revenue Bonds. The 2008 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, and 2) pay costs incurred with the issuance of the Series 2008 B Bonds.

15. DEFICIT FUND / NET ASSETS

There are deficit fund balances of $56,065 in the Child Care Revolving Loan Fund, $426,720 in the New Mexico Tax Credits Fund and $13,377 in the Energy Efficiency Fund. The operating fund will cover the deficits in these 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 Series 2009C Bonds, copies of the Indenture will be available at the principal office of the Representative. Subsequent to the offering of the Series 2009C 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 2009C Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Seventy-Third 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 2009C Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2009C Bonds and otherwise exercise ownership rights with respect to Series 2009C 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 2009C 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 2009C 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 2009C Bonds, each June 1 and December 1, commencing December 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 2009C 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 2009C 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 2009C Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2009C 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.

“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 2009C 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 2009C 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 2009C Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009C, in an initial aggregate principal amount of $__________.

"Special Record Date" means a special record date established pursuant to the Indenture. "State" means the State of New Mexico.

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

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

"Trustee" means 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.

"Underwriters" means, with respect to the Series 2009C Bonds, RBC Capital Markets Corporation, Samuel A. Ramirez & Co., Inc., and Goldman, Sachs & Co.

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."

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.

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.

<u>Method and Frequency of Valuation</u>. 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.

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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 2009C 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
1999-2008

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1999	1,808,082	279,040,168	0.8%	1.2%
2000	1,820,704	282,171,936	0.7	1.1
2001	1,828,330	285,039,803	0.4	1.0
2002	1,848,986	287,726,647	1.1	0.9
2003	1,867,909	290,210,914	1.0	0.9
2004	1,889,266	292,892,127	1.1	0.9
2005	1,912,884	295,560,549	1.3	0.9
2006	1,937,916	298,362,973	1.3	0.9
2007	1,964,402	301,290,332	1.4	1.0
2008	1,984,356	304,059,724	1.0	0.9

(Source: Population Division, U.S. Census Bureau, March 2009.)

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 1998-2007.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Growth 2006-2007	Growth 1998-2007
Total employment	945,474	951,156	972,954	977,815	987,693	1,013,107	1,038,845	1,051,704	1,091,651	1,115,677	2.20%	18.00%
Wage and salary employment	765,582	773,819	789,690	801,610	809,872	822,438	838,544	855,049	877,954	887,936	1.25	16.11
Proprietors employment	179,892	177,337	183,264	176,205	177,821	190,669	200,301	196,655	213,697	227,741	6.57	26.60
Farm proprietors employment	15,818	15,237	14,985	17,470	17,649	17,035	16,972	17,159	17,095	17,519	2.48	10.75
Nonfarm proprietors employment	164,074	162,100	168,279	158,735	160,172	173,634	183,329	179,496	196,602	210,222	6.93	28.13
Farm employment	23,203	21,982	21,760	24,091	24,038	23,855	23,757	24,550	24,318	24,575	1.06	5.91
Nonfarm employment	922,271	929,174	951,194	953,724	963,655	989,252	1,015,088	1,027,154	1,067,333	1,091,169	2.23	18.31
Private employment	723,483	730,406	748,804	748,250	754,776	775,615	797,520	808,390	853,037	881,017	3.28	21.77
Forestry, fishing, related activities and other[1]	7,469	7,250	7,144	7,019	7,284	7,080	7,132	7,219	7,164	7,086	(0.84)	(4.89)
Mining[2]	19,348	17,428	18,823	19,469	17,520	18,875	19,025	21,118	23,666	24,596	3.93	27.12
Utilities	4,253	4,214	4,312	4,272	4,100	4,120	4,063	4,082	4,142	4,397	6.16	3.39
Construction[3]	60,783	60,167	60,646	63,144	61,086	63,927	68,145	72,453	79,654	82,275	3.29	35.36
Manufacturing	48,246	46,895	47,294	46,001	43,939	41,770	40,954	41,083	42,857	42,563	(0.69)	(11.78)
Durable goods manufacturing[4]	35,139	33,902	33,888	32,671	30,887	28,868	28,162	28,412	29,877	29,705	(0.58)	(15.46)
Nondurable goods manufacturing[5]	13,107	12,993	13,406	13,330	13,052	12,902	12,792	12,671	12,980	12,858	(0.94)	(1.90)
Wholesale trade	27,862	27,634	28,022	27,970	27,181	26,761	27,441	28,248	29,419	30,243	2.80	8.55
Retail trade[6]	115,073	113,110	112,676	111,250	111,912	113,827	115,746	116,168	118,189	121,257	2.60	5.37
Transportation and warehousing[7]	24,726	24,310	24,903	23,854	23,930	23,920	24,980	25,077	26,060	27,625	6.01	11.72
Information[8]	16,468	17,287	18,194	19,331	18,584	17,942	17,238	17,240	18,511	18,663	0.82	13.33
Finance and insurance[9]	33,079	32,216	31,904	30,996	31,079	31,515	31,844	31,460	32,210	32,460	0.78	(1.87)
Real estate and rental and leasing[10]	26,192	27,250	30,598	29,117	29,489	32,319	34,859	35,664	38,754	41,905	8.13	59.99
Professional and technical services	59,006	60,081	62,146	60,386	60,693	64,443	67,459	66,884	75,824	81,750	7.82	38.55
Management of companies and enterprises	6,307	5,848	5,815	6,083	5,923	5,423	5,354	6,388	6,426	6,105	(5.00)	(3.20)
Administrative and waste services[11]	43,969	47,680	51,125	52,659	53,555	53,077	54,423	54,336	58,185	60,687	4.30	38.02
Educational services	10,457	11,067	11,411	11,826	12,535	13,936	14,838	15,015	15,850	16,645	5.02	59.18
Health care and social assistance[12]	82,368	85,883	89,726	89,614	96,323	102,830	107,352	108,336	112,171	115,090	2.60	39.73
Arts, entertainment and recreation[13]	18,359	19,294	19,605	18,570	19,496	20,722	21,479	21,062	22,081	22,823	3.36	24.32
Accommodation and food services[14]	70,552	72,611	74,398	76,403	77,903	79,733	80,498	81,137	84,443	85,528	1.28	21.23
Other services, except public administration[15]	48,966	50,181	50,062	50,286	52,244	53,395	54,690	55,420	57,431	59,319	3.29	21.14
Government and government enterprises[16]	198,788	198,768	202,390	205,474	208,879	213,637	217,568	218,764	214,296	210,152	1.93	5.72

(1) The "Forestry, fishing, related activities, and other" category includes: forestry and logging; fishing, hunting and trapping; agriculture and forestry support activities; and other.
(2) The "Mining" category includes: oil and gas extraction; mining (except oil and gas); and support activities for mining.
(3) The "Construction" category includes: construction of buildings; heavy and civil engineering construction; and specialty trade contractors.
(4) The "Durable good manufacturing" category includes: wood product manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment and appliance manufacturing; motor vehicles, bodies and trailers, and parts manufacturing; other transportation equipment manufacturing; furniture and related product manufacturing; and miscellaneous manufacturing.
(5) The "Nondurable goods manufacturing" category includes: food manufacturing; beverage and tobacco product manufacturing; textile mills; textile product mills; apparel manufacturing; leather and allied product manufacturing; paper manufacturing; printing and related support activities; petroleum and coal products manufacturing; chemical manufacturing; and plastics and rubber products manufacturing.
(6) The "Retail trade" category includes: motor vehicle and parts dealers; furniture and home furnishings stores; electronics and appliance stores; building material and garden supply stores; food and beverage stores; health and personal care stores; gasoline stations; clothing and clothing accessories stores; sporting goods, hobby, book and music stores; general merchandise stores; miscellaneous store retailers; and nonstore retailers.
(7) The "Transportation and warehousing" category includes: air transportation; rail transportation; water transportation; truck transportation; transit and ground passenger transportation; pipeline transportation; scenic and sightseeing transportation; support activities for transportation; couriers and messengers; and warehousing and storage.
(8) The "Information" category includes: publishing industries, except Internet; motion picture and sound recording industries; broadcasting, except Internet; Internet publishing and broadcasting; telecommunications; ISPs, search portals and data processing; and other information services.
(9) The "Finance and insurance" category includes: monetary authorities-central bank; credit intermediation and related activities; securities, commodity contracts, investments; insurance carriers and related activities; and funds, trusts and other financial vehicles.
(10) The "Real estate and rental and leasing" category includes: real estate; rental and leasing services; and lessors of nonfinancial intangible assets.
(11) The "Administrative and waste services" category includes: administrative and support services; and waste management and remediation services.
(12) The "Health care and social assistance" category includes: ambulatory health care services; hospitals; nursing and residential care facilities; and social assistance.
(13) The "Arts, entertainment and recreation" category includes: performing arts and spectator sports; museums, historical sites, zoos and parks; and amusement, gambling and recreation.
(14) The "Accommodation and food services" category includes: accommodation; and food services and drinking places.
(15) The "Other services, except public administration" category includes: repair and maintenance; personal and laundry services; membership associations and organizations; private households;
(16) The "Government and government enterprises" category includes: federal, civilian; military; state and local; and state government and local government.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, February 2009.)

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
1999-2008

	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
1999	840	139,439	793	133,414	5.5%	4.3%	128%
2000	853	142,278	811	136,531	4.9	4.0	123
2001	864	143,654	822	137,071	4.9	4.6	107
2002	872	144,803	824	136,413	5.6	5.8	97
2003[3]	889	146,485	836	137,474	6.0	6.2	97
2004[3]	902	147,692	850	139,556	5.7	5.5	104
2005[3]	918	149,445	871	142,029	5.1	5.0	102
2006[3]	935	151,414	897	144,427	4.1	4.7	87
2007[3]	945	153,101	912	145,972	3.5	4.7	74
2008[3]	959	154,506	919	145,596	4.2	5.8	72

(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 2004-2008 New Mexico figures reflect revised population controls, model re-estimation, and new seasonal factors, and that 2000 and 2003-2008 United States figures are affected by changes in population controls.

(Source: U.S. Department of Labor, Bureau of Labor Statistics, March 2009.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1999-2008

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
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	53,382,823	10,252,973,000	7.2	5.6
2006	56,870,351	10,978,053,000	6.5	7.1
2007	60,318,370	11,634,322,000	6.1	6.0
2008[1]	63,679,909	12,086,533,576	5.6	3.9

(1) Preliminary estimate.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2009.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1999-2008

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	N.M.	U.S.
1999	$21,042	27,939	75%	1.9%	3.9%
2000	22,144	29,847	74	5.2	6.8
2001	24,141	30,582	79	9.0	2.5
2002	24,330	30,838	79	0.8	0.8
2003	24,975	31,530	79	2.7	2.2
2004	26,366	33,157	80	5.6	5.2
2005	27,907	34,690	80	5.8	4.6
2006	29,346	36,794	80	5.2	6.1
2007	30,706	38,615	80	4.6	4.9
2008	32,091	39,751	81	4.5	3.5

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2009.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
1990, 2000, 2001 AND 2007

	New Mexico (Dollars in Thousands)				United States (Dollars in Millions)				Percent Change 2001-2007		Distribution of 2007 Wages and Salaries	
	2007[1]	2001[1]	2000	1990	2007[1]	2001[1]	2000	1990	N.M.	U.S.	N.M.	U.S.
Farm Total	227,595	176,072	179,521	95,849	20,042	17,920	16,781	11,767	29.3%	11.84%	0.71%	0.32%
Non-Farm												
Private												
Agricultural Services, Forestry, Fishing	88,280	72,008	143,971	62,663	19,137	15,968	30,886	15,164	22.6	19.85	0.28	0.30
Mining	1,202,142	726,676	671,919	507,585	53,874	32,132	31,219	26,655	65.4	67.66	3.76	0.85
Construction	2,247,873	1,481,698	1,306,228	577,016	367,585	271,681	256,807	140,468	51.7	35.30	7.03	5.78
Manufacturing[2]	1,886,583	1,670,758	1,656,465	980,349	810,937	773,184	830,026	561,384	12.9	4.88	5.90	12.76
Transportation & Public Utilities[3]	1,548,282	1,239,195	1,351,378	884,830	340,493	295,851	313,333	179,390	24.9	15.09	4.85	5.36
Wholesale Trade	1,114,180	834,834	950,471	552,522	369,146	283,974	332,549	189,402	33.5	29.99	3.49	5.81
Retail Trade[4]	3,360,680	2,564,031	2,434,023	1,316,067	571,382	463,539	449,642	264,791	31.1	23.27	10.52	8.99
Finance, Insurance & Real Estate[5]	1,485,740	1,060,638	1,027,385	543,814	622,750	444,684	431,911	207,758	40.1	40.04	4.65	9.80
Services[6]	10,578,618	6,633,316	5,916,169	2,945,866	2,119,125	1,535,895	1,382,404	644,429	59.5	37.97	33.11	33.34
Total Private	23,512,378	16,283,154	15,458,009	8,370,712	5,274,429	4,116,908	4,058,777	2,229,441	44.4	28.12	73.58	82.99
Government												
Federal, Civilian	1,911,686	1,366,112	1,280,241	917,118	181,868	134,679	135,011	99,598	39.9	35.04	5.98	2.86
Military	666,286	495,168	477,480	440,596	86,314	54,970	50,520	46,332	34.6	57.02	2.09	1.36
State & Local	5,636,256	4,700,434	4,374,109	2,472,762	792,613	615,467	572,880	356,505	19.9	28.78	17.64	12.47
Total Government	8,214,228	6,561,714	6,131,830	3,830,476	1,060,795	805,116	758,411	502,435	25.2	31.76	25.71	16.69
Non-Farm Total:	31,726,601	22,844,868	21,589,839	12,201,188	6,335,224	4,922,024	4,817,188	2,731,876	38.9	28.71	99.29	99.68
Total	31,954,201	23,020,940	21,769,360	12,297,037	6,355,266	4,939,944	4,833,969	2,743,643	38.8%	28.65	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 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-1

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 2009C

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 2009C in the aggregate principal amount of $__________ (the "Series 2009C Bonds"). The Series 2009C Bonds are being issued for the purpose of (i) purchasing securities from the New Mexico Spaceport Authority (the "2009C Governmental Unit") that will be issued to finance a Project for the 2009C Governmental Unit; and (ii) paying costs incurred in connection with the issuance of the Series 2009C 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 2009C 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"), by and between Sunwest Bank, National Association, Albuquerque, New Mexico, as the predecessor Trustee, and as further supplemented by a Seventy-Third Supplemental Indenture of Trust dated as of June 1, 2009 (together with the General Indenture, the "Indenture"), by and between the NMFA and the Bank of Albuquerque, N.A., Albuquerque, New Mexico, as trustee (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 of New Mexico (the "State"), duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 2009C 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 2009C 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 2009C 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.

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

(a) the rights of the holders of the Series 2009C 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 2009C Bonds or any other offering material relating to the Series 2009C 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 and they should not 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 D-2

FORM OF OPINION OF SPECIAL TAX COUNSEL

[Form of Opinion of Ballard Spahr Andrews & Ingersoll, LLP]

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

Re: New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009C

We have acted as special tax counsel to the New Mexico Finance Authority (the "NMFA") in connection with the issuance by the NMFA of its Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009C (the "Series 2009C Bonds") in the aggregate principal amount of $__________. The Series 2009C Bonds are being issued for the purposes of purchasing securities from a governmental unit ("2009C Governmental Unit") that are being issued to finance a project for such 2009C Governmental Unit.

We have reviewed opinions of counsel to the NMFA, certificates of the NMFA and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to 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 on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. Interest on the Series 2009C Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2009C Bonds, assuming the accuracy of the certifications of the NMFA and the 2009C Governmental Unit and continuing compliance by the NMFA and the 2009C Governmental Unit with the requirements of the Internal Revenue Code of 1986 (the "Code"). Interest on the Series 2009C Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includable in adjusted current earnings for purposes of corporate AMT.

2. Under the laws of the State of New Mexico as enacted and construed on the date hereof, interest on the Series 2009C Bonds is excludable from net income of the owners thereof for State of New Mexico income tax purposes.

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

(a) we express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2009C Bonds; and

(b) Except as set forth above, we express no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2009 Bonds.

Respectfully submitted,

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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 2009C Bonds, payment of principal, premium, if any, interest on the Series 2009C Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2009C 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 2009C Bonds. The Series 2009C 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 2009C Bond certificate will be issued for each maturity of the Series 2009C 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 2009C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009C Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009C 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 2009C 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 2009C Bonds, except in the event that use of the book-entry system for the Series 2009C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009C 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 2009C 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 2009C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009C 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 2009C 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 2009C 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 2009C 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 2009C 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 2009C 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 2009C Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2009C 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 2009C 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

INFORMATION REGARDING THE LARGEST REPAYMENT OBLIGATIONS

Information concerning the Agreements representing the five largest repayment obligations and their obligors is provided below. Furthermore, information concerning an action affecting a Loan with a Governmental Unit is also set forth below.

Largest Repayment Obligations

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 $95,804,075 and are scheduled to mature on June 1, 2038.

New Mexico Spaceport Authority. The NMFA will loan approximately $55,810,000 to the New Mexico Spaceport Authority, as further described in this Official Statement. The scheduled maturity of the loan is June 1, 2029. For further details regarding the New Mexico Spaceport Authority and its Loan, please Appendix G below.

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 was 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 on June 1, 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 on June 1, 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.

Action Involving Angel Fire Public Improvement District

The NMFA has previously funded a loan (the "Original Angel Fire Loan") to the Angel Fire Public Improvement District (the "Angel Fire District") and the NMFA expects to fund an additional loan to the Angel Fire District with a portion of the proceeds of the Series 2009B Bonds (the "Subsequent Angel Fire Loan," and collectively with the Original Angel Fire Loan, the "Angel Fire Loans"). Proceeds from the Angel Fire Loans are expected to be applied to finance infrastructure improvements within the Angel Fire District. If the Subsequent Angel Fire Loan is funded, the Angel Fire Loans will be outstanding in the aggregate principal amount of $26.25 million and will be scheduled to mature in August 2038. The Angel Fire District has pledged to the NMFA its Special Tax Levy for repayment of the Angel Fire Loans. The Special Tax Levy will be an annual special levy assessed on all the property within the Angel Fire District. Such annual levy for debt service will create a lien, which can be enforced personally against the owner of the property or enforced by sale of the property (which can commence within 6 months from delinquency).

An action was recently filed against the Angel Fire District, and others, including the NMFA, which challenges the creation of the Angel Fire District. If the action is decided in favor of the petitioners, the Angel Fire District would not be considered to be properly created and any actions taken by the Angel Fire District, including the Angel Fire Loans, would be void and unenforceable. Proceeds from the Series 2009B Bonds intended to fund the Subsequent Angel Fire Loan are being held in trust with the Trustee until such time that the action is resolved. In the event the Angel Fire District is determined not to be properly formed, the NMFA will not fund the Subsequent Angel Fire Loan and will not apply proceeds from the Series 2009B Bonds that were intended to be used to fund the Subsequent Angel Fire Loan for that purpose. Instead, the NMFA expects to apply such proceeds to fund Loans to other Governmental Units or to redeem a corresponding amount of Series 2009B Bonds at the time they become subject to redemption, the first date being December 1, 2009. The NMFA believes that the selection of any of the aforementioned courses of action will not materially adversely affect payment of debt service on the Series 2009C Bonds since the NMFA will replace the stream of Revenues that would have been provided by the Angel Fire Loans with another stream of Revenues that would be provided by any such Loans or the amount of debt service on the Bonds will be reduced by redeeming a portion of the Series 2009B Bonds.

APPENDIX G

THE 2009C GOVERNMENTAL UNIT AND THE 2009C PROJECT

The 2009C Governmental Unit is an agency of the State of New Mexico created under the New Mexico Spaceport Development Act, Sections 58-31-1 et seq., NMSA 1978 (the "Spaceport Act"). The 2009C Governmental Unit is administratively attached to the Economic Development Department of the State of New Mexico and was created to:

A. Encourage and foster development of the State and its cities and counties by developing spaceport facilities within the State;

B. Actively promote and assist public and private sector infrastructure development to attract new industries and businesses, thereby creating new job opportunities in the State;

C. Create the statutory framework that will enable the State to design, finance, construct, equip and operate spaceport facilities necessary to ensure the timely, planned and efficient development of a southwest regional spaceport; and

D. Promote educational involvement in spaceport activities and education and training of the workforce to develop the skills needed for spaceport operations.

The powers of the 2009C Governmental Unit include the power to issue revenue bonds at the request of a regional spaceport district.

In accordance with the Regional Spaceport District Act, Sections 5-16-1 et seq., NMSA 1978, Doña Ana County and Sierra County, New Mexico (collectively, the "Counties" and individually, a "County"), have jointly created a Regional Spaceport District (the "District"). In connection with the creation of the District, each County imposed a County Regional Spaceport Gross Receipts Tax in the amount of one-fourth of one percent on the gross receipts of persons (including individuals and entities) engaging in business in the area of the District (collectively the "Spaceport Gross Receipts Taxes"). At least 75% of the Spaceport Gross Receipts Taxes received by the Counties must be used by the District to finance, plan, design, engineer and construct a regional spaceport. The Counties may retain 25% of the Spaceport Gross Receipts Taxes for spaceport-related projects. Although the Counties have not previously imposed the Spaceport Gross Receipts Taxes, they have imposed other gross receipts taxes on the same services. Based upon historical collections of those similar taxes, it is expected that annual revenues from the imposition of the Spaceport Gross Receipts Taxes will be approximately $5,893,400, assuming that such revenues remain the same over the life of the 2009C Governmental Unit Bonds.

The 2009C Governmental Unit and the District have entered into a Spaceport Bonding Memorandum of Agreement concerning the issuance of the 2009C Governmental Unit Bonds.

The District has adopted a Resolution requesting the 2009C Governmental Unit to issue the 2009C Governmental Unit Bonds and a resolution pledging seventy-five percent (75%) of the Spaceport Gross Receipt Taxes (the "Pledged Revenues") to the payment of the 2009C Governmental Unit Bonds. The District has not pledged the Pledged Revenues to any other bonds or obligations presently outstanding and unpaid.

The 2009C Governmental Unit will issue bonds payable from the Pledged Revenues (the "2009C Governmental Unit Bonds"). The 2009C Governmental Unit Bonds will be additionally secured by an Agreement Reserve Account (the "2009C Governmental Unit Agreement Reserve Account") in the estimated amount of $5,581,000. The 2009C Governmental Unit Agreement Reserve Account will be funded over a three year period commencing upon the issuance of the 2009C Governmental Unit Bonds and is expected to be funded with the Pledged Revenues. The amounts in the 2009C Governmental Unit Agreement Reserve Account will be available only to make up deficiencies of debt service with respect to the 2009C Governmental Unit Bonds. The NMFA will use the proceeds of the Series 2009C Bonds to purchase the 2009C Governmental Unit Bonds. The 2009C Governmental Unit Bonds are scheduled to mature in 2029, a date not exceeding twenty years after the date of their issuance. The 2009C Governmental Unit may not issue the 2009C Governmental Unit Bonds until it receives approval from the New Mexico State Board of Finance, which it received at the June 23, 2009 meeting of the New Mexico State Board of Finance.

The 2009C Governmental Unit will apply proceeds from the sale of the 2009C Governmental Unit Bonds to finance a portion of the costs of planning, designing, engineering and constructing a regional spaceport (the "2009C Project"). It is currently forecasted that the completion of the 2009C Project will cost approximately $219.8 million, with approximately $164.9 million in construction costs, approximately $18.7 million in non-construction activity and approximately $36.2 million in State Department of Transportation ("DOT") road projects. To date, the 2009C Governmental Unit has received $107.5 million from State appropriations from the sale of taxable severance tax bonds, $15.0 million from an unrestricted appropriation from the State General Fund, and another $10.0 million appropriated to DOT for roads from the State General Fund.

NEW MEXICO FINANCE AUTHORITY • SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2009C

New Mexico FINANCE AUTHORITY

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NEW ISSUE – BOOK-ENTRY ONLY

Ratings: S & P "AA+"
Moody's "Aa2"
(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 2009D-1 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. Interest on the Series 2009D-2 Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series 2009D 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

$13,570,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, TAX-EXEMPT SERIES 2009D-1	$38,845,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, TAXABLE SERIES 2009D-2

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

The New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2009D-1 and Taxable Series 2009D-2 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 2009D Bonds through its nominee, Cede & Co. One fully-registered bond in a denomination equal to the principal amount of each maturity of each series of the Series 2009D Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2009D Bonds will be made in book-entry form only, and beneficial owners of the Series 2009D 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 2009D Bonds.

The Series 2009D Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2009D Bonds accrues from the date of initial delivery of the Series 2009D Bonds and is payable on June 1 and December 1 of each year, commencing December 1, 2009. Principal of the Series 2009D 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 2009D Bonds are subject to redemption prior to maturity.

Proceeds of the Series 2009D Bonds will be used by the NMFA for the purposes of 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 paying costs incurred in connection with the issuance of the Series 2009D Bonds. The principal of and premium, if any, and interest on the Series 2009D 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 2009D 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 2009D 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 2009D 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 2009D 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 2009D 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 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 issuance of Series 2009D Bonds. It is expected that a single certificate for each maturity of each series of the Series 2009D Bonds will be delivered to DTC or its agent on or about October 15, 2009.

Piper Jaffray & Co.

Merrill Lynch & Co. **Morgan Stanley**

This Official Statement is dated September 24, 2009 and the information contained herein speaks only as of that date.

NEW MEXICO FINANCE AUTHORITY

$13,570,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, TAX-EXEMPT SERIES 2009D-1

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†	Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2010	$355,000	3.00%	0.69%	64711N HM 0	2021(c)	$1,050,000	4.50%	3.23%	64711N HY 4
2011	860,000	3.00	0.98	64711N HN 8	2022(c)	580,000	4.00	3.42	64711N HZ 1
2012	960,000	3.00	1.31	64711N HP 3	2023(c)	485,000	4.00	3.51	64711N JA 4
2013	1,025,000	4.00	1.59	64711N HQ 1	2024(c)	690,000	4.00	3.60	64711N JB 2
2014	1,000,000	4.00	1.90	64711N HR 9	2025(c)	205,000	4.00	3.69	64711N JC 0
2015	985,000	3.00	2.17	64711N HS 7	2026(c)	120,000	4.00	3.78	64711N JD 8
2016	955,000	3.00	2.41	64711N HT 5	2027(c)	130,000	4.00	3.87	64711N JE 6
2017	975,000	3.25	2.65	64711N HU 2	2028(c)	135,000	4.00	3.96	64711N JF 3
2018	990,000	4.00	2.82	64711N HV 0	2029	135,000	4.00	4.04	64711N JG 1
2019	1,050,000	4.00	2.97	64711N HW 8	2030	20,000	4.00	4.12	64711N JH 9
2020(c)	865,000	4.00	3.16	64711N HX 6					

$38,845,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, TAXABLE SERIES 2009D-2

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Price	CUSIP Number†
2011	$615,000	100.00%	100.00%	64711N JJ 5
2012	630,000	100.00	100.00	64711N JK 2
2013	645,000	100.00	100.00	64711N JL 0
2014	665,000	100.00	100.00	64711N JM 8
2015	685,000	100.00	100.00	64711N JN 6
2016	715,000	100.00	100.00	64711N JP 1
2017	745,000	100.00	100.00	64711N JQ 9
2018	775,000	100.00	100.00	64711N JR 7
2019	815,000	100.00	100.00	64711N JS 5

$6,330,000 5.32% Term Bond due June 1, 2024; Price 100%; CUSIP Number 64711N JT 3†

$9,290,000 5.92% Term Bond due June 1, 2029; Price 100%; CUSIP Number 64711N JU 0†

$16,935,000 6.07% Term Bond due June 1, 2036; Price 100%; CUSIP Number 64711N JV 8†

(c) Priced to call.

† 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 2009D 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 2009D Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2009D 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.

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 2009D 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 2009D 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" and "ANNUAL DEBT SERVICE REQUIREMENTS." 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 or prices at which the Series 2009D Bonds are offered to the public may vary from the initial reoffering yields or prices shown on the inside front cover page of this Official Statement. In connection with this offering, the initial purchasers of the Series 2009D Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2009D 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 2009D Bonds.

THE SERIES 2009D 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 2009D 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 B. Bland
Ron Curry
Rhonda G. Faught[(1)]
Paul Gutierrez
Lonnie Marquez
Katherine B. Miller
Fred Mondragon
Daniel P. Silva[(1)]

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 LLP
Salt Lake City, Utah

Trustee, Registrar and Paying Agent
The Bank of New York Mellon Trust Company, N.A.
Denver, Colorado

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(1) Appointed by the Governor of the State in March 2009. Such individuals are awaiting confirmation by the New Mexico State Senate during its next regular legislative session, scheduled for 2010. See "NEW MEXICO FINANCE AUTHORITY—Governing Body and Key Staff Members."

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

\$13,570,000 **SENIOR LIEN PUBLIC PROJECT** **REVOLVING FUND REVENUE BONDS,** **TAX-EXEMPT SERIES 2009D-1**	**\$38,845,000** **SENIOR LIEN PUBLIC PROJECT** **REVOLVING FUND REVENUE BONDS,** **TAXABLE SERIES 2009D-2**

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page, and appendices, provides information in connection with the offer and sale of the \$13,570,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2009D-1 (the "Series 2009D-1 Bonds") and the \$38,845,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2009D-2 (the "Series 2009D-2 Bonds" and sometimes collectively herein with the Series 2009D-1 Bonds, the "Series 2009D Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2009D 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-Fourth Supplemental Indenture of Trust, dated as of October 1, 2009 (the "Seventy-Fourth Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the NMFA and The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as successor 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, 2008 included as APPENDIX A hereto, which are the most recent audited financial statements available at this time. See "FINANCIAL STATEMENTS" herein.

Authority and Purpose

The Series 2009D 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 2009D 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 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 2009D Bonds. See "THE PLAN OF FINANCING" and "APPENDIX F" for a list of the Governmental Units and the amount of the Loans to be financed with the proceeds of the Series 2009D Bonds. Such Governmental Units whose Loans are being financed with proceeds of the Series 2009D Bonds are sometimes referred to herein as the "2009D Governmental Units."

Parity Obligations

Bonds with a lien on the Trust Estate in parity with the lien of the Series 2009D 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 2009D Bonds

The Series 2009D Bonds will be dated the date of their initial delivery. Interest on the Series 2009D Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2009. The Series 2009D 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 2009D 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 2009D 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 2009D 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 2009D Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2009D 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 2009D 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 2009D Bonds are subject to redemption prior to maturity. See "THE SERIES 2009D BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2009D 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 2009D 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 2009D 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 any separate accounts in the Debt Service Reserve Fund with respect to the Series 2009D-1 Bonds or the Series 2009D-2 Bonds.

Additional Bonds. On September 24, 2009, the governing body of the NMFA adopted a resolution authorizing the issuance of up to $45,000,000 of its Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009E (the "Series 2009E Bonds"), which the NMFA anticipates that it will issue on or about November 12, 2009. Upon their issuance, the Series 2009E Bonds will be secured under the Indenture on a parity with the Series 2009D Bonds and the Outstanding Parity Bonds. The NMFA also 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 2009D 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 such other details of such other 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 2009D Bond Owners that, so long as the Series 2009D 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 the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format and notice of certain material events to the MSRB in an electronic format in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). The provisions of the Continuing Disclosure Undertaking may be amended under certain circumstances. 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 those times 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.

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 2009D-1 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 2009D 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 2009D 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 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, Lake Oswego, Oregon has acted as financial advisor to the NMFA (the "Financial Advisor") in connection with its issuance of the Series 2009D Bonds. See "FINANCIAL ADVISOR."

The NMFA's audited financial statements for the fiscal year ended June 30, 2008, 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 2009D Bonds

The Series 2009D 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 series and maturity of the Series 2009D Bonds will be delivered to DTC or its agent on or about October 15, 2009. The Series 2009D Bonds will be distributed in the initial offering by Piper Jaffray & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Morgan Stanley & Co. Incorporated (collectively, the "Underwriters") for which Piper Jaffray & Co. 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 2009D Bonds.

THE SERIES 2009D BONDS

General

The Series 2009D Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2009D 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 December 1, 2009. The Series 2009D 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 2009D 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 2009D 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 2009D Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2009D Bonds will be made in book-entry only form, and beneficial owners of the Series 2009D 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 2009D Bonds. For a more complete description of the book-entry only system, see "APPENDIX E—BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

Optional Redemption – Series 2009D Bonds. The Series 2009D Bonds maturing on or after June 1, 2020 are subject to optional redemption at any time on and after June 1, 2019, 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 2009D Bonds to be redeemed, but without premium.

Mandatory Sinking Fund Redemption – Series 2009D-2 Bonds. The Series 2009D-2 Bonds maturing on June 1, 2024 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 2009D-2 Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2020	$850,000
2021	895,000
2022	1,460,000
2023	1,525,000
2024†	1,600,000

† Final Maturity

The Series 2009D-2 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 2009D-2 Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2025	$1,675,000
2026	1,760,000
2027	1,855,000
2028	1,950,000
2029†	2,050,000

† Final Maturity

The Series 2009D-2 Bonds maturing on June 1, 2036 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 2009D-2 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	$2,160,000
2031	2,275,000
2032	2,400,000
2033	2,525,000
2034	2,670,000
2035	2,810,000
2036†	2,095,000

† Final Maturity

If less than all of the Series 2009D-2 Bonds maturing on June 1, 2024, June 1, 2029, or June 1, 2036, 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 2009D-2 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 2009D Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2009D 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 2009D 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 2009D 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 2009D 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 2009-2010. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

Type of Revenue	FY 2009-2010 Amounts	% of Total Agreement Revenues
Local Gross Receipts Tax	$22,595,180	27.80%
Enterprise System Revenues	20,429,769	25.14
General Obligation (ad valorem taxes)	12,871,550	15.84
Local Special Tax	12,795,063	15.74
State Gross Receipts Tax	6,383,740	7.86
Fire Protection Funds	3,094,742	3.81
Governmental Gross Receipts Tax	2,618,786	3.22
Special Assessments	457,383	0.56
Mill Levy	22,928	0.03
Total	$81,269,141	100.00%

Note: Totals may not add due to rounding. Assumes that the Loans funded with proceeds of the Series 2009D Bonds are executed and delivered.
(Source: The NMFA.)

The following table lists the ten Agreements that, based on scheduled payments in fiscal year 2009-2010 and assuming no prepayments of the Agreements, are expected to generate the largest Agreement Revenues in fiscal year 2009-2010. These ten Agreements comprise 44.55% of projected Agreement Revenues for fiscal year 2009-2010.

AGREEMENTS EXPECTED TO GENERATE THE LARGEST AGREEMENT REVENUES[(1)]

Borrower	FY 2009-2010 Debt Service	% of Total Pledged Revenues[(1)]
Albuquerque Bernalillo Water Utilities Authority (Enterprise System Revenues)	$10,460,749	12.87%
General Services Department (State Gross Receipts Taxes)	6,345,386	7.81
New Mexico Spaceport Authority (Gross Receipts Tax)	4,228,807	5.20
State Parks and Recreation Department (Governmental Gross Receipts Tax)	2,618,786	3.22
Taos County (Gross Receipts Tax)	2,600,998	3.20
Department of Health (Cigarette Taxes)	2,434,266	3.00
New Mexico Highlands University (Enterprise System Revenues)[(2)]	2,018,713	2.48
City of Santa Fe (Gross Receipts Tax)	1,969,633	2.42
City of Las Cruces (Lodgers Taxes)	1,797,435	2.21
Gadsden Independent Schools (Ad Valorem Taxes)	1,734,678	2.13
Total	$36,209,450	44.55%

(1) Reflects a percentage of total loan agreement revenues, not including the NMFA Portion of Governmental Gross Receipts Taxes.

(2) Any interest subsidy payments under the "Build America Bond Program" which may be received by New Mexico Highlands University are not taken into account in evaluating enterprise system revenues available to pay Loan payments pursuant to this Loan. See "APPENDIX F—2009D GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS—2009D Governmental Units—Special Considerations Relating to the New Mexico Highlands Loan" below.

(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—2009D GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS."

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. See "APPENDIX F—2009D GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS" herein.

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 2004-2005 through 2008-2009.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2004-2005 THROUGH 2008-2009

	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009
Total Net Receipts	$24,582,478	$26,918,001	$27,936,430	$29,186,583	$29,370,303
NMFA Portion of the Governmental Gross Receipts Tax	$18,445,414	$19,689,576	$21,335,908	$21,431,489	$21,493,438

(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 2005-2006 through 2007-2008. 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 2005-2006 THROUGH 2007-2008

	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008
Entity	% of Total Net Receipts	% of Total Net Receipts	% of Total Net Receipts
Albuquerque Bernalillo County Water Utility Authority	27.87%	18.68%	23.34%
City of Albuquerque	8.18	8.28	8.48
City of Santa Fe	7.84	7.33	7.36
City of Las Cruces	5.17	5.03	4.92
University of New Mexico	4.45	4.47	4.14
City of Rio Rancho	3.79	4.17	4.50
City of Farmington	2.52	2.62	2.89
City of Roswell	2.15	2.06	1.99
City of Carlsbad	1.75	1.71	1.62
County of Los Alamos	1.81	1.64	1.76
Total	65.54%	55.99%	60.97%

[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 2009D 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.

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.

No Debt Service Reserve Account. 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 any separate Accounts in the Debt Service Reserve Fund with respect to the Series 2009D-1 Bonds or the Series 2009D-2 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 2009D Bonds. The NMFA covenants pursuant to the Seventy-Fourth 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 respective subseries of Series 2009D Bonds with debt service payable on the related subseries of Series 2009D Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the respective Series 2009D 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 the respective subseries of Series 2009D 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 the respective subseries of Series 2009D Bonds from which the Loan relating to the Prepayment was initially funded and which Series 2009D Bonds 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 SERIES 2009D BONDS—Redemption."

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 2009D Bonds of the respective Series relating to such Prepayment, in Authorized Denominations, to their first optional redemption date as described under the caption "THE SERIES 2009D BONDS—Redemption," 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 2009D 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. During the fiscal years indicated below, the NMFA has 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	32	10,223,706
2009-2010(1)	9	1,935,072

(1) Reflects Prepayments received as of August 15, 2009.
(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 2009D 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 other Additional Bonds are not known as of the date of this Official Statement.

No Obligations Senior to the Series 2009D Bonds

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 September 1, 2009:

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of September 1, 2009[2] [3]
1999A	$13,135,000	$5,475,000
1999B	3,025,000	945,000
1999C	2,265,000	420,000
1999D	4,875,000	1,740,000
2002A	55,610,000	16,345,000
2003A	39,945,000	20,326,000
2003B	25,370,000	17,145,000
2004A-1	28,410,000	16,350,000
2004A-2	14,990,000	12,485,000
2004B-1	48,135,000	33,345,000
2004B-2	1,405,000	1,020,000
2004C	168,890,000	139,140,000
2005A	19,015,000	13,505,000
2005B	13,500,000	12,145,000
2006B	38,260,000	35,050,000
2006D	56,400,000	50,885,000
2007E	61,945,000	56,395,000
2008A	158,965,000	153,720,000
2008B	36,545,000	34,535,000
2008C	29,130,000	28,620,000
2009A	18,435,000	18,435,000
2009B	30,225,000	30,225,000
2009C	55,810,000	55,810,000
Total	$924,285,000	$754,061,000

(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.

(3) On September 24, 2009, the governing body of the NMFA adopted a resolution authorizing up to $45,000,000 aggregate principal amount of its Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009E (the "Series 2009E Bonds") which the NMFA anticipates that it will issue on or about November 12, 2009. Upon their issuance, the Series 2009E Bonds will be secured under the Indenture on a parity basis with the Series 2009D Bonds and the Outstanding Parity Bonds.

(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 2009-2010 and assuming no prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2009-2010.

Outstanding Subordinate Lien Bonds

Pursuant to a Subordinated General Indenture of Trust and Pledge 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 that were outstanding as of September 1, 2009:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of September 1, 2009[(2)]
2005C[(3)]	$50,395,000	$49,030,000
2005E	23,630,000	23,630,000
2005F	21,950,000	20,095,000
2006A	49,545,000	48,180,000
2006C	39,860,000	35,760,000
2007A	34,010,000	30,440,000
2007B	38,475,000	34,175,000
2007C	131,860,000	125,045,000
Total	$389,725,000	$366,355,000

(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.

(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 2009D 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 2009D 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 2009D Governmental Units that will be or were used to finance certain Projects for the 2009D Governmental Units. A portion of the proceeds of the Series 2009D Bonds will be used by the NMFA for the purpose of paying costs incurred in connection with the issuance of the Series 2009D Bonds. See APPENDIX F for a list of the 2009D Governmental Units and the amount of the Loans expected to be financed with the respective Series of the Series 2009D Bonds.

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Estimated Sources and Uses of Funds

The following tables set forth the estimated sources and uses of funds in connection with the issuance of the Series 2009D Bonds.

TAX-EXEMPT SERIES 2009D-1 BONDS

Sources of Funds

Principal Amount	$13,570,000.00
Net Reoffering Premium	796,762.65
NMFA Contribution	44,890.76
Total Sources	$14,411,653.41

Uses of Funds

Reimbursement of Loans(1)	$9,204,194.38
Program Fund Account(2)	4,692,166.33
Agreement Reserve Accounts(3)	361,139.60
Costs of Issuance(2)	154,153.10
Total Uses	$14,411,653.41

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(1) Includes reimbursement of the PPRF of amounts used to make Loans.

(2) Amounts in the Program Fund Account of one of the 2009D Governmental Units will be used to fund a Loan at or about the same time as the issuance of the Series 2009D Bonds. See "APPENDIX F—2009D GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS—2009D Governmental Units."

(3) Represents amount set aside as a reserve for particular Loans that are being funded with a portion of the Series 2009D-1 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 2009D-1 Bonds. See "APPENDIX F—2009D GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS—2009D Governmental Units."

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TAXABLE SERIES 2009D-2 BONDS

Sources of Funds

Principal Amount	$38,845,000.00
NMFA Contribution	375,621.05
Total Sources	$39,220,621.05

Uses of Funds

Program Fund Accounts[1]	$38,096,744.67
Agreement Reserve Accounts[2]	698,808.90
Costs of Issuance[3]	425,067.48
Total Uses	$39,220,621.05

(1) Amounts in the Program Fund Accounts of the 2009D Governmental Units will be used to fund Loans at or about the same time as the issuance of the Series 2009D Bonds. See "APPENDIX F—2009D GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS—2009D Governmental Units."

(2) Represents amount set aside as a reserve for particular Loans that are being funded with a portion of the Series 2009D-2 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 2009D-2 Bonds. See "APPENDIX F—2009D GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS—2009D Governmental Units."

(3) 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 2009D Bonds.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2009D Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

ANNUAL DEBT SERVICE FOR THE BONDS

	Series 2009D-1 Bonds		Series 2009D-2 Bonds			
Fiscal Year	Principal	Interest	Principal	Interest	Outstanding Parity Bonds	Total Annual Debt Service
2010	$355,000	$313,630	–	$1,349,508	$76,576,801	$78,594,939
2011	860,000	488,938	$615,000	2,149,659	76,094,390	80,207,987
2012	960,000	463,138	630,000	2,138,528	78,249,414	82,441,079
2013	1,025,000	434,338	645,000	2,123,912	75,955,565	80,183,814
2014	1,000,000	393,338	665,000	2,102,885	72,519,460	76,680,682
2015	985,000	353,338	685,000	2,079,543	71,425,387	75,528,268
2016	955,000	323,788	715,000	2,052,212	68,126,995	72,172,994
2017	975,000	295,138	745,000	2,022,253	57,083,887	61,121,278
2018	990,000	263,450	775,000	1,988,952	55,343,976	59,361,378
2019	1,050,000	223,850	815,000	1,953,147	51,779,103	55,821,100
2020	865,000	181,850	850,000	1,914,679	50,066,022	53,877,551
2021	1,050,000	147,250	895,000	1,869,459	47,946,057	51,907,766
2022	580,000	100,000	1,460,000	1,821,845	44,187,538	48,149,383
2023	485,000	76,800	1,525,000	1,744,173	39,829,437	43,660,410
2024	690,000	57,400	1,600,000	1,663,043	38,140,441	42,150,884
2025	205,000	29,800	1,675,000	1,577,923	33,793,546	37,281,269
2026	120,000	21,600	1,760,000	1,478,763	31,392,038	34,772,401
2027	130,000	16,800	1,855,000	1,374,571	30,170,809	33,547,180
2028	135,000	11,600	1,950,000	1,264,755	26,238,129	29,599,484
2029	135,000	6,200	2,050,000	1,149,315	21,810,884	25,151,399
2030	20,000	800	2,160,000	1,027,955	16,187,694	19,396,449
2031	–	–	2,275,000	896,843	16,187,275	19,359,118
2032	–	–	2,400,000	758,750	15,816,825	18,975,575
2033	–	–	2,525,000	613,070	13,816,438	16,954,508
2034	–	–	2,670,000	459,803	12,093,638	15,223,441
2035	–	–	2,810,000	297,734	10,763,213	13,870,947
2036	–	–	2,095,000	127,167	10,713,188	12,935,355
2037	–	–	–	–	3,506,675	3,506,675
2038	–	–	–	–	3,500,300	3,500,300
2039	–	–	–	–	1,740,750	1,740,750
Totals	$13,570,000	$4,203,046	$38,845,000	$40,000,447	$1,151,055,875	$1,247,674,368

(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 2009D Bonds and all other outstanding Bonds and the resulting estimated annual coverage ratios. Revenues estimated for current and future fiscal years are based on fiscal year 2008-2009 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	NMFA Portion of Governmental Gross Receipts Tax(1)	Aggregate Pledged Borrower Payments(2) (3)	Estimated Total Revenues(3)	Total Annual Debt Service Requirement	Estimated Annual Coverage Ratios(4)
2010	$21,493,438	$81,269,141	$102,762,579	$78,594,939	1.31x
2011	21,493,438	83,255,133	104,748,571	80,207,986	1.31x
2012	21,493,438	84,902,204	106,395,642	82,441,079	1.29x
2013	21,493,438	84,000,962	105,494,400	80,183,814	1.32x
2014	21,493,438	79,996,799	101,490,237	76,680,682	1.32x
2015	21,493,438	79,142,609	100,636,047	75,528,267	1.33x
2016	21,493,438	74,667,721	96,161,159	72,172,994	1.33x
2017	21,493,438	64,662,246	86,155,684	61,121,278	1.41x
2018	21,493,438	62,419,435	83,912,873	59,361,378	1.41x
2019	21,493,438	58,560,169	80,053,607	55,821,100	1.43x
2020	21,493,438	57,035,700	78,529,138	53,877,551	1.46x
2021	21,493,438	54,480,611	75,974,049	51,907,766	1.46x
2022	21,493,438	50,981,211	72,474,649	48,149,383	1.51x
2023	21,493,438	45,168,063	66,661,501	43,660,410	1.53x
2024	21,493,438	43,597,797	65,091,235	42,150,883	1.54x
2025	21,493,438	38,803,473	60,296,911	37,281,269	1.62x
2026	21,493,438	35,589,907	57,083,345	34,772,400	1.64x
2027	21,493,438	34,633,115	56,126,553	33,547,179	1.67x
2028	21,493,438	30,065,587	51,559,025	29,599,483	1.74x
2029	21,493,438	25,611,895	47,105,333	25,151,398	1.87x
2030	21,493,438	19,840,991	41,334,429	19,396,448	2.13x
2031	21,493,438	19,824,303	41,317,741	19,359,118	2.13x
2032	21,493,438	19,442,890	40,936,328	18,975,575	2.16x
2033	21,493,438	17,430,554	38,923,992	16,954,508	2.30x
2034	21,493,438	15,690,294	37,183,732	15,223,440	2.44x
2035	21,493,438	14,358,551	35,851,989	13,870,946	2.58x
2036	21,493,438	13,133,211	34,626,649	12,935,354	2.68x
2037	21,493,438	5,928,495	27,421,933	3,506,675	7.82x
2038	21,493,438	3,592,562	25,086,000	3,500,300	7.17x
2039	21,493,438	1,807,580	23,301,018	1,740,750	13.39x

(1) Reflects NMFA Portion of the Governmental Gross Receipts Tax collections from July 1, 2008 through June 30, 2009.
(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 2008-2009 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 Paul Gutierrez. 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 B. Bland[1][2]	State Investment Officer, State Investment Council	not applicable
Ron Curry[1][2]	Secretary, Environment Department, State of New Mexico	not applicable
Rhonda G. Faught[2][3]	Retired, Former Secretary of the New Mexico Department of Transportation	01/01/13
Stephen R. Flance[2] (Chairman)	Owner/CEO, The Flance Company Santa Fe, New Mexico	12/31/09
William F. Fulginiti[1] (Vice-Chairman)	Executive Director, New Mexico Municipal League	not applicable
Paul Gutierrez[1]	Executive Director, New Mexico Association of Counties	not applicable
Lonnie Marquez[2]	Vice President for Administration and Finance, New Mexico Institute of Mining and Technology	01/01/12
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
Daniel P. Silva[2][3]	Former State Representative Albuquerque, New Mexico	01/01/13

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(1) *Ex officio* member. An *ex officio* member may designate an alternate member. Alternate members may attend meetings and vote on all matters considered by the NMFA. *Ex officio* members that are cabinet secretaries are appointed to their cabinet positions by the Governor of the State and serve in those capacities at the pleasure of the Governor.

(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 March 2009. Such individuals are awaiting confirmation by the New Mexico State Senate during its next regular legislative session, scheduled for January 2010, and will continue to serve until the expiration of such session if no confirmation is received. If the New Mexico State Senate confirms those individuals during its next session, the terms of such individuals will expire on January 1, 2013.

Presented below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2009D 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.

Michael J. Zavelle, Chief of Investor Relations. Mr. Zavelle joined the NMFA in June 2009. Mr. Zavelle has an extensive and varied background in finance with public and private universities, a major cultural organization, and as a capital markets banker in Asia responsible for client relations and for loan and bond underwriting, syndication and private placement. He served as a VP/CFO for Fisk University, Brooklyn College/CUNY, and Baruch College/CUNY, as Vice Chancellor for Administration & Planning for City University of New York, as SVP and Chief Administrative Officer for The New York Public Library, and as a Managing Director with Chase Manhattan Asia Limited in Hong Kong and Tokyo. Mr. Zavelle has a Bachelor of Arts degree in Economics from Dartmouth College and a Master of Business Administration degree from Harvard University.

Marquita Russel, Chief of Programs. Ms. Russel joined the NMFA in September, 2000. Ms. Russel has approximately 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.

Jarratt Applewhite, Chief Financial Advisor. Mr. Applewhite joined the NMFA in July 2009 after serving in a variety of private and public capacities for the past 30 years. Mr. Applewhite most recently served as the founder and CEO of New Mexico Community Capital, a nonprofit community development organization. Mr. Applewhite has also served as the CEO of one of New Mexico's fastest growing information technology companies as well as president of a real estate firm. Mr. Applewhite's public service includes a term as the president of the Santa Fe Board of Education and the Co-Chair of the Mayor's Task Force on affordable housing in the City of Santa Fe.

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.

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; public recreation facilities; public transportation systems; 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 1, 2009, the NMFA had made 807 PPRF loans totaling approximately $1.641 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 2009D 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 NMFA, urgent economic development projects, loan originations, or addressing other purposes as determined by the NMFA. As of the date hereof, the Contingent Liquidity Account is funded to an amount of approximately $34,085,000. Upon approval of the NMFA, the Contingent Liquidity Account may receive increases. 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 authorized the execution of 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 $75,000,000 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 as of the date hereof.

Program	Project	Original Principal Amount	Amount Currently Outstanding	Scheduled Final Maturity
Worker's Compensation	Administrative Building	$4,310,000	$2,080,000	9/1/2016
Cigarette Tax	University of New Mexico Health Sciences Building	39,035,000	19,855,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	2,125,000	5/1/2026
Transportation	Highways	700,000,000	700,000,000	6/15/2024
Transportation	Highways	237,950,000	138,425,000	6/15/2014
Transportation	Highways	150,000,000	150,000,000	12/15/2026
Transportation	Highways	40,085,000	32,345,000	12/15/2026
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 2009D Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any Revenues the loss of which would materially adversely affect the ability of the NMFA to pay debt service on the Series 2009D Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2009D 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 2009D Bonds. See APPENDIX F for information concerning pending litigation to which the NMFA and one of the Governmental Units are parties.

UNDERWRITING

The Underwriters have agreed to purchase the Series 2009D-1 Bonds from the NMFA pursuant to a Bond Purchase Agreement dated September 24, 2009 (the "Bond Purchase Agreement"), at a price of $14,289,942.19 (being the aggregate principal amount of the Series 2009D-1 Bonds plus a net reoffering premium of $796,762.65, and less an Underwriters' discount of $76,820.46). The Underwriters have also agreed to purchase the Series 2009D-2 Bonds from the NMFA pursuant to the Bond Purchase Agreement at a price of $38,617,599.88 (being the aggregate principal amount of the Series 2009D-2 Bonds less an Underwriter's discount of $227,400.12). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2009D 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 yields or prices at which the Series 2009D Bonds are offered to the public may vary from the initial public offering yields or 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.

Piper Jaffray & Co. ("Piper"), one of the Underwriters of the Series 2009D Bonds, has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Series 2009D Bonds, allocated to Piper at the original offering prices. Under the Distribution Agreement, Piper will share with AAM a portion of the fee or commission paid to Piper.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Series 2009D Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2009D Bonds.

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 2009D-1 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 2009D-1 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2009D-1 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 2009D-1 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 2009D-1 Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2009D-1 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 2009D-1 Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code.

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 2009D-1 Bonds may affect the federal tax-exempt status of the interest on the Series 2009D-1 Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2009D-1 Bonds maturing on June 1 in the years 2029 through 2030, 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 2009D-1 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 2009D-1 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 2009D-1 Bonds maturing on June 1 in the years 2010 through 2028, 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 2009D 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 2009D-1 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 2009D-1 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 2009D-1 Bonds. Prospective purchasers of the Series 2009D-1 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 2009D-1 Bonds may affect the tax status of interest on the Series 2009D-1 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 2009D-1 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 2009D-1 Bonds, or the interest thereon, if any action is taken with respect to the Series 2009D-1 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 2009D-1 Bonds is excluded from gross income for federal income tax purposes, a Series 2009D-1 Bondholder's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2009D-1 Bonds. The nature and extent of these other tax consequences will depend upon the Series 2009D-1 Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2009D-1 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 2009D-1 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 2009D-1 Bonds, (iii) interest on the Series 2009D-1 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 2009D-1 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 2009D-1 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 2009D-1 Bondholders regarding the tax-exempt status of the Series 2009D-1 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 2009D-1 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 2009D-1 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 2009D-1 Bonds, and may cause the NMFA, the Governmental Units or the Series 2009D-1 Bondholders to incur significant expense.

Bond Counsel is also of the opinion that interest on the Series 2009D-2 Bonds is included in gross income for federal income tax purposes.

Bond Counsel is of the opinion that interest on the Series 2009D 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 2009D 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 2009D 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 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 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 2009D 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, 2008, 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 29, 2008. Such financial statements are the most recently audited financial statements available at this time. 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 2009D Bonds pursuant to which it will agree to provide the following information:

- to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format 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 2009D 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 2004-2005 Through 2008-2009" 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 the MSRB, 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 MSRB, 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, notice of the occurrence of any of the following events (if applicable) with respect to the Series 2009D 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 2009D-1 Bonds;
  7. modification of rights of owners of the Series 2009D Bonds;
  8. bond calls;
  9. defeasances;

10. release, substitution, or sale of property securing repayment of the Series 2009D 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 2009D 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 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 2009D 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 2009D 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 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. For fiscal year 2002-2003 annual financial information and operating data and audited financial statements for the NMFA were filed, 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 2009D Bonds. See APPENDIX F for a discussion of Loans to Governmental Units with the largest outstanding principal loan balances.

RATINGS

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service ("Moody's") have assigned ratings of "AA+" and "Aa2," respectively, to the Series 2009D Bonds. An explanation of the significance of such ratings may be obtained from S&P and Moody's, respectively.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2009D 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 2009D Bonds may have an adverse effect on the market price of the Series 2009D Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2009D Bonds any proposed revision or withdrawal of the ratings on the Series 2009D 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 2009D 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, including general economic conditions. 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 2009D 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 2009D 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, 2008

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NEW MEXICO
FINANCE AUTHORITY

Financial Statements
for the Year Ended
June 30, 2008,
and Independent
Auditors' Report

NEW MEXICO FINANCE AUTHORITY

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Official Roster

Year Ended June 30, 2008

Governing Board

Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Gary Bland, Member
Ron Curry, Member
Charlie Dorame, Member
Ed Garcia, Member
Paul Gutierrez, Member
Lonnie Marquez, Member
Katherine Miller, Member
Fred Mondragon, Member
Joanna Prukop, Member
Craig Reeves, Member

Chief Executive Officer
William C. Sisneros

Chief Operating Officer
Jerome L. Trojan

Chief Financial Officer
John T. Duff

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, 2008, 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, 2008, as listed in the table of contents. 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, 2008, 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.

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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in

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New Mexico Finance Authority and
Mr. Hector H. Balderas
New Mexico State Auditor

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, 2008, 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 29, 2008, 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 14, 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 29, 2008

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 $108,079,275 in fiscal year 2008 from 2007.
- The Authority's total revenues increased by $125,041,170 in fiscal year 2008 from 2007.
- The total cost of all Authority programs was $122,841,109, an increase of 28,627,230 over 2007.

Authority Highlights

The New Mexico Finance Authority, created in 1992, assists New Mexico governmental units, such as cities, counties and State Governmental Departments and agencies in financing capital equipment and infrastructure projects by providing loans at tax exempt rates 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 Project 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 FY2008, the PPRF program made approximately 90 loans totaling approximately $386.8 million, compared to 93 loans totaling approximately $211.3 million in FY2007.

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 FY2008, the DWRLF made seven loans totaling $34.9 million compared to three loans totaling $5.76 million in FY2007. The FY2008 binding commitments numbered seven, approximating $27.9 million, compared to six totaling approximately $23.8 million in FY2007.

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, 2008, the Authority Board has approved 17 loans totaling $11.25 million. In FY2008, the PCCF program made two loans totaling $3.2 million.

During FY2008, the Authority issued $391.2 million in bonds to provide reimbursement to the Public Projects Revolving Loan Fund and to retire borrowings incurred by the Authority in anticipation of issuing bonds.

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 FY2008, four grants closed for a total of $1,053,260, compared to seven grants totaling $4,281,350 in FY2007.

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.

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.

Overview of the Financial Statements - continued

Government-wide Financial Statements - continued

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.

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 the Governmental Activities for the Authority are the Metro Court Financing, the State Office Building Program Financing, the State Capitol Building Improvements Program Financing, the University of New Mexico (UNM) Health Sciences Center Projects Financing, the Workers' Compensation Administration Building Financing, the Water Projects Fund Financing, the Water/Wastewater Grant Fund, the Local Governments Planning Fund, the Emergency Drought Relief Grant Fund, the Local Government Transportation Fund (GRIP II), the Bio-Mass Dairy Fund, the Economic Development Financing and the Certificates of Participation Equipment 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 Project Revolving Fund, the Drinking Water Revolving Loan Fund, the Primary Care Revolving Loan Fund, the Behavioral Health Care Revolving Loan Fund, the Child Care Revolving Loan Fund, GRIP I Administrative Fund, the Behavioral Health Capital Revolving Loan Fund, the GRIP Administrative Fund, the New Markets Tax Credits Fund, the Energy Efficiency 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.

Overview of the Financial Statements - continued

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 Project 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), the Economic Development Fund, the Local Transportation Government Fund (GRIP II) and the Bio-Mass Dairy 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 uses 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 funds 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, the GRIP Administrative Fund, the Child Care Revolving Loan Fund, the Behavioral Health Care Capital Fund, the Local Infrastructure Transportation Fund, the New Markets Tax Credits Fund, the Energy Efficiency Fund and the Behavioral Health Care Revolving Fund.

Overview of the Financial Statements - continued

Management's Discussion and Analysis

The 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.

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, 2008. FY2008 net assets for Governmental Activities and Business-type Activities were $28,241,533 and $197,914,492, respectively. Total Authority net assets for fiscal year 2008 are $226,156,025. 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	
		2008	2007	**2008**	2007	**2008**	2007
Current and other assets	$	**134,267,548**	45,024,418	**92,483,095**	84,608,587	**226,750,643**	129,633,005
Capital and non-current assets		**2,175,384**	2,396,886	**1,432,582,634**	955,034,773	**1,434,758,018**	957,431,659
Total assets	$	**136,442,932**	47,421,304	**1,525,065,729**	1,039,643,360	**1,661,508,661**	1,087,064,664
Current liabilities	$	**6,482,888**	8,187,482	**323,519,447**	154,767,837	**330,002,335**	162,955,319
Long-term liabilities		**109,883,518**	114,311,923	**995,999,482**	691,720,673	**1,105,883,000**	806,032,596
Total liabilities		**116,366,406**	122,499,405	**1,319,518,929**	846,488,510	**1,435,885,335**	968,987,915
Net Assets:							
Invested in capital assets		**113,333**	145,503	**264,652**	292,268	**377,985**	437,771
Restricted		**19,963,193**	(75,223,604)	**216,061,333**	187,200,507	**236,024,526**	111,976,903
Unrestricted		**-**	-	**(10,246,487)**	5,662,075	**(10,246,487)**	5,662,075
Total net assets		**20,076,526**	(75,078,101)	**206,079,498**	193,154,850	**226,156,024**	118,076,749
Total liabilities and net assets	$	**136,442,932**	47,421,304	**1,525,065,729**	1,039,643,360	**1,661,508,661**	1,087,064,664

Financial Analysis of the Authority as a Whole - continued

Changes in Net Assets: The Authority's change in net assets for fiscal year 2008 was an increase of $108,079,275 (Table A-2). A significant portion, twelve percent (12%), of the Authority's revenue comes from Tax Revenue. Twelve percent (12%) comes from other operating grants and contributions, and six percent (6%) from interest and investment income. Fifty-three percent (53%) comes from state general fund appropriations, and charges for services and other revenue comprise the remaining seventeen percent (17%) of total revenue.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	**2008**	2007	**2008**	2007
Revenues:						
Program	$ **13,614,678**	6,041,563	**51,922,659**	33,949,508	**65,537,337**	39,991,071
General	**128,361,086**	23,207,646	**37,021,961**	42,680,497	**165,383,047**	65,888,143
Total revenues	**141,975,764**	29,249,209	**88,944,620**	76,630,005	**230,920,384**	105,879,214
Expenses	**39,895,843**	29,628,373	**82,945,266**	64,585,506	**122,841,109**	94,213,879
Net revenues (loss) before transfers and reversions	**102,079,921**	(379,164)	**5,999,354**	12,044,499	**108,079,275**	11,665,335
Transfers and reversions	**(6,925,294)**	(1,228,241)	**(6,925,294)**	1,228,241	**-**	-
(Decrease) increase in net assets	**95,154,627**	(1,607,405)	**12,924,648**	13,272,740	**108,079,275**	11,665,335
Net assets, beginning of year	**(75,078,101)**	(73,470,696)	**193,154,850**	179,882,110	**118,076,749**	106,411,414
Net assets, end of year	$ **20,076,526**	(75,078,101)	**206,079,498**	193,154,850	**226,156,024**	118,076,749

The significant growth in governmental net assets is the result of the Authority becoming the administrator of the Local Government Transportation Fund (otherwise known as GRIP II). This program is expected to fund 116 designated road projects throughout the State with total costs approximating $183 million. This program is expected to be funded over 3 years with the Authority having received $87.8 million in funds during FY 2008. Business-type (enterprise) activities continue to grow in terms of net assets because of the growth in loan volume and bond issuances in the PPRF program and the continual growth in the loan portfolio of the Authority's other revolving loan programs.

Financial Analysis of the Authority as a Whole - continued

Governmental-Type Activities

In FY 2008, revenues generated through State General Fund Appropriations increased by $103.2 million for the governmental-type activities. The majority of this increase, $87.8 million, is a result of receiving the seed money to begin the Local Government Transportation Fund (GRIP II) and start to fund the projects authorized under the legislation. Grant expenditures for this program amounted to $4.6 million but is expected to increase significantly in FY 2009. The Authority's total expenditures for governmental-type activities during the fiscal year 2008 were $40,094,539. The largest area of expenditures, $26,173,676, 65% of the total, was in the area of grant expense

Business Type Activities

The Authority's total expenditures for business-type activities during the fiscal year were $82,746,570. The majority of business-type expenditures, $43,769,243, 53% of the total, was in the area of debt service. As noted above, expenditures and revenues increased due to the growth in the PPRF program.

Within the operating cost category, salaries and benefits comprise three percent (3%) of the total expenditures, and all other operating costs such as professional services, repairs and maintenance, travel, supplies, etc., were seven percent (7%) of the total expenditures.

Capital Assets and Debt Administration

At the end of fiscal year 2008, the Authority has invested, net of depreciation, a total of $264,252 in capital assets in business-type activities and $113,333 in capital assets for governmental-type activities. During FY 2008, capital outlay expenditures totaled $4,722. This amount represents payment of software upgrades to the Authority's new project database program which was completed in early FY 2008. 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 2008, the total amount outstanding was $1.16 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 $391.2 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.

Financial Analysis of the Authority as a Whole - continued

Bond Ratings

The Authority's bond ratings are:

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

Economic Factors and Next Year's Budgets and Rates

The FY 2008 budget provides for the Authority's administration of six programs paid from different sources of revenue:

- Operation of the PPRF program, funded from Governmental Gross Receipts tax receipts and cigarette tax revenue;
- Administration of the Water Trust Board, funded from interest earnings on the investments of the Water Project Fund.
- 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;
- The Local Governments Planning Fund, funded from the Water Planning Fund;
- The Economic Development Fund, funded from administrative fees and cigarette tax revenue.

The Authority's primary operating budget for FY2008 was $6,667,847, compared to the FY2007 budget of $6,649,027, a 0.3% increase. This nominal change in the budget reflected some increased staffing level offset by some efficiencies being realized through the addition of in-house counsel.

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, 2008

		Governmental Activities	Business-type Activities	Total
ASSETS:				
Cash and equivalents:				
Unrestricted	$	27,961,097	68,229,027	96,190,124
Restricted		102,852,041	300,904,459	403,756,500
Receivables:				
Tax revenue		643,692	7,424,228	8,067,920
Interest		18,210	8,347,617	8,365,827
Grant and other		239,530	6,958,365	7,197,895
Due from other funds (Note 4) [Internal Balances]		-	1,110,138	1,110,138
Administrative fees receivable		73	708,654	708,727
Loans receivable, net of allowance (Note 3)		2,552,905	1,040,185,642	1,042,738,547
Restricted asset - escrow		-	80,877,446	80,877,446
Capital assets, net of depreciation (Note 6)		113,333	264,652	377,985
Deferred costs, net of accumulated amortization		2,062,051	10,528,699	12,590,750
Other assets		-	51,442	51,442
TOTAL ASSETS	$	136,442,932	1,525,590,369	1,662,033,301
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued liabilities	$	138,328	1,971,625	2,109,953
Accrued payroll		11,702	100,160	111,862
Compensated absences (Note 12)		-	200,236	200,236
Notes payable (Note 9)		1,704,789	-	1,704,789
Funds held for others		-	197,721,700	197,721,700
Accrued interest		615,564	3,269,007	3,884,571
Due to other state agencies (Note 5)		-	1,075,831	1,075,831
Due to other funds (Note 5) [Internal Balances]		1,110,138	-	1,110,138
Debt service payable		5,294	61,090,830	61,096,124
Bonds payable, current, net (Note 8)		5,712,000	58,082,000	63,794,000
		9,297,815	323,511,389	332,809,204
Noncurrent liabilities:				
Bonds payable, non-current, net of bond discount/premium (Note 8)		107,068,591	995,999,482	1,103,068,073
		107,068,591	995,999,482	1,103,068,073
TOTAL LIABILITIES		116,366,406	1,319,510,871	1,435,877,277
NET ASSETS:				
Invested in capital assets		113,333	264,652	377,985
Restricted for:				
Debt service		(105,894,139)	-	(105,894,139)
Program funds		125,857,332	216,061,333	341,918,665
Unrestricted		-	(10,246,487)	(10,246,487)
TOTAL NET ASSETS		20,076,526	206,079,498	226,156,024
TOTAL LIABILITIES AND NET ASSETS	$	136,442,932	1,525,590,369	1,662,033,301

See Independent Auditors' Report and Notes to Financial Statements.

YEAR ENDED JUNE 30, 2008

		Governmental Activities	Business-type Activities	Total
EXPENSES:				
Capital financing	$	39,895,843	82,945,266	122,841,109
PROGRAM REVENUES:				
Charges for services		-	38,327,432	38,327,432
Operating grants and contributions		13,614,678	13,595,227	27,209,905
NET PROGRAM EXPENSES		(26,281,165)	(31,022,607)	(57,303,772)
GENERAL REVENUES:				
Governmental gross receipts and gross receipts taxes		-	27,198,766	27,198,766
Investment earnings		4,702,048	9,823,195	14,525,243
TOTAL GENERAL REVENUES		4,702,048	37,021,961	41,724,009
TRANSFERS				
State General Fund Appropriations		123,659,038	-	123,659,038
Internal		(6,925,294)	6,925,294	-
CHANGE IN NET ASSETS		95,154,627	12,924,648	108,079,275
NET ASSETS, BEGINNING OF FISCAL YEAR		(75,078,101)	193,154,850	118,076,749
NET ASSETS, END OF FISCAL YEAR	$	20,076,526	206,079,498	226,156,024

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LGTF (GRIP II)	Other Governmental Funds	Total Governmental Funds
-	14,708,960	27,961,097
-	643,692	643,692
-	6,239	18,210
-	-	239,603
-	411,000	2,552,905
-	15,769,891	31,415,507
-	645,398	645,398
-	-	1,326,996
86,071,771	8,067,050	100,879,647
86,071,771	24,482,339	134,267,548
1,273	115,949	150,030
-	-	5,294
-	1,704,789	1,704,789
52,961	15,825	1,110,138
54,234	1,836,563	2,970,251
86,017,537	11,389,885	99,018,331
-	11,255,891	32,278,966
86,017,537	22,645,776	131,297,297
86,071,771	24,482,339	134,267,548

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YEAR ENDED JUNE 30, 2008

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	$	131,297,297
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		262,399
Accumulated depreciation is		(149,066)
Total capital assets, net of depreciation		113,333
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		2,062,051
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 $1,899,591		(112,780,591)
Accrued interest payable		(615,564)
Total long-term and other liabilities		(113,396,155)
Net assets of governmental activities (Statement of Net Assets)	$	20,076,526

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Water Project Fund	LGTF (GRIP II)	Other Governmental Funds	Total Governmental Funds
13,614,446	-	-	13,614,446
-	-	28,605	335,673
430,665	2,867,859	1,001,064	4,366,375
232	-	-	232
14,045,343	2,867,859	1,029,669	18,316,726
-	-	35,141	177,552
126,058	1,111	166,526	384,633
221,742	42,908	108,992	504,317
10,209	331	2,262	21,613
670	1,962	364	8,081
1,950	277	1,539	5,256
50,589	7,645	27,284	127,316
19,207,567	4,596,088	2,369,981	26,173,636
1,521	-	1,244	4,722
-	-	2,486,000	5,706,000
-	-	4,144,149	5,466,464
19,620,306	4,650,322	9,343,482	38,579,590
(5,574,963)	(1,782,463)	(8,313,813)	(20,262,864)
7,847,868	87,800,000	11,405,725	123,659,038
-	-	(5,284,406)	(6,925,294)
-	-	(3,376,935)	(7,024,568) ✓
7,847,868	87,800,000	2,744,384	109,709,176
2,272,905	86,017,537	(5,569,429)	89,446,312
7,546,572	-	28,215,205	41,850,985
9,819,477	86,017,537	22,645,776	131,297,297

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

YEAR ENDED JUNE 30, 2008

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	$ 89,446,312
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	5,706,000
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	52,274

YEAR ENDED JUNE 30, 2008

Change from prior year in amortization of bond issuance costs:		
Deferred issuance costs FY07 (p. 17 PY)	$ 2,251,383	
Deferred issuance costs FY08 (p. 15 CY)	2,062,051	
		(189,332)
Change from prior year in amorization of bond premium/discount:		
Amortization of bond premium/discount FY07 (p. 72 PY)	2,071,134	
Amortization of bond premium/discount FY08 (p. 71 CY)	1,899,591	
		171,543
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	4,722	
Depreciation expense	(36,892)	
Excess of depreciation expense over capital outlay		(32,170)
Decrease in capital assets		-
Change in net assets of governmental activities (Statement of Activities)		$ 95,154,627

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Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
165,350	-	3,415,530	-	-	-	68,229,026
-	-	-	-	-	-	7,424,228
1,694	-	-	-	-	-	8,347,617
-	-	-	-	-	-	6,958,365
-	-	-	-	-	-	-
-	-	-	-	-	-	2,152,874
154	-	-	-	-	-	708,654
167,198	-	3,415,530	-	-	-	93,820,764
369,692	-	-	-	-	-	1,040,185,642
-	-	-	-	-	-	-
23,549	275,058	-	2,945,638	-	-	300,904,459
-	-	-	-	-	-	80,877,446
						-
2,341	1,790	1,508	-	2,694	1,102	264,651
-	-	-	-	-	-	10,528,699
-	-	-	-	-	-	51,442
395,582	276,848	1,508	2,945,638	2,694	1,102	1,432,812,339
562,780	276,848	3,417,038	2,945,638	2,694	1,102	1,526,633,103
1,301	-	-	-	19,395	-	1,971,626
447	129	306	-	5,125	47	300,397
-	-	-	20,664	-	-	3,269,007
7,218	-	-	-	-	-	61,090,830
792	250,000	-	-	-	-	197,721,700
-	-	-	-	-	-	1,075,831
3,648	82,784	1,839	-	404,894	14,432	1,042,736
-	-	-	-	-	-	-
-	-	-	125,000	-	-	58,082,000
13,406	332,913	2,145	145,664	429,414	14,479	324,554,127
-	-	-	2,125,000	-	-	995,999,482
-	-	-	2,125,000	-	-	995,999,482
13,406	332,913	2,145	2,270,664	429,414	14,479	1,320,553,609
2,341	1,790	1,508	-	2,694	1,102	264,651
547,033	(57,855)	1,493,404	471,402	-	(14,479)	200,804,989
-	-	1,919,981	203,572	(429,414)	-	5,009,854
549,374	(56,065)	3,414,893	674,974	(426,720)	(13,377)	206,079,494
562,780	276,848	3,417,038	2,945,638	2,694	1,102	1,526,633,103

See Independent Auditors' Report and Notes to Financial Statements.

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Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
-	-	-	-	-	-	27,169,340
-	-	-	-	-	-	13,595,226
989	-	722,444	-	-	-	5,729,869
10,884	-	-	-	-	-	32,597,563
7,025	10,603	94,540	109,611	-	-	9,823,193
18,898	10,603	816,984	109,611	-	-	88,915,191
-	-	181,475	-	-	-	206,375
-	-	-	-	-	-	543,018
-	-	-	-	-	-	132,638
5,064	2,785	2,330	168	79,823	1,568	3,580,587
20,584	4,840	8,331	-	136,589	957	2,698,553
823	23	692	-	5,880	68	59,442
614	(56)	(20)	-	-	-	31,889
77	7	18	-	602	2	825
276	161	149	-	1,172	65	33,135
695	(8)	-	-	-	-	11,213
5,174	2,740	3,937	-	38,874	1,227	845,439
320	160	160	-	320	160	56,595
-	-	-	129,734	-	-	43,769,243
33,627	10,652	197,072	129,902	263,260	4,047	51,968,952
(14,729)	(49)	619,912	(20,291)	(263,260)	(4,047)	36,946,239
-	-	-	-	-	-	29,426
(14,729)	(49)	619,912	(20,291)	(263,260)	(4,047)	36,975,665
38,215	-	875,000	217,666	-	-	6,925,294
-	-	-	-	-	-	(30,976,315)
-	-	-	-	-	-	-
38,215	-	875,000	217,666	-	-	(24,051,021)
23,486	(49)	1,494,912	197,375	(263,260)	(4,047)	12,924,644
525,888	(56,016)	1,919,981	477,599	(163,460)	(9,330)	193,154,850
549,374	(56,065)	3,414,893	674,974	(426,720)	(13,377)	206,079,494

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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
(25,336)	(20,631)	(4,910)	(8,798)	-	(132,188)	(909)	(5,689,685)
(14,249)	(17,122)	5,284	(7,235)	(167)	124,689	1,120	(9,338,654)
-	-	-	-	-	-	-	(543,018)
-	-	-	-	(130,882)	-	-	(33,582,785)
-	-	-	(181,475)	-	-	-	(206,375)
-	-	-	-	-	-	-	27,169,340
-	-	-	-	-	-	-	13,234,531
289,550	18,066	10,603	94,540	109,611	-	-	42,164,527
-	989	-	722,444	-	-	-	4,676,033
249,965	(18,698)	10,977	619,476	(21,438)	(7,499)	211	37,883,914
-	38,215	-	875,000	217,666	-	-	9,016,320
-	-	-	-	-	-	-	(30,781,562)
1,200,778	25	-	-	-	-	-	122,784,279
1,200,778	38,240	-	875,000	217,666	-	-	101,019,037
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,715,627
(3,200,000)	-	-	-	-	-	-	(399,572,968)
327,108	31,296	-	-	-	-	-	57,419,331
-	-	-	-	-	-	-	391,245,000
-	-	-	-	(125,000)	-	-	(37,785,000)
284,698	-	-	-	-	-	-	17,489,144
-	-	-	-	-	-	-	(31,338,974)
(277)	(463)	(376)	(299)	-	(559)	(211)	(28,979)
(2,588,471)	30,833	(376)	(299)	(125,000)	(559)	(211)	143,181
(1,137,728)	50,375	10,601	1,494,177	71,228	(8,058)	-	139,046,132
3,279,427	138,524	264,457	1,921,353	2,874,410	-	-	230,079,295
2,141,699	188,899	275,058	3,415,530	2,945,638	(8,058)	-	369,125,427
174,874	23,486	(49)	1,494,912	197,375	(263,260)	(4,047)	12,345,576
160	320	160	160	-	320	160	56,595
-	(38,215)	-	(875,000)	(217,666)	-	-	19,868,969
(5,527)	157	-	-	-	-	-	(5,322,514)
80,458	(4,446)	10,866	(596)	(1,147)	255,441	4,098	8,265,194
249,965	(18,698)	10,977	619,476	(21,438)	(7,499)	211	37,883,914

Statement of Fiduciary Assets and Liabilities - Agency Funds

AS OF JUNE 30, 2007

		Agency Funds
ASSETS:		
Cash at Trustee:		
Program funds	$	143,033,858
Expense funds		237,132,982
Bond reserve funds		6,000
TOTAL ASSETS	$	380,172,840
LIABILITIES:		
Accounts payable	$	3,923,929
Debt service payable		329,378,837
Funds held for the New Mexico Department of Transportation		46,870,074
TOTAL LIABILITIES	$	380,172,840

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.

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.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **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.

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
- UNM Health Sciences Fund
- Water Project Fund
- LGTF (GRIP II)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Special Revenue Funds - continued

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Special Revenue Funds - continued

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.

Special Revenue Fund – Local Government Transportation Fund. In 2007, New Mexico Legislature authorized the establishment of the Local Government Transportation Fund within the New Mexico Finance Authority. This fund provides funding for 116 local government transportation projects as approved by the legislature. The Fund consists of general fund appropriations and severance tax bond proceeds appropriated to the fund in fiscal years 2007 through 2009. Projects are funded based upon project readiness. The interest earnings in the fund are subject to appropriation by legislature.

Special Revenue Fund – Dairy Biomass Loan Fund. This fund was created by the 2006 Legislature to convert dairy waste to energy statewide. The Authority is working with the New Mexico Energy, Minerals and Natural Resources Department to identify biomass projects that support renewable energy development.

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).

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Debt Service Funds - continued

Debt Service Fund - Workers' Compensation Financing Fund - continued. 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.

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

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- continued. 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.

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

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 - continued. 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.

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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Enterprise Funds - continued

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.

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

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 - continued. 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Enterprise Funds - continued

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.

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. Though it's a Limited Liability Company, Finance New Mexico LLC, the Authority has received an allocation of $110,000,000 to encourage capital infusion throughout New Mexico by providing private business greater access to capital in rural or undeserved areas of the state.. 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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Basis of Presentation - Fund Accounting - continued**

Enterprise Funds - continued

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 (Note 13).

- **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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Measurement Focus and Basis of Accounting - continued**

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, 2008 was $46,538,759.

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. The cash on deposit with the State Treasurer is invested in a money market fund registered with the Securities and Exchange Commission rated AAAm by Standard & Poor's.

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.

- **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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Loans - continued**

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, 2008, 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, 2008. 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.

- **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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **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.

- **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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Bond Discounts, Premiums and Issuance Costs - continued**

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.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Interfund and Interagency Transactions - continued**

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 trustee in the names of the applicable government entity and the Authority. 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	$	147,117,448	147,117,448
The Primary Care Capital Fund held at the State Treasurer's Office		545,566	545,566
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts		21,600,027	21,600,027
Bank of Albuquerque trust accounts		246,849,598	246,849,598
Reserve on Bond Payable held in Bank of America		279,359	279,359
Wells Fargo operating accounts (collateralized at 50%)		1,100,832	1,141,690
Cash held at the Reserve		82,453,794	82,453,795
		499,946,624	499,987,483
Agency Fund:			
Money market accounts invested in Bank of Albuquerque		380,172,840	380,172,840
	$	880,119,464	880,160,323

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

The Authority's State Treasurer funds are contained in the New Mexico *GROW* LGIP, a Securities and Exchange Commission registered money market fund rated AAAm by Standard & Poor's, and at June 30, 2008 are valued at $147,117,448, with a 46-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. All are fully collateralized and the collateral is held in the Authority's name.

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.

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, 2008:

Enterprise funds:	
Public Projects Revolving Loan Fund, net of allowance of $1,067,970	$ 1,001,731,515
Drinking Water State Revolving Loan Fund	30,907,764
Primary Care Capital Fund	7,176,671
Behavioral Health Capital Fund	369,692
	1,040,185,642
Governmental funds:	
Smart Money Loans	1,825,254
C.O.P.S.	411,000
Water Trust Board Loan/Grants	316,651
	2,552,905
	$ 1,042,738,547

- **Public Projects Revolving Loan Fund**

The Public Projects Revolving Loan Fund loans receivable balance at June 30, 2008 is $1,001,731,515, net of an allowance for loan loss of $1,067,970, 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, 2008 to June 30, 2009	$ 63,106,681	37,947,082	101,053,763
July 1, 2009 to maturity	939,692,804	376,210,888	1,315,903,692
	$ 1,002,799,485	414,157,970	1,416,957,455

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

- **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, 2008 to June 30, 2009	$	1,198,908	562,504	1,761,412
July 1, 2009 to maturity		29,708,856	5,922,559	35,631,415
	$	30,907,764	6,485,063	37,392,827

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

- **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, 2008 to June 30, 2009	$	915,959	206,455	1,122,414
July 1, 2009 to maturity		6,260,712	1,211,732	7,472,444
	$	7,176,671	1,418,187	8,594,858

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**

- **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, 2008 to June 30, 2009	$	32,237	10,167	42,404
July 1, 2009 to maturity		337,455	48,231	385,686
	$	369,692	58,398	428,090

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

- **"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, 2008 to June 30, 2009	$	-	-	-
July 1, 2009 to maturity		1,825,254	-	1,825,254
	$	1,825,254	-	1,825,254

No allowance for uncollectible loans has been established at this time. The loans are secured by commercial real estate mortgages.

3. LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued

- **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, 2008 to June 30, 2009	$	62,000	24,358	86,358
July 1, 2009 to maturity		349,000	68,501	417,501
	$	411,000	92,859	503,859

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

- **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, 2008 to June 30, 2009	$	16,201	-	16,201
July 1, 2009 to maturity		300,450	-	300,450
	$	316,651	-	316,651

Allowance has not yet been established as these loans were established late in fiscal year 2008 and repayments have not been made. An appropriate allowance will be made in fiscal year 2009.

4. 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, 2008 consist of the following:

		Due to: Enterprise Funds Public Project Revolving Funds 200's
Due From:		
Governmental Funds:		
Metro Court	304	$ -
Water and Wastewater Grant	307	6,707
Water Project Fund	309	28,106
Emergency Drought Relief	312	-
Water Planning Grant	313	9,118
Economic Development	314	1,013,246
LGTF - GRIP II	323	52,961
Total Governmental Funds		1,110,138
Enteprise Funds:		
GRIP Fund	104	82,247
Drinking Water	500	52,734
Child Care	319	82,784
Behavioral Health	311	3,648
Local Road Fund	504	1,839
Primary Care	501	118,307
NM Tax Credit	600	412,952
Energy Efficiency	601	14,432
PPRF	200s	273,793
Total Enterprise Funds		1,042,736
		$ 2,152,874

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Transfers Out							
GRIP Admin.	PPRF	Behav. Health	Cig Tax	Drinking Water	Local Road	Total	Net Transfers In (Out)
-	-	-	-	-	-	-	(7,400,230)
-	4,884,677	-	-	-	-	4,884,677	(1,640,888)
-	2,357,229	-	-	-	-	2,357,229	2,357,229
-	2,814,375	-	-	-	-	2,814,375	(241,405)
-	10,056,281	-	-	-	-	10,056,281	(6,925,294)
-	6,500,000	-	-	-	-	6,500,000	(2,091,026)
-	13,520	-	-	-	-	13,520	(861,480)
-	-	-	-	-	-	25,316,719	6,657,838
-	-	-	38,215	-	-	38,215	38,215
-	-	-	-	-	-	255,882	217,667
-	2,089,080	-	-	-	-	2,089,080	2,089,080
875,000	-	-	-	-	-	875,000	875,000
875,000	18,658,881	-	38,215	-	-	45,144,697	-

5. OPERATING TRANSFERS

Governmental Funds Operating Transfers from (to) Other State Agencies

State Agency	Agency Fund Number		Economic Development Fund	UNM Health Sciences Fund	Other Governmental Funds	Total
Dept. of Finance & Administration	34100	$	7,100,000	9,505,445	107,053,593	123,659,038
University of New Mexico	95100		-	(3,647,633)	-	(3,647,633)
New Mexico Department of Workforce Solutions	63100		-	-	(557,079)	(557,079)
New Mexico State University	95200		-	-	(2,819,856)	(2,819,856)
		$	7,100,000	5,857,812	103,676,658	116,634,470

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	$	(950,000)	-
University of New Mexico	95100		(24,177,732)	(4,984,752)
NM Department of Health	66500		(287,297)	-
NM Environment Department	66700		(576,534)	-
		$	(25,991,563)	(4,984,752)

The Authority received $123,659,038 in New Mexico state general fund appropriations from the Department of Finance and Administration.

5. OPERATING TRANSFERS - continued

The following enterprise funds made the following transfers to other state agencies during the year ended June 30, 2008:

The PPRF Series 2005 C & D Metro Court Refunding transferred $950,000 in rebates to Metro Court.

The Drinking Water Revolving Fund transferred $4,984,752 to the New Mexico Environment Department (NMED) for billings, and the PPRF Direct Cash Loans transferred $576,534 to the NMED for debt service for PPRF administration.

The PPRF Series 2005 E Fund transferred $24,177,732 to the University of New Mexico (UNM) for reimbursement of construction costs related to the UNM Cancer Center.

The PPRF Direct Cash Loans transferred $287,297 to Gila Regional Medical Center for payment of debt service.

The following debt service funds made the following transfers to other state agencies during the year ended June 30, 2008:

The UNM Health Sciences 2004A transferred $3,647,633 for revenue rebate to UNM from cigarette tax collections.

The Workers' Compensation Series 1996 transferred $557,079 for revenue rebate to Workers' Compensation.

The State Building GRT Purchase Fund transferred $2,819,856 in program fund requests to project draw requests and debt service payments.

6. CAPITAL ASSETS

A summary of changes in capital assets follows:

Business-type Activities		Balance June 30, 2007	Additions	Adjustments/ Deletions	Balance June 30, 2008
Depreciable assets:					
Furniture and fixtures at historical cost	$	98,166	-	-	98,166
Computer hardware and software		388,702	20,739	-	409,441
Machinery and equipment		24,768	-	-	24,768
Leasehold improvements		26,932	8,240	-	35,172
		538,568	28,979	-	567,547
Accumulated depreciation:					
Furniture and fixtures		(144,059)	(9,789)	-	(153,848)
Computer hardware and software		(87,843)	(40,829)	-	(128,672)
Machinery and equipment		(8,512)	(2,470)	-	(10,982)
Leasehold improvements		(5,886)	(3,507)	-	(9,393)
		(246,300)	(56,595)	-	302,895
Net total	$	292,268	(27,616)	-	264,652

Depreciation expense was $15,060 in the Operating Fund, $18,587 in the Public Project Revolving Fund, $9,197 in the Drinking Water Revolving Loan Fund, $12,470 in the GRIP Administrative Fund, $160 in the Primary Care Fund, $320 in the Behavioral Health Capital Fund, $160 in the Child Care Revolving Loan Fund, $160 in the Local Road Fund, $320 in the Tax Credits Fund and $160 in the Energy Efficiency Fund for the year ended June 30, 2008.

6. CAPITAL ASSETS - continued

Governmental Activities		Balance June 30, 2007	Additions	Adjustments/ Deletions	Balance June 30, 2008
Depreciable assets:					
Furniture and fixtures at historical cost	$	100,636	-	-	100,636
Computer hardware and software		119,374	4,722	-	124,096
Machinery and equipment		24,349	-	-	24,349
Leasehold improvements		13,318	-	-	13,318
		257,677	4,722	-	262,399
Accumulated depreciation:					
Furniture and fixtures		(59,121)	(14,149)	-	(73,270)
Computer hardware and software		(37,854)	(17,448)	-	(55,302)
Machinery and equipment		(10,578)	(3,423)	-	(14,001)
Leasehold improvements		(4,621)	(1,872)	-	(6,493)
Accumulated depreciation		(112,174)	(36,892)	-	(149,066)
Net total	$	145,503	(32,170)	-	113,333

7. BONDS PAYABLE

Bonds outstanding as of June 30, 2008, for the Authority's enterprise funds consist of the following:

- **Public Project Revolving Funds (PPRF)**

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.

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.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - continued**

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.

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.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - continued**

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.

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) originate loans or reimburse 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.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - continued**

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) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2006 C Bonds; and 3) pay 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 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) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 A Bonds; 3) pay accrued interest; and 4) pay costs incurred with the issuance of the Series 2007 A Bonds.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - 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 Projects 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 Series 2007B Bonds; (3) purchase a debt service reserve fund surety bond for deposit into the Debt Service Reserve Account established for the Series 2007B Bonds; and (4) pay costs incurred in connection with the issuance of the Series 2007B Bonds.

PPRF Series 2007C. On September 26, 2007, the Authority issued $131,860,000 of Subordinate Lien Public Project Revolving Fund Series 2007 C Revenue Bonds. The 2007 C Series Bonds were issued to: 1) reimburse the Public Projects 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 Series 2007C Bonds; (3) purchase a debt service reserve fund surety bond for deposit into the Debt Service Reserve Account established for the Series 2007C Bonds; and (4) pay costs incurred in connection with the issuance of the Series 2007C Bonds.

PPRF Series 2007E. On November 8, 2007, the Authority issued $61,945,000 of Senior Lien Public Project Revolving Fund Series 2007 E Revenue Bonds. The 2007 E Series Bonds were issued to: 1) reimburse the Public Projects 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 Series 2007E Bonds; and (3) pay costs incurred in connection with the issuance of the Series 2007E Bonds.

PPRF Series 2008A. On April 17, 2008, the Authority issued $158,965,000 of Senior Lien Public Project Revolving Fund Series 2008 A Revenue Bonds. The 2008A Series Bonds were issued to: 1) reimburse the Public Projects 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 Series 2008A Bonds; and (3) pay costs incurred in connection with the issuance of the Series 2008A Bonds.

7. BONDS PAYABLE - continued

Bonds outstanding as of June 30, 2008, to be paid out of the Authority's debt service funds consist of the following:

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.

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.

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.

7. BONDS PAYABLE - continued

Metro Court Financing Fund - continued.
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.

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.

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 1995B. 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%.

7. 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.

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.

7. BONDS PAYABLE - continued

Bonds payable and related premium/discount balances consist of the following at June 30, 2008:

		Amount	Interest Rate	Final Maturity
Enterprise Funds:				
PPRF 1999A, B, C and D	$	9,760,000	3.15 - 6.80	6/1/2018
PPRF 2000A		200,000	4.10 - 5.30	6/1/2009
PPRF 2000B and C		8,800,000	4.35 - 5.80	6/1/2009
PPRF 2002A		19,975,000	2.00 - 5.00	6/1/2026
PPRF 2003A		21,959,000	2.00 - 4.75	6/1/2025
PPRF 2003B		19,340,000	2.00 - 5.00	6/1/2021
PPRF 2004A		32,265,000	1.125 - 5.875	6/1/2031
PPRF 2004B		37,875,000	3.00 - 5.50	6/1/2033
PPRF 2004C		146,170,000	2.50 - 5.25	6/1/2024
PPRF 2005C and D		51,015,000	3.05 - 5.00	6/15/2025
PPRF 2005A		15,145,000	3.00 – 5.00	6/1/2025
PPRF 2005B		12,665,000	3.00 – 4.25	6/1/2020
PPRF 2005E		23,630,000	3.875 - 5.00	6/15/2025
PPRF 2005F		21,035,000	3.75 - 5.00	6/15/2025
PPRF 2006A		49,090,000	4.00 - 5.00	6/15/2035
PPRF 2006B		36,410,000	4.00 - 5.00	6/1/2036
PPRF 2006C		37,485,000	4.00 - 5.00	6/15/2027
PPRF 2006D		51,785,000	4.25 - 5.00	6/1/2036
PPRF 2007A		32,295,000	4.00 - 5.00	6/15/2027
PPRF 2007B		37,490,000	4.00 - 5.00	6/15/2034
PPRF 2007C		129,360,000	4.25 - 5.25	6/15/2027
PPRF 2007E		60,960,000	4.00 - 5.00	6/1/2032
PPRF 2008A		157,615,000	3.50 - 5.00	6/1/2038
CIG TAX 2006 – Behavioral		2,250,000	5.51	5/1/2026
		1,014,574,000		
Bond premium and discount, net on enterprise funds bonds payable		39,507,482		
Total	$	1,054,081,482		

7. BONDS PAYABLE – continued

		Amount	Interest Rate	Final Maturity
To be paid out of Debt Service Funds:				
UNM Health Sciences	$	22,460,000	2.00 - 5.00	4/1/2019
UNM Health Sciences 2004B		8,460,000	2.10 - 5.50	4/1/2019
Workers' Compensation Financing		2,540,000	5.00 - 5.60	3/1/2017
Metro Court Financing Fund		45,595,000	1.65 - 5.50	6/15/2011
State Capitol Improvement Financing		5,385,000	7.00	6/1/2021
State Building Purchase Fund		26,030,000	4.00 - 5.00	11/1/2006
COP-Equipment Loan Fund Series		191,000	4.05 - 5.40	10/1/2016
COP-Equipment Loan Fund Series		57,000	3.85 - 5.20	4/1/2016
COP-Equipment Loan Fund Series		163,000	4.50 - 5.70	4/1/2012
		110,881,000		
Bond premium and discount, net on Debt Service Funds bonds payable		1,899,591		
Total	$	112,780,591		

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

		Principal	Interest	Total
2009	$	63,794,000	53,783,568	117,577,568
2010		56,818,000	51,064,441	107,882,441
2011		100,504,000	48,695,791	149,199,791
2012		60,777,000	44,069,750	104,846,750
2013		70,940,000	46,272,661	117,212,661
2014 - 2018		297,218,000	158,097,077	455,315,077
2019 - 2023		243,393,000	92,241,085	335,634,085
2024 - 2028		136,066,000	40,104,275	176,170,275
2029 - 2033		62,295,000	17,668,144	79,963,144
2034 - 2038		33,650,000	3,571,650	37,221,650
Total	$	1,125,455,000	555,568,442	1,681,023,442

7. BONDS PAYABLE - continued

The bonds payable activity for the year is as follows:

		Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008
Enterprise Funds	$	661,114,000	391,245,000	(37,785,000)	1,014,574,000
Debt Service Funds		116,587,000	-	(5,706,000)	110,881,000
Total	$	777,701,000	391,245,000	(43,491,000)	1,125,455,000

The amount of bonds payable due within one year is $63,794,000.

8. 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 (3.980% at June 30, 2008), note due in annual installments of $156,941 (currently), including interest, through May 2015. Note is offset by cigarette tax proceeds received from the State of New Mexico.	$	1,704,789
Less current maturities		156,941
	$	1,547,848

Long-term debt maturities on note payable to PPRF Fund as of June 30, 2008, are as follows:

Years ending June 30:

2009	$	156,941
2010		163,848
2011		171,223
2012		179,102
2013		187,505
2014 and thereafter		846,170
	$	1,704,789

9. LINE OF CREDIT

The Authority has a tax-exempt $100,000,000 line of credit with a bank. Advances may be taken against the facility for the funding of loans made by the Authority. Advances, plus accrued interest, must be repaid within six months from the proceeds of Authority bond issuances. The interest rate on advances changes monthly, and is equal to the one-month U.S. dollar LIBOR index plus 17 basis points. The Authority pays a commitment fee on the unused balance of the line at an annual rate of 6 basis points as long as the Authority's long-term debt rating by Standard & Poor's is AA- or better. The Authority's rating is currently AA+. In the event the Authority's rating drops below AA-, the unused fee would increase to 9 basis points.

9. LINE OF CREDIT – continued

At June 30, 2008, there were no amounts due under the line of credit. During the year then ended, the Authority drew a total of $144,509,901 and repaid $175,848,875 in principal and $944,596 in interest. There have been no advances between June 30, 2008 and the date of the independent auditor's report.

10. OPERATING LEASE COMMITMENT

The Authority is committed under various lease agreements for office space, a vehicle and copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2008 amounted to approximately $316,000.

Future minimum lease payments for these leases are as follows:

Years ending June 30:		
2009	$	330,506
2010		342,810
2011		22,908
2012		15,545
2013		847
2014 and thereafter		-
	$	712,616

11. 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 $361,328, $301,983 and $263,313 for the years ended June 30, 2008, 2007 and 2006, respectively. Substantially all full time employees participate in this plan.

11. RETIREMENT PLAN - continued

Presented below is the June 30, 2008, Statement of Fiduciary Net Assets and Statements of Change in Net Assets:

Statement of Fiduciary Net Assets

Assets:		
Cash	$	23,941
Self-directed accounts (cash and investments)		1,651,831
Guaranteed Account		2,621
Participant loans receivable		38,162
Total assets	$	1,716,555
Net assets:		
Pension plan participants' benefits	$	1,716,555

Statement of Changes in Net Assets

Additions:		
Investment earnings	$	(91,969)
Employer contributions		361,328
Rollover contributions		34,297
Employee contributions		120,951
Total additions		424,607
Deductions:		
Distributions to participants		(405,013)
Investment expenses		(13,925)
Total deductions		(418,938)
Change in net assets		5,669
Net assets - beginning		1,710,886
Net assets - ending	$	1,716,555

11. 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, 2008 were $14,106.

12. COMPENSATED ABSENCES

During the year ended June 30, 2008, the following changes occurred in the compensated absences liabilities:

	Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008
$	192,088	214,582	206,434	200,236

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.

13. AGENCY TRANSACTIONS

- **Bond Issues**

In 2003, the State Legislature authorized the issuance of $1.6 billion in bonds to fund statewide transportation expansion and improvement projects known as Governor Richardson's Investment Partnership (GRIP). The Authority was authorized to issue $1.6 billion in bonds (the Bonds) in several installments on behalf of the New Mexico Department of Transportation (NMDOT). The Bonds were issued by the Authority as agent for the NMDOT. The Bonds are liabilities of NMDOT, not the Authority, and are not included in the Authority's financial statements.

13. AGENCY TRANSACTIONS - continued

- **Bond Issues – continued**

In May 2004, the Authority issued the following bonds pursuant to the GRIP legislation:

		Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
State Transportation Revenue Bonds (Senior Lien) Series 2004A	$	700,000,000	743,556,815	43,556,815	7,987,367
State Transportation Refunding: Revenue Bonds (Subordinate Lien) Series 2004B		237,950,000	254,297,187	16,347,187	2,980,638
Series 2004C (Adjustable Rate)		200,000,000	200,000,000	-	2,505,264
Total	$	1,137,950,000	1,197,854,002	59,904,002	13,473,269

The proceeds of the Series 2004A issuance were used to fund the construction of GRIP transportation projects. The proceeds of the Series 2004B and 2004C issuances were used to advance refund certain older debt issues of the NMDOT. The proceeds were used to purchase U.S. government securities which were deposited in an irrevocable trust to provide for all future debt service payments on the refunded issues. The bonds issued in 2004 the 2006 bonds discussed below, and any subsequent bonds that may be issued in the future are special, limited obligations of the NMDOT, payable solely from certain federal funds that are paid into the State Road Fund, certain taxes and fees that are required to be paid into the State Road Fund, and certain taxes and fees required by law to be paid into the Highway Infrastructure Fund.

In December, 2006, the Authority issued the following additional bonds pursuant to the GRIP legislation:

		Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
State Transportation Revenue Bonds (Senior Lien) Series 2006A	$	150,000,000	160,886,296	10,886,296	1,192,789
State Transportation Revenue and Refunding Bonds (Subordinate Lien) Series 2006B		40,085,000	41,797,863	1,712,863	352,732

13. AGENCY TRANSACTIONS - continued

- **Bond Issues – continued**

		Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien) Series 2006C Subseries C-1through C-3	$	220,000,000	200,000,000	-	1,698,064
Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien) Series 2006D (Taxable) Subseries D-1 through D-2		50,400,000	50,400,000	-	400,000
Total	$	460,485,000	473,084,159	12,599,159	3,643,585

With the exception of $10,071,197 deposited to an escrow account for refunded bonds, all of the net proceeds of the 2006 bonds were used to fund GRIP transportation projects.

- **GRIP Administrative fee**

For services provided by the Authority in the issuance and administration of the Bonds, NMDOT pays an annual fee to the Authority of twenty-five basis points of the outstanding principal balance of the Bonds. One-half of the fee is set aside by the Authority in the Local Transportation Infrastructure Fund ("LTIF") to fund local highway and transportation projects.

For the year ended June 30, 2008, the Authority received 2,882,887 in administrative fees related to the Bonds. One-half of this amount was deposited in the LTIF, the remaining one-half was recorded as revenue to the Authority.

At June 30, 2008, the Trustee for the Bonds held $380,172,840 in cash in various program and debt service accounts related to the Bonds.

- **Refunding of Variable Rate Bonds**

The 2004C, 2006C, and 2006D Series bonds were issued as Auction Rate Securities ("ARS"). ARS are one of the two principal types of securities for which interest rates are reset in a periodic auction process. For each of these Series, the rates were reset in weekly auctions. All of the bonds were insured by certain municipal bond insurance companies. In late 2007 and early 2008, the market for ARS was negatively impacted by a number of factors, the principal event being downgrades of the ratings of certain insurers of ARS. These downgrades and other events caused the weekly auctions of the bonds to "fail', meaning that insufficient bids were received to permit resale of all of the bonds. In the event of a

13. AGENCY TRANSACTIONS - continued

- **Refunding of Variable Rate Bonds**

failed auction, no bonds are resold, even though some bids were received. In a failed ARS suction, the existing holders of the bonds must continue to hold their bonds until the next successful auction. The procedures applicable to a failed auction included a provision that the interest rate on the bonds resets to a default rate. In the case of the 2004C bonds, the default rate was one-month LIBOR plus 175 basis points. The default rate for the 2006C and D bonds was 12%.

In April and May, 2008, the Authority refunded all of the ARS Series 2004C, 2006C, and 2006D, reissuing the bonds as Variable Rate Demand Notes (VRDN). The interest rates for these bonds reset in weekly auctions, as was the case for the ARS. The principal difference between the ARS and the VRDN is that the ARS were credit-enhanced with insurance, while the VRDN are supported by bank letters of credit. The following bonds were issued:

		Par Value
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A	$	115,200,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B		220,000,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C		84,800,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008D (Taxable)		50,400,000
Total	$	460,400,000

All of the above refunding bonds were issued at par. The DOT provided additional funds totaling $2,641,872 to pay for the cost of issuance of the bonds.

- **Derivative Instruments**

At the time of the 2004 GRIP bond issuance, the Authority entered into interest rate exchange agreements ("swaps") with respect both to the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately-starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

13. AGENCY TRANSACTIONS - continued

- **Derivative Instruments - continued**

In all of the swaps, the Authority receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has the effect of converting the variable rate bonds to "synthetic fixed-rate" issues.

As in the case of the GRIP bonds, the Authority has entered into the swaps as an agent for the DOT, and no amounts with respect to the swap transactions appear in the Authority's financial statements. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the 2008 A through D Series).

- **Objectives of the Swaps**

The Authority's objective in entering into the swap agreements was to obtain a lower interest cost for the 2004 bonds than could have been obtained at the time had they been issued as fixed-rate bonds. With respect to the planned 2006, issuance, the Authority believed in 2004 that it would be desirable to "lock in" a synthetic fixed rate of 5% or less for a portion of the bonds anticipated to be issued in 2006.

- **Significant Terms**

2004 Swaps:

Counterparty	Royal Bank of Canada	Goldman Sachs	Lehman Brothers*
Notional Amount	$100,000,000	$50,000,000	$50,000,000
Receipt Rate	68 % of 1 month LIBOR**	68 % of 1 month LIBOR**	68 % of 1 month LIBOR**
Payment Rate (Synthetic Fixed Rate)	3.934%	3.934%	3.934%
Embedded Option(s)	None	None	None
Effective Date	May 20, 2004	May 20, 2004	May 20, 2004
Termination Date:	June 15, 2024	June 15, 2024	June 15, 2024

* On October 6, 2008, as discussed below, Lehman Brothers was replaced as the counterparty by Deutsche Bank. The significant terms of the Deutsche Bank swap are the same as the Lehman Brothers swap.

**For the period May 20, 2004 to June 15, 2006 the rate was the BMA Municipal Swap Index

13. AGENCY TRANSACTIONS - continued

- **Significant Terms - continued**

2006 Forward Starting Swaps:

Counterparty	JPMorgan Chase Bank	UBS AG
Notional Amount	$110,000,000	$110,000,000
Receipt Rate	SIFMA Municipal Swap Index	SIFMA Municipal Swap Index
Payment Rate	5.072%	5.072%
Embedded Option(s)	"Knockout" option – Counterparty may cancel if the index remains above 7% for more than 180 days	"Knockout" option – Counterparty may cancel if the index remains above 7% for more than 180 days
Option premium to the Authority	0.34%	0.34%
Net payment rate ("Synthetic Fixed Rate"), equals the payment rate less option premium	4.732%	4.732%
Effective Date	December 15, 2006	December 15, 2006
Termination Date:	December 15, 2026	December 15, 2026

No cash was paid or received at the initiation of any of the above swaps.

13. AGENCY TRANSACTIONS - continued

- **Fair Value**

The estimated fair value of the swaps at June 30, 2008 was as follows:

Counterparty		Notional Value	Fair Value*
Goldman Sachs	$	50,000,000	(3,617,674)
Lehman Brothers		50,000,000	(3,592,705)
Royal Bank of Canada		100,000,000	(7,235,348)
JPMorgan Chase Bank		110,000,000	(16,441,991)
UBS AG		110,000,000	(16,441,991)
Total	$	420,000,000	(47,329,709)

*The Fair Value is the estimated amount that would have been received by or paid to the Authority if the agreements had been terminated at June 30, 2008 under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2008. Negative amounts indicate payments that would have been made by the Authority to the counterparties.

- **Associated Debt**

Variable Rate Debt*			2008 Debt Service Principal	2008 Debt Service Interest	Net Swap Payments Made (Received)	Total	Actual Synthetic Fixed Rate
Series 2008A and C	$	200,000,000	-	7,520,995	1,864,390	9,385,385	4,693%
Series 2008B		220,000,000	-	8,360,775	2,890,693	11,251,468	5.114%

*The interest and swap payments for these bonds include the payments for the 2004 and 2006 Series bonds that that the 2008 series bonds replaced during the fiscal year.

- **Replacement of Counterparty**

The terms of the Authority's agreements with the swap counterparties provide that a bankruptcy filing is an event that terminates the agreement. In September 2008, Lehman Brothers, one of the counterparties for the 2004 swaps, filed for bankruptcy. The Authority evaluated a number of options and replaced Lehman Brothers with Deutsche Bank as the counterparty for this swap. All significant terms of the new agreement with Deutsche Bank remain the same as the original Lehman Brothers agreement. At the closing of the transaction on October 6, 2008, Deutsche Bank paid the then-current termination value as provided by the original agreement. The amount paid was calculated pursuant to the agreement to be $4,840,000. This was approximately $300,000 greater than the amount due Lehman

13. AGENCY TRANSACTIONS - continued

- **Replacement of Counterparty - continued**

Brothers, which was calculated, per the agreement, as of September 23, 2008, a termination date triggered by the bankruptcy filing. The excess funds were deposited in a debt service account and will be used to make debt service payments on the bonds.

Credit Risk

Credit risk is the possibility that a counterparty will not fulfill its obligations.

The credit ratings of the counterparties, at October 10, 2008, were:

	Moody's	S&P	Fitch
Royal Bank of Canada	Aaa	AA-	AA
Goldman Sachs	Aaa	AAA	NR
Deutsche Bank	Aa1	AA-	AA-
JP Morgan Chase	Aaa	AA	AA-
UBS AG	Aa2	AA-	AA-

Presently, the Authority has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to the Authority if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. No termination value currently exceeds these limits, and, accordingly, no collateral is posted. The swap agreements permit the netting of amounts owed between the Authority and the counterparty, mitigating, to some extent, the level of credit risk that would exist if the Authority were owed a termination value by a counterparty. The authority believes it has an adequate degree of diversification with regard to counterparties.

Interest Rate Risk

The knock-out option in the 2006 swaps leaves the Authority open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and the Authority would have outstanding unhedged variable rate debt in a 7% interest rate environment.

Basis Risk

Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. The Authority has little or no such risk with respect to the 2004 bonds as the 2004 swaps pay a variable rate equal to the SIFMA Municipal Swap index which has very closely approximated, historically, the rates paid on variable rate municipal debt. The Authority has basis risk, however, with respect to the 2006 swaps. The variable rate the Authority

13. AGENCY TRANSACTIONS - continued

- **Risks - continued**

Basis Risk - continued
receives with respect to the 2006 swaps is 68% of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal; Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2006 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated.

One event that would cause a divergence between the indices is a significant change in U.S. income tax rates. This might result in 68% of LIBOR no longer approximating the tax-exempt rate set by the market for the Authority's variable rate debt.

- **Termination Risk**

The unplanned termination of one or more of the swaps exposes the Authority to the possibility that the synthetic fixed rate expected to be obtained on the variable rate debt will not, in fact, be achieved. The swap agreements contain the standard ISDA provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, the Authority, but not the counterparties, can terminate the swaps at any time with 30-day notice. As discussed above, an unplanned termination occurred due to the bankruptcy filing by Lehman Brothers. In this situation, the Authority was successful in replacing the counterparty with another on the same terms, resulting in no loss to the Authority. There can be no assurance that the same result could be obtained if other unplanned terminations occur in the future.

14. SUBSEQUENT EVENTS

After June 30, 2008, 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 – Town of Bernalillo	7/11/2008	$	1,016,321
DL – Catron County – Quemado Lake VFD	7/18/2008		101,500
DL – Sierra SWCD	7/18/2008		133,658
DL – Village of Willard	7/18/2008		225,993
DL – City of Santa Fe	8/1/2008		3,610,000
DL – City of Sunland Park	8/15/2008		186,690
DL – Cuba SWCD	8/22/2008		24,360
DL – Village of Reserve	8/22/2008		101,500
DL – Torrance County	9/5/2008		30,450
DL – City of Las Cruces	9/12/2008		1,708,755
DL – Town of Lake Arthur	9/19/2008		56,995
DL – Valencia County – Highland Meadows VFD	9/19/2008		137,025
DL – Upper Chama SWCD	9/19/2007		218,245
DL – Otero County – 16 Springs VFD	9/26/2008		162,400
Water Project Fund/Water Trust Board:			
WPF/WTB – Claunch Pinto Soil and Water Conservation District	7/18/2008		600,000
WPF/WTB – Santo Domingo Pueblo	8/1/2008		293,000
WPF/WTB – City of Lordsburg	8/22/2008		850,000
WPF/WTB – NM Interstate Stream Commission	8/29/2008		750,000
WPF/WTB – NM Interstate Stream Commission	8/29/2008		2,000,000
WPF/WTB – City of Clovis – ENMRWA	9/5/2008		1,250,000
WPF/WTB – City of Clovis – ENMRWA	9/5/2008		2,271,400
Planning Grant Fund:			
P/G – Ancones MDWCA	7/11/2008		25,000
P/G – Sangre de Cristo Regional MDWCA	7/11/2008		18,000
P/G – Canjilon MDWCA & MSWA	8/8/2008		22,500
P/G – Sierra County	9/5/2008		50,000
Water Waste Water Grant Funding:			
WW – City of Moriarty	9/19/2008		396,000

14. SUBSEQUENT EVENTS - continued

PPRF Series 2008B. On October 16, 2008, the Authority issued $24,430,000 of Senior Lien Public Project Revolving Fund Series 2008 B Revenue Bonds. The 2008 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, and 2) pay costs incurred with the issuance of the Series 2008 B Bonds.

15. DEFICIT FUND / NET ASSETS

There are deficit fund balances of $56,065 in the Child Care Revolving Loan Fund, $426,720 in the New Mexico Tax Credits Fund and $13,377 in the Energy Efficiency Fund. The operating fund will cover the deficits in these 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 2009D Bonds, copies of the Indenture will be available at the principal office of the Representative. Subsequent to the offering of the Series 2009D 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 2009D Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Seventy-Third 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 2009D Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2009D Bonds and otherwise exercise ownership rights with respect to Series 2009D 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 Series 2009D 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 2009D 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 2009D Bonds, each June 1 and December 1, commencing December 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 2009D 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 2009D 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 2009D Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2009D 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.

"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 2009D 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 2009D 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 2009D Bonds" means, collectively, the Series 2009D-1 Bonds and the Series 2009D-2 Bonds.

"Series 2009D-1 Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2009D-1, in an initial aggregate principal amount of $13,570,000.

"Series 2009D-2 Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2009D-2, in an initial aggregate principal amount of $38,845,000.

"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 The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, 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.

"Underwriters" means, with respect to the Series 2009D Bonds, Piper Jaffray & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Morgan Stanley & Co. Incorporated.

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:

<u>Covenant Against Creating or Permitting Liens</u>. 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:

<u>Program Fund</u>. 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.

<u>Application of Loan Payments</u>. The flow of funds is discussed in the forepart of this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds."

All income earned from the investment of moneys in the respective Accounts of the Debt Service 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.

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.

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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 2009D 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
1999-2008

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1999	1,808,082	279,040,168	0.8%	1.2%
2000	1,820,704	282,171,936	0.7	1.1
2001	1,828,330	285,039,803	0.4	1.0
2002	1,848,986	287,726,647	1.1	0.9
2003	1,867,909	290,210,914	1.0	0.9
2004	1,889,266	292,892,127	1.1	0.9
2005	1,912,884	295,560,549	1.3	0.9
2006	1,937,916	298,362,973	1.3	0.9
2007	1,964,402	301,290,332	1.4	1.0
2008	1,984,356	304,059,724	1.0	0.9

(Source: Population Division, U.S. Census Bureau, March 2009.)

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 1998-2007.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Growth 2006-2007	Growth 1998-2007
Total employment	945,474	951,156	972,954	977,815	987,693	1,013,107	1,038,845	1,051,704	1,091,651	1,115,677	2.20%	18.00%
Wage and salary employment	765,582	773,819	789,690	801,610	809,872	822,438	838,544	855,049	877,954	887,936	1.25	16.11
Proprietors employment	179,892	177,337	183,264	176,205	177,821	190,669	200,301	196,655	213,697	227,741	6.57	26.60
Farm proprietors employment	15,818	15,237	14,985	17,470	17,649	17,035	16,972	17,159	17,095	17,519	2.48	10.75
Nonfarm proprietors employment	164,074	162,100	168,279	158,735	160,172	173,634	183,329	179,496	196,602	210,222	6.93	28.13
Farm employment	23,203	21,982	21,760	24,091	24,038	23,855	23,757	24,550	24,318	24,575	1.06	5.91
Nonfarm employment	922,271	929,174	951,194	953,724	963,655	989,252	1,015,088	1,027,154	1,067,333	1,091,169	2.23	18.31
Private employment	723,483	730,406	748,804	748,250	754,776	775,615	797,520	808,390	853,037	881,017	3.28	21.77
Forestry, fishing, related activities and other(1)	7,469	7,250	7,144	7,019	7,284	7,080	7,132	7,219	7,164	7,086	(0.84)	(4.89)
Mining(2)	19,348	17,428	18,823	19,469	17,520	18,875	19,025	21,118	23,666	24,596	3.93	27.12
Utilities	4,253	4,214	4,312	4,272	4,100	4,120	4,063	4,082	4,142	4,397	6.16	3.39
Construction(3)	60,783	60,167	60,646	63,144	61,086	63,927	68,145	72,453	79,654	82,275	3.29	35.36
Manufacturing	48,246	46,895	47,294	46,001	43,939	41,770	40,954	41,083	42,857	42,563	(0.69)	(11.78)
Durable goods manufacturing(4)	35,139	33,902	33,888	32,671	30,887	28,868	28,162	28,412	29,877	29,705	(0.58)	(15.46)
Nondurable goods manufacturing(5)	13,107	12,993	13,406	13,330	13,052	12,902	12,792	12,671	12,980	12,858	(0.94)	(1.90)
Wholesale trade	27,862	27,634	28,022	27,970	27,181	26,761	27,441	28,248	29,419	30,243	2.80	8.55
Retail trade(6)	115,073	113,110	112,676	111,250	111,912	113,827	115,746	116,168	118,189	121,257	2.60	5.37
Transportation and warehousing(7)	24,726	24,310	24,903	23,854	23,930	23,920	24,980	25,077	26,060	27,625	6.01	11.72
Information(8)	16,468	17,287	18,194	19,331	18,584	17,942	17,238	17,240	18,511	18,663	0.82	13.33
Finance and insurance(9)	33,079	32,216	31,904	30,996	31,079	31,515	31,844	31,460	32,210	32,460	0.78	(1.87)
Real estate and rental and leasing(10)	26,192	27,250	30,598	29,117	29,489	32,319	34,859	35,664	38,754	41,905	8.13	59.99
Professional and technical services	59,006	60,081	62,146	60,386	60,693	64,443	67,459	66,884	75,824	81,750	7.82	38.55
Management of companies and enterprises	6,307	5,848	5,815	6,083	5,923	5,423	5,354	6,388	6,426	6,105	(5.00)	(3.20)
Administrative and waste services(11)	43,969	47,680	51,125	52,659	53,555	53,077	54,423	54,336	58,185	60,687	4.30	38.02
Educational services	10,457	11,067	11,411	11,826	12,535	13,936	14,838	15,015	15,850	16,645	5.02	59.18
Health care and social assistance(12)	82,368	85,883	89,726	89,614	96,323	102,830	107,352	108,336	112,171	115,090	2.60	39.73
Arts, entertainment and recreation(13)	18,359	19,294	19,605	18,570	19,496	20,722	21,479	21,062	22,081	22,823	3.36	24.32
Accommodation and food services(14)	70,552	72,611	74,398	76,403	77,903	79,733	80,498	81,137	84,443	85,528	1.28	21.23
Other services, except public administration(15)	48,966	50,181	50,062	50,286	52,244	53,395	54,690	55,420	57,431	59,319	3.29	21.14
Government and government enterprises(16)	198,788	198,768	202,390	205,474	208,879	213,637	217,568	218,764	214,296	210,152	1.93	5.72

(1) The “Forestry, fishing, related activities, and other” category includes: forestry and logging; fishing, hunting and trapping; agriculture and forestry support activities; and other.

(2) The “Mining” category includes: oil and gas extraction; mining (except oil and gas); and support activities for mining.

(3) The “Construction” category includes: construction of buildings; heavy and civil engineering construction; and specialty trade contractors.

(4) The “Durable good manufacturing” category includes: wood product manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment and appliance manufacturing; motor vehicles, bodies and trailers, and parts manufacturing; other transportation equipment manufacturing; furniture and related product manufacturing; and miscellaneous manufacturing.

(5) The “Nondurable goods manufacturing” category includes: food manufacturing; beverage and tobacco product manufacturing; textile mills; textile product mills; apparel manufacturing; leather and allied product manufacturing; paper manufacturing; printing and related support activities; petroleum and coal products manufacturing; chemical manufacturing; and plastics and rubber products manufacturing.

(6) The “Retail trade” category includes: motor vehicle and parts dealers; furniture and home furnishings stores; electronics and appliance stores; building material and garden supply stores; food and beverage stores; health and personal care stores; gasoline stations; clothing and clothing accessories stores; sporting goods, hobby, book and music stores; general merchandise stores; miscellaneous store retailers; and nonstore retailers.

(7) The “Transportation and warehousing” category includes: air transportation; rail transportation; water transportation; truck transportation; transit and ground passenger transportation; pipeline transportation; scenic and sightseeing transportation; support activities for transportation; couriers and messengers; and warehousing and storage.

(8) The “Information” category includes: publishing industries, except Internet; motion picture and sound recording industries; broadcasting, except Internet; Internet publishing and broadcasting; telecommunications; ISPs, search portals and data processing; and other information services.

(9) The “Finance and insurance” category includes: monetary authorities-central bank; credit intermediation and related activities; securities, commodity contracts, investments; insurance carriers and related activities; and funds, trusts and other financial vehicles.

(10) The “Real estate and rental and leasing” category includes: real estate; rental and leasing services; and lessors of nonfinancial intangible assets.

(11) The “Administrative and waste services” category includes: administrative and support services; and waste management and remediation services.

(12) The “Health care and social assistance” category includes: ambulatory health care services; hospitals; nursing and residential care facilities; and social assistance.

(13) The “Arts, entertainment and recreation” category includes: performing arts and spectator sports; museums, historical sites, zoos and parks; and amusement, gambling and recreation.

(14) The “Accommodation and food services” category includes: accommodation; and food services and drinking places.

(15) The “Other services, except public administration” category includes: repair and maintenance; personal and laundry services; membership associations and organizations; private households;

(16) The “Government and government enterprises” category includes: federal, civilian; military; state and local; and state government and local government.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, February 2009.)

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
1999-2008

	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
1999	840	139,439	793	133,414	5.5%	4.3%	128%
2000	853	142,278	811	136,531	4.9	4.0	123
2001	864	143,654	822	137,071	4.9	4.6	107
2002	872	144,803	824	136,413	5.6	5.8	97
2003[3]	889	146,485	836	137,474	6.0	6.2	97
2004[3]	902	147,692	850	139,556	5.7	5.5	104
2005[3]	918	149,445	871	142,029	5.1	5.0	102
2006[3]	935	151,414	897	144,427	4.1	4.7	87
2007[3]	945	153,101	912	145,972	3.5	4.7	74
2008[3]	959	154,506	919	145,596	4.2	5.8	72

(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 2004-2008 New Mexico figures reflect revised population controls, model re-estimation, and new seasonal factors, and that 2000 and 2003-2008 United States figures are affected by changes in population controls.
(Source: U.S. Department of Labor, Bureau of Labor Statistics, March 2009.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1999-2008

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
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	53,382,823	10,252,973,000	7.2	5.6
2006	56,870,351	10,978,053,000	6.5	7.1
2007	60,318,370	11,634,322,000	6.1	6.0
2008[1]	63,679,909	12,086,533,576	5.6	3.9

(1) Preliminary estimate.
(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2009.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1999-2008

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	N.M.	U.S.
1999	$21,042	27,939	75%	1.9%	3.9%
2000	22,144	29,847	74	5.2	6.8
2001	24,141	30,582	79	9.0	2.5
2002	24,330	30,838	79	0.8	0.8
2003	24,975	31,530	79	2.7	2.2
2004	26,366	33,157	80	5.6	5.2
2005	27,907	34,690	80	5.8	4.6
2006	29,346	36,794	80	5.2	6.1
2007	30,706	38,615	80	4.6	4.9
2008	32,091	39,751	81	4.5	3.5

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2009.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
1990, 2000, 2001 AND 2007

	New Mexico (Dollars in Thousands)				United States (Dollars in Millions)				Percent Change 2001-2007		Distribution of 2007 Wages and Salaries	
	2007[1]	2001[1]	2000	1990	2007[1]	2001[1]	2000	1990	N.M.	U.S.	N.M.	U.S.
Farm Total	227,595	176,072	179,521	95,849	20,042	17,920	16,781	11,767	29.3%	11.84%	0.71%	0.32%
Non-Farm												
Private												
Agricultural Services, Forestry, Fishing	88,280	72,008	143,971	62,663	19,137	15,968	30,886	15,164	22.6	19.85	0.28	0.30
Mining	1,202,142	726,676	671,919	507,585	53,874	32,132	31,219	26,655	65.4	67.66	3.76	0.85
Construction	2,247,873	1,481,698	1,306,228	577,016	367,585	271,681	256,807	140,468	51.7	35.30	7.03	5.78
Manufacturing[2]	1,886,583	1,670,758	1,656,465	980,349	810,937	773,184	830,026	561,384	12.9	4.88	5.90	12.76
Transportation & Public Utilities[3]	1,548,282	1,239,195	1,351,378	884,830	340,493	295,851	313,333	179,390	24.9	15.09	4.85	5.36
Wholesale Trade	1,114,180	834,834	950,471	552,522	369,146	283,974	332,549	189,402	33.5	29.99	3.49	5.81
Retail Trade[4]	3,360,680	2,564,031	2,434,023	1,316,067	571,382	463,539	449,642	264,791	31.1	23.27	10.52	8.99
Finance, Insurance & Real Estate[5]	1,485,740	1,060,638	1,027,385	543,814	622,750	444,684	431,911	207,758	40.1	40.04	4.65	9.80
Services[6]	10,578,618	6,633,316	5,916,169	2,945,866	2,119,125	1,535,895	1,382,404	644,429	59.5	37.97	33.11	33.34
Total Private	23,512,378	16,283,154	15,458,009	8,370,712	5,274,429	4,116,908	4,058,777	2,229,441	44.4	28.12	73.58	82.99
Government												
Federal, Civilian	1,911,686	1,366,112	1,280,241	917,118	181,868	134,679	135,011	99,598	39.9	35.04	5.98	2.86
Military	666,286	495,168	477,480	440,596	86,314	54,970	50,520	46,332	34.6	57.02	2.09	1.36
State & Local	5,636,256	4,700,434	4,374,109	2,472,762	792,613	615,467	572,880	356,505	19.9	28.78	17.64	12.47
Total Government	8,214,228	6,561,714	6,131,830	3,830,476	1,060,795	805,116	758,411	502,435	25.2	31.76	25.71	16.69
Non-Farm Total:	31,726,601	22,844,868	21,589,839	12,201,188	6,335,224	4,922,024	4,817,188	2,731,876	38.9	28.71	99.29	99.68
Total	31,954,201	23,020,940	21,769,360	12,297,037	6,355,266	4,939,944	4,833,969	2,743,643	38.8%	28.65	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 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

The New York Mellon Trust Company, N.A.
Global Corporate Trust
1775 Sherman Street, Suite 2775
Denver, Colorado 80203

Re: New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2009D-1 and Taxable Series 2009D-2

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, Tax-Exempt Series 2009D-1 in the aggregate principal amount of $13,570,000 (the "Series 2009D-1 Bonds") and its Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2009D-2 in the aggregate principal amount of $38,845,000 (the "Series 2009D-2 Bonds," and together with the Series 2009D-1 Bonds, the "Series 2009D Bonds"). The Series 2009D 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 2009D 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 2009D 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"), by and between Sunwest Bank, National Association, Albuquerque, New Mexico, as the predecessor Trustee, and as further supplemented by a Seventy-Fourth Supplemental Indenture of Trust dated as of October 1, 2009 (together with the General Indenture, the "Indenture"), by and between the NMFA and The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as trustee (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 of New Mexico (the "State"), duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 2009D 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 2009D 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 2009D 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 2009D-1 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. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on or ownership of the Series 2009D-1 Bonds.

5. The interest on the Series 2009D Bonds is exempt from State personal income taxes.

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

(a) the rights of the holders of the Series 2009D 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 2009D Bonds or any other offering material relating to the Series 2009D 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 and they should not 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 2009D Bonds, payment of principal, premium, if any, interest on the Series 2009D Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2009D 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 2009D Bonds. The Series 2009D 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 2009D Bond certificate will be issued for each maturity of the Series 2009D 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 2009D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009D Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009D 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 2009D 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 2009D Bonds, except in the event that use of the book-entry system for the Series 2009D Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009D 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 2009D 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 2009D Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009D 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 2009D 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 2009D 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 2009D 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 2009D 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 2009D 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 2009D Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2009D 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 2009D 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

2009D GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS

2009D Governmental Units

As previously stated, a portion of the proceeds of the Series 2009D Bonds is being used to reimburse the NMFA for Loans previously made or to be made to the 2009D Governmental Units. The 2009D 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
Village of Tularosa	$564,831	$56,483.10	5/1/2019
City of Socorro	1,093,740	77,575.34	5/1/2029
Carrizozo Municipal Schools	515,000	–	8/1/2021
New Mexico Department of Health	928,725	–	6/1/2029
Socorro Consolidated Schools	2,000,000	–	8/1/2023
City of Texico	284,200	–	5/1/2020
City of Jal	228,375	–	5/1/2020
City of Grants	203,000	–	5/1/2014
Grant County	202,400	–	5/1/2016
Torrance County	382,729	38,272.90	5/1/2020
Town of Red River	238,720	23,872.00	5/1/2022
Socorro County	349,081	23,921.87	5/1/2030
City of Tucumcari	253,750	–	5/1/2015
Torrance County	382,729	38,272.90	5/1/2019
Union County	666,975	66,697.50	5/1/2019
Village of Ruidoso	1,015,000		5/1/2025
City of Santa Fe[2][3]	29,615,000		5/1/2037
New Mexico Highlands University[2][3][4]	15,305,000	1,230,000.00	5/1/2035
TOTAL	$54,229,255		

(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 at or about the same time as the issuance of the Series 2009D Bonds.

(3) Represents loans that are expected to be funded with proceeds of the Series 2009D-2 Bonds. Unless otherwise indicated, all other Loans will be funded with the proceeds of the Series 2009D-1 Bonds.

(4) See "Special Considerations for New Mexico Highlands Loan" below.

(Source: The NMFA.)

Special Considerations Relating to the New Mexico Highlands Loan. The NMFA plans to use a portion of the proceeds from the sale of the Series 2009D Bonds to fund a Loan (the "New Mexico Highlands Loan") to the New Mexico Highlands University ("NM Highlands"). A portion of the New Mexico Highlands Loan is being funded with proceeds from the Series 2009D-1 Bonds (the "2009D-1 Portion") and the balance of the New Mexico Highlands Loan is being funded from proceeds of the Series 2009D-2 Bonds (the "2009D-2 Portion").

NM Highlands has informed the NMFA that it intends to make an irrevocable election to treat any 2009D-2 Portion of the New Mexico Highlands Loan as a "Qualified Build America Bond." NM Highlands intends to apply for an interest subsidy payment from the Secretary of the U.S. Treasury under the "Build America Program" pursuant to Section 6431 of the Tax Code (the "Interest Subsidy Payment"). Such Interest Subsidy Payment, if received by NM Highlands, may be used by NM Highlands for any purpose, including payment of the debt service on the New Mexico Highlands Loan.

As a result of this election, interest on the 2009D-2 Portion and of the Series 2009D-2 Bonds will be includable in gross income of the holders thereof for federal income tax purposes and the holders of the Series 2009D-2 Bonds will not be entitled to any tax credits as a result of ownership of the Series 2009D-2 Bonds.

No assurances are provided that NM Highlands will receive any Interest Subsidy Payment. The amount of any Interest Subsidy Payment is subject to legislative changes by the United States Congress. Interest Subsidy Payments will only be paid if the 2009D-2 Portion is a Qualified Build America Bond. For the 2009D-2 Portion to be and remain a Qualified Build America Bond, NM Highlands must comply with certain covenants related to applicable requirements of the Tax Code and NM Highlands must establish certain facts and expectations with respect to the 2009D-2 Portion, the use and investment of proceeds thereof and the use of property financed thereby. There are currently no procedures for requesting an Interest Subsidy Payment after the 45th day prior to an interest payment date; therefore, if NM Highlands fails to file the necessary tax return in a timely fashion, it is possible that NM Highlands will never receive such Interest Subsidy Payment. Also, Interest Subsidy Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by NM Highlands to an agency of the United States of America.

The NMFA has not taken into account the receipt of such Interest Subsidy Payments by NM Highlands in its forecast of revenues of NM Highlands that will be used to pay the New Mexico Highlands Loan or in its evaluation of the ability of NM Highlands to repay the New Mexico Highlands Loan.

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 current outstanding principal amount of the ABCWUA Loan Agreements is $101,020,000.

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 $93,932,282 and are scheduled to mature on June 1, 2038.

New Mexico Spaceport Authority. The NMFA issued a series of bonds for the purpose of purchasing securities from the New Mexico Spaceport Authority (the "Spaceport Authority Securities"), the proceeds from which are being used to finance the costs of planning, designing, engineering and constructing a regional spaceport. The Spaceport Authority Securities are payable from and secured by a portion of the county regional spaceport gross receipts tax revenues received by the New Mexico Spaceport Regional District from gross receipts taxes imposed by Dona Aña and Sierra Counties which are pledged by the Spaceport Authority to pay the Spaceport Authority Securities. The Spaceport Authority Securities are currently outstanding in the aggregate principal amount of $55,810,000 and are scheduled to mature on June 1, 2029.

City of Santa Fe. The NMFA has entered into various obligations with the City of Santa Fe (the "Santa Fe Obligations"). The proceeds of the Santa Fe Obligations were used to finance the costs of various projects in the City of Santa Fe including infrastructure improvements for Santa Fe's Railyard Redevelopment Project and the Santa Fe Community Convention Center. In additional proceeds of one of the Santa Fe Obligations are being provided through the issuance of the Series 2009D-2 Bonds and will be used to acquire the College of Santa Fe. The Santa Fe Obligations are payable from and secured by a portion of the gross receipts tax revenues received by Santa Fe. After the issuance of the Series 2009D-2 Bonds, the then outstanding balance of the Santa Fe Obligations will total $39,306,384. The last of the Santa Fe Obligations is scheduled to expire on June 1, 2037.

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 $34,974,477. 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 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 on June 1, 2038.

Special Consideration Concerning an Action Involving Previously Executed Loan Agreements

The NMFA has partially funded two loans (the "Angel Fire Loans") to the Angel Fire Public Improvement District (the "Angel Fire District"). Proceeds from the Angel Fire Loans are being applied to finance infrastructure improvements within the Angel Fire District. If the Angel Fire Loans are entirely funded, the Angel Fire Loans will be outstanding in the aggregate principal amount of $26.25 million and will be scheduled to mature in August 2038.

An action was filed against the Angel Fire District, and others, including the NMFA, which challenged the creation of the Angel Fire District (the "Angel Fire Litigation"). If the Angel Fire Litigation is decided in favor of the petitioners, the Angel Fire District would not be considered to be properly created and any actions taken by the Angel Fire District, including the Angel Fire Loans, could be declared void and unenforceable. A declaration that the Angel Fire Loans are void and unenforceable could mean that the NMFA would lose a source of Agreement Pledged Revenues that are pledged to the payment of the Bonds. The amount of Agreement Pledged Revenues expected to be received pursuant to the Angel Fire Loans averages approximately $1,740,000 per year. See "ESTIMATED REVENUES, ANNUAL DEBT SERVICE REQUIREMENTS, AND PROJECTED COVERAGE RATIOS," herein to gain an understanding of the impact of such revenue stream on the estimated coverage ratios.

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New Mexico FINANCE AUTHORITY

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NEW ISSUE – BOOK-ENTRY ONLY

Ratings: S & P "AA+"
Moody's "Aa2"
(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 2009E 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 2009E 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

$35,155,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2009E

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

The New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009E 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 2009E Bonds through its nominee, Cede & Co. One fully-registered bond in a denomination equal to the principal amount of each maturity of each series of the Series 2009E Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2009E Bonds will be made in book-entry form only, and beneficial owners of the Series 2009E 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 2009E Bonds.

The Series 2009E Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2009E Bonds accrues from the date of initial delivery of the Series 2009E Bonds and is payable on June 1 and December 1 of each year, commencing June 1, 2010. Principal of the Series 2009E 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 2009E Bonds are not subject to redemption prior to maturity.

Proceeds of the Series 2009E Bonds will be used by the NMFA for the purposes of purchasing securities from certain governmental entities that will be used to finance or refinance certain Projects for such governmental entities, and paying costs incurred in connection with the issuance of the Series 2009E Bonds. The principal of and premium, if any, and interest on the Series 2009E 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 2009E 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 2009E 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 2009E 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 2009E 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 2009E Bonds to Robert W. Baird & Co. Incorporated, the successful bidder of a competitive bidding process for the Series 2009E Bonds that was held on October 22, 2009.

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 2009E 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 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 issuance of Series 2009E Bonds. It is expected that a single certificate for each maturity of each series of the Series 2009E Bonds will be delivered to DTC or its agent on or about November 12, 2009.

This Official Statement is dated October 22, 2009 and the information contained herein speaks only as of that date.

NEW MEXICO FINANCE AUTHORITY

$35,155,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
SERIES 2009E

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2010	$2,730,000	3.00%	0.60%	64711N JW 6
2011	3,080,000	3.00	1.00	64711N JX 4
2012	3,080,000	3.00	1.27	64711N JY 2
2013	3,110,000	3.00	1.68	64711N JZ 9
2014	3,210,000	3.00	2.10	64711N KA 2
2015	3,465,000	3.00	2.50	64711N KB 0
2016	3,895,000	3.00	2.76	64711N KC 8
2017	3,975,000	4.00	3.00	64711N KD 6
2018	4,245,000	4.00	3.15	64711N KE 4
2019	4,365,000	4.50	3.25	64711N KF 1

† 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 2009E 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 their correctness on the Series 2009E Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2009E 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.

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 2009E 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 2009E 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" and "ANNUAL DEBT SERVICE REQUIREMENTS." 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 or prices at which the Series 2009E Bonds are offered to the public may vary from the initial reoffering yields or prices shown on the inside front cover page of this Official Statement. In connection with this offering, the initial purchasers of the Series 2009E Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2009E 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 2009E Bonds.

THE SERIES 2009E 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 2009E 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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William F. Fulginiti, Vice-Chairman
Joanna Prukop, Secretary
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Albuquerque, New Mexico

Disclosure Counsel
Ballard Spahr LLP
Salt Lake City, Utah

Trustee, Registrar and Paying Agent
The Bank of New York Mellon Trust Company, N.A.
Denver, Colorado

---

(1) Subsequent to the sale of the Series 2009E Bonds on October 22, 2009, Mr. Bland resigned his position as State Investment Officer. The State Investment Officer is an ex officio member of the NMFA and as a result, Mr. Bland ceased to be a member of the NMFA upon his resignation as State Investment Officer. Bob Jacksha has been appointed to serve as State Investment Officer.

(2) Appointed by the Governor of the State in March 2009. Such individuals are awaiting confirmation by the New Mexico State Senate during its next regular legislative session, scheduled for 2010. See "NEW MEXICO FINANCE AUTHORITY—Governing Body and Key Staff Members."

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

$35,155,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS,
SERIES 2009E

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page, and appendices, provides information in connection with the offer and sale of the $35,155,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009E (the "Series 2009E Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2009E 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-Fifth Supplemental Indenture of Trust, dated as of November 1, 2009 (the "Seventy-Fifth Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the NMFA and The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as successor 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, 2008 included as APPENDIX A hereto, which are the most recent audited financial statements available at this time. See "FINANCIAL STATEMENTS" herein.

Authority and Purpose

The Series 2009E 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 2009E Bonds will be used by the NMFA for the purposes of (i) purchasing securities from certain governmental entities that will be used to finance or refinance certain Projects for such governmental entities, and (ii) paying costs incurred in connection with the issuance of the Series 2009E Bonds. See "THE PLAN OF FINANCING" for more information with respect to the sources and uses of proceeds of the Series 2009E Bonds and "APPENDIX F" for a list of the Governmental Units and the amount of the Loans to be financed with the proceeds of the Series 2009E Bonds. Such Governmental Units whose Loans are being financed with proceeds of the Series 2009E Bonds are sometimes referred to herein as the "2009E Governmental Units."

Parity Obligations

Bonds with a lien on the Trust Estate in parity with the lien of the Series 2009E 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 2009E Bonds

The Series 2009E Bonds will be dated the date of their initial delivery. Interest on the Series 2009E Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2010. The Series 2009E Bonds will mature on the dates and in the amounts and will bear interest at the rates shown on the inside front cover of this Official Statement. The Series 2009E 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 2009E 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 2009E 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 2009E Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2009E 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 2009E 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.

No Redemption

The Series 2009E Bonds are not subject to redemption prior to maturity. See "THE SERIES 2009E BONDS—No Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2009E 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 2009E 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 2009E 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 any separate accounts in the Debt Service Reserve Fund with respect to the Series 2009E 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 2009E 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 such 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 2009E Bond Owners that, so long as the Series 2009E 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 the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format and notice of certain material events to the MSRB in an electronic format in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). The provisions of the Continuing Disclosure Undertaking may be amended under certain circumstances. See "CONTINUING DISCLOSURE UNDERTAKING" herein.

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 2009E 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 2009E 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 2009E 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 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 2009E Bonds. See "FINANCIAL ADVISOR."

The NMFA's audited financial statements for the fiscal year ended June 30, 2008, 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 2009E Bonds

The Series 2009E 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 2009E Bonds to Robert W. Baird & Co. Incorporated, the successful bidder of a competitive bidding process that was held on October 22, 2009. It is anticipated that a single certificate for each maturity of the Series 2009E Bonds will be delivered to DTC or its agent on or about November 12, 2009.

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 2009E Bonds.

THE SERIES 2009E BONDS

General

The Series 2009E Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2009E 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, 2010. The Series 2009E 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. The Series 2009E 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 2009E 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 2009E Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2009E Bonds will be made in book-entry only form, and beneficial owners of the Series 2009E 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 2009E Bonds. For a more complete description of the book-entry only system, see "APPENDIX E—BOOK-ENTRY ONLY SYSTEM" herein.

No Redemption

The Series 2009E Bonds are not subject to redemption prior to maturity.

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 2009E Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2009E 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 2009E 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 2009E 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 2009E Governmental Units and the allocable portions of the Loans financed with the Series 2009E 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 2009-2010. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

Type of Revenue	FY 2009-2010 Amounts	% of Total Agreement Revenues
Local Gross Receipts Tax	$22,464,104	26.60%
Enterprise System Revenues	22,409,331	26.54
General Obligation (ad valorem taxes)	14,204,860	16.82
Local Special Tax	11,532,158	13.66
State Gross Receipts Tax	6,383,740	7.56
Fire Protection Funds	3,083,715	3.65
Governmental Gross Receipts Tax	2,618,786	3.10
Special Assessments	1,720,289	2.04
Mill Levy	22,928	0.03
Total	$84,439,910	100.00%

Note: Totals may not add due to rounding. Assumes that the Loans funded with proceeds of the Series 2009E Bonds are executed and delivered.
(Source: The NMFA.)

The following table lists the ten Agreements that, based on scheduled payments in fiscal year 2009-2010 and assuming no prepayments of the Agreements, are expected to generate the largest Agreement Revenues in fiscal year 2009-2010. These ten Agreements comprise 45.80% of projected Agreement Revenues for fiscal year 2009-2010.

AGREEMENTS EXPECTED TO GENERATE THE LARGEST AGREEMENT REVENUES(1)

Borrower	FY 2009-2010 Debt Service	% of Total Pledged Revenues(1)
Albuquerque Bernalillo Water Utility Authority (Enterprise System Revenues)	$10,460,749	12.38%
General Services Department (State Gross Receipts Taxes)	6,345,386	7.51
New Mexico Spaceport Authority (Gross Receipts Tax)	4,228,807	5.01
City of Albuquerque (Enterprise System Revenues)	3,119,060	3.69
Gadsden Independent Schools (Ad Valorem Property Tax)	3,067,989	3.63
State Parks and Recreation Department (Governmental Gross Receipts Tax)	2,618,786	3.10
Taos County (Gross Receipts Tax)	2,600,998	3.08
Department of Health (Cigarette Taxes)	2,434,266	2.88
New Mexico Highlands University (Enterprise System Revenues)	1,956,489	2.32
City of Santa Fe (Gross Receipts Tax)	1,838,557	2.18
Total	$38,671,086	45.80%

(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 the Governmental Units with the largest repayment obligations, See "APPENDIX F—2009E GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS."

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. See "APPENDIX F—2009E GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS."

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 2004-2005 through 2008-2009.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2004-2005 THROUGH 2008-2009

	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009
Total Net Receipts	$24,582,478	$26,918,001	$27,936,430	$29,186,583	$29,370,303
NMFA Portion of the Governmental Gross Receipts Tax	$18,445,414	$19,689,576	$21,335,908	$21,431,489	$21,493,438

(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 2005-2006 through 2007-2008. 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 2005-2006 THROUGH 2007-2008

	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008
Entity	% of Total Net Receipts	% of Total Net Receipts	% of Total Net Receipts
Albuquerque Bernalillo County Water Utility Authority	27.87%	18.68%	23.34%
City of Albuquerque	8.18	8.28	8.48
City of Santa Fe	7.84	7.33	7.36
City of Las Cruces	5.17	5.03	4.92
University of New Mexico	4.45	4.47	4.14
City of Rio Rancho	3.79	4.17	4.50
City of Farmington	2.52	2.62	2.89
City of Roswell	2.15	2.06	1.99
County of Los Alamos	1.81	1.64	1.76
City of Carlsbad	1.75	1.71	1.62
Total	65.53%	55.99%	61.00%

(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 2009E 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.

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.

No Debt Service Reserve Account. 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 any separate Accounts in the Debt Service Reserve Fund with respect to the Series 2009E 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 2009E Bonds. The NMFA covenants pursuant to the Seventy-Fifth 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 respective subseries of Series 2009E Bonds with debt service payable on the related subseries of Series 2009E Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the respective Series 2009E 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 the respective subseries of Series 2009E 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 or reimburse 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 the respective subseries of Series 2009E Bonds from which the Loan relating to the

Prepayment was initially funded and which Series 2009E Bonds 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 SERIES 2009E BONDS—Redemption."

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 2009E Bonds of the respective Series relating to such Prepayment, in Authorized Denominations, to their first optional redemption date as described under the caption "THE SERIES 2009E BONDS—Redemption," 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 2009E 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. During the fiscal years indicated below, the NMFA has 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	32	10,223,706
2009-2010[(1)]	10	5,008,670

(1) Reflects Prepayments received as of September 15, 2009.
(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 2009E 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 other Additional Bonds are not known as of the date of this Official Statement.

No Obligations Senior to the Series 2009E Bonds

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 November 1, 2009:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of November 1, 2009[(2)]
1999A	$13,135,000	$5,475,000
1999B	3,025,000	945,000
1999C	2,265,000	420,000
1999D	4,875,000	1,740,000
2002A	55,610,000	16,345,000
2003A	39,945,000	20,326,000
2003B	25,370,000	17,145,000
2004A-1	28,410,000	16,350,000
2004A-2	14,990,000	12,485,000
2004B-1	48,135,000	33,345,000
2004B-2	1,405,000	1,020,000
2004C	168,890,000	139,140,000
2005A	19,015,000	13,505,000
2005B	13,500,000	12,145,000
2006B	38,260,000	35,050,000
2006D	56,400,000	50,885,000
2007E	61,945,000	56,395,000
2008A	158,965,000	153,720,000
2008B	36,545,000	34,535,000
2008C	29,130,000	28,620,000
2009A	18,435,000	18,435,000
2009B	30,225,000	30,225,000
2009C	55,810,000	55,810,000
2009D-1	13,570,000	13,570,000
2009D-2	38,845,000	38,845,000
Total	$976,700,000	$806,476,000

(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 2009-2010 and assuming no prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2009-2010.

Outstanding Subordinate Lien Bonds

Pursuant to a Subordinated General Indenture of Trust and Pledge 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 that will be outstanding as of November 1, 2009:

Series(1)	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of November 1, 2009(2)
2005C(3)	$50,395,000	$49,030,000
2005E	23,630,000	23,630,000
2005F	21,950,000	20,095,000
2006A	49,545,000	48,180,000
2006C	39,860,000	35,760,000
2007A	34,010,000	30,440,000
2007B	38,475,000	34,175,000
2007C	131,860,000	125,045,000
Total	$389,725,000	$366,355,000

(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.

(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 2009E 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 2009E Bonds will be used by the NMFA for the purpose of purchasing Securities from the 2009E Governmental Units that will be used to finance or refinance certain projects for the 2009E Governmental Units. A portion of the proceeds of the Series 2009E Bonds will be used by the NMFA for the purpose of paying costs incurred in connection with the issuance of the Series 2009E Bonds. See APPENDIX F for a list of the 2009E Governmental Units and the amount of the Loans expected to be financed with the respective Series of the Series 2009E Bonds.

Estimated Sources and Uses of Funds

The following tables set forth the estimated sources and uses of funds in connection with the issuance of the Series 2009E Bonds.

Sources of Funds

Principal Amount	$35,155,000.00
Reoffering Premium	1,655,068.20
Prior Debt Service Fund	1,189,466.33
NMFA Contribution	184,789.48
Total Sources	$38,184,324.01

Uses of Funds

Program Fund Accounts	$37,599,534.53
Costs of Issuance[(1)]	250,000.00
Underwriting Discount	184,789.48
NMFA Processing Fee	150,000.00
Total Uses	$38,184,324.01

(1) Costs of Issuance include borrower costs of issuance, legal fees, rating agency fees, Trustee fees, financial advisory fees and other costs and expenses related to the issuance of the Series 2009E Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2009E Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

ANNUAL DEBT SERVICE FOR THE BONDS[(1)]

Fiscal	Series 2009E Bonds		Outstanding	Total Annual
Year	Principal	Interest	Parity Bonds	Debt Service
2010	$2,730,000	$664,619	$78,594,939	$81,989,558
2011	3,080,000	1,120,425	80,207,986	84,408,411
2012	3,080,000	1,028,025	82,441,079	86,549,104
2013	3,110,000	935,625	80,183,814	84,229,439
2014	3,210,000	842,325	76,680,682	80,733,007
2015	3,465,000	746,025	75,528,267	79,739,292
2016	3,895,000	642,075	72,172,994	76,710,069
2017	3,975,000	525,225	61,121,278	65,621,503
2018	4,245,000	366,225	59,361,378	63,972,603
2019	4,365,000	196,425	55,821,100	60,382,525
2020	–	–	53,877,551	53,877,551
2021	–	–	51,907,766	51,907,766
2022	–	–	48,149,383	48,149,383
2023	–	–	43,660,410	43,660,410
2024	–	–	42,150,883	42,150,883
2025	–	–	37,281,269	37,281,269
2026	–	–	34,772,400	34,772,400
2027	–	–	33,547,179	33,547,179
2028	–	–	29,599,483	29,599,483
2029	–	–	25,151,398	25,151,398
2030	–	–	19,396,448	19,396,448
2031	–	–	19,359,118	19,359,118
2032	–	–	18,975,575	18,975,575
2033	–	–	16,954,508	16,954,508
2034	–	–	15,223,440	15,223,440
2035	–	–	13,870,946	13,870,946
2036	–	–	12,935,354	12,935,354
2037	–	–	3,506,675	3,506,675
2038	–	–	3,500,300	3,500,300
2039	–	–	1,740,750	1,740,750
Total	$35,155,000	$7,066,994	$1,247,674,352	$1,289,896,346

(1) 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 2009E Bonds and all other outstanding Bonds and the resulting estimated annual coverage ratios. Revenues estimated for current and future fiscal years are based on fiscal year 2008-2009 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	NMFA Portion of Governmental Gross Receipts Tax[1]	Aggregate Pledged Borrower Payments[2][3]	Estimated Total Revenues[3]	Total Annual Debt Service Requirement	Estimated Annual Coverage Ratios[4]
2010	$21,493,438	$84,486,179	$105,979,617	$81,989,558	1.29x
2011	21,493,438	87,164,603	108,658,041	84,408,411	1.29x
2012	21,493,438	88,727,369	110,220,807	86,549,104	1.27x
2013	21,493,438	87,769,911	109,263,349	84,229,439	1.30x
2014	21,493,438	83,773,997	105,267,435	80,733,007	1.30x
2015	21,493,438	83,071,895	104,565,333	79,739,292	1.31x
2016	21,493,438	78,924,386	100,417,824	76,710,069	1.31x
2017	21,493,438	68,886,223	90,379,661	65,621,503	1.38x
2018	21,493,438	66,753,591	88,247,029	63,972,603	1.38x
2019	21,493,438	62,845,954	84,339,392	60,382,525	1.40x
2020	21,493,438	56,757,185	78,250,623	53,877,551	1.45x
2021	21,493,438	54,199,714	75,693,152	51,907,766	1.46x
2022	21,493,438	50,702,311	72,195,749	48,149,383	1.50x
2023	21,493,438	44,873,618	66,367,056	43,660,410	1.52x
2024	21,493,438	43,300,135	64,793,573	42,150,883	1.54x
2025	21,493,438	38,499,392	59,992,830	37,281,269	1.61x
2026	21,493,438	35,266,474	56,759,912	34,772,400	1.63x
2027	21,493,438	34,302,372	55,795,810	33,547,179	1.66x
2028	21,493,438	29,718,983	51,212,421	29,599,483	1.73x
2029	21,493,438	25,251,523	46,744,961	25,151,398	1.86x
2030	21,493,438	19,468,968	40,962,406	19,396,448	2.11x
2031	21,493,438	19,434,017	40,927,455	19,359,118	2.11x
2032	21,493,438	19,037,305	40,530,743	18,975,575	2.14x
2033	21,493,438	17,007,691	38,501,129	16,954,508	2.27x
2034	21,493,438	15,258,505	36,751,943	15,223,440	2.41x
2035	21,493,438	13,905,969	35,399,407	13,870,946	2.55x
2036	21,493,438	13,018,934	34,512,372	12,935,354	2.67x
2037	21,493,438	3,593,298	25,086,736	3,506,675	7.15x
2038	21,493,438	3,592,562	25,086,000	3,500,300	7.17x
2039	21,493,438	1,807,580	23,301,018	1,740,750	13.39x

(1) Reflects NMFA Portion of the Governmental Gross Receipts Tax collections from July 1, 2008 through June 30, 2009.
(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 2008-2009 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 with voting privileges include four cabinet-level secretaries, each of whom are appointed by the Governor and serve at the pleasure of the Governor (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 Paul Gutierrez. 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 B. Bland[(1)(2)]	State Investment Officer, State Investment Council	not applicable
Ron Curry[(1)]	Secretary, Environment Department, State of New Mexico	not applicable
Rhonda G. Faught[(3) (4)]	Retired, Former Secretary of the New Mexico Department of Transportation	01/01/13
Stephen R. Flance[(3)] (Chairman)	Owner/CEO, The Flance Company Santa Fe, New Mexico	12/31/09
William F. Fulginiti[(1)] (Vice-Chairman)	Executive Director, New Mexico Municipal League	not applicable
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	01/01/12
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[(3)] (Treasurer)	President, First National Bank of New Mexico Clayton, New Mexico	01/01/12
Daniel P. Silva[(3) (4)]	Former State Representative Albuquerque, New Mexico	01/01/13

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(1) *Ex officio* member with voting privileges. An *ex officio* member may designate an alternate member. Alternate members may attend meetings and vote on all matters considered by the NMFA. *Ex officio* members that are cabinet secretaries are appointed to their cabinet positions by the Governor of the State and serve in those capacities at the pleasure of the Governor.

(2) Subsequent to the sale of the Series 2009E Bonds on October 22, 2009, Mr. Bland resigned his position as State Investment Officer. The State Investment Officer is an ex officio member of the NMFA and as a result, Mr. Bland ceased to be a member of the NMFA upon his resignation as State Investment Officer. Bob Jacksha has been appointed to serve as State Investment Officer.

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

(4) Appointed by the Governor of the State in March 2009. Such individuals are awaiting confirmation by the New Mexico State Senate during its next regular legislative session, scheduled for January 2010, and will continue to serve until the expiration of such session if no confirmation is received. If the New Mexico State Senate confirms those individuals during its next session, the terms of such individuals will expire on January 1, 2013.

Presented below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2009E 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.

Michael J. Zavelle, Chief of Investor Relations. Mr. Zavelle joined the NMFA in June 2009. Mr. Zavelle has an extensive and varied background in finance with public and private universities, a major cultural organization, and as a capital markets banker in Asia responsible for client relations and for loan and bond underwriting, syndication and private placement. He served as a VP/CFO for Fisk University, Brooklyn College/CUNY, and Baruch College/CUNY, as Vice Chancellor for Administration & Planning for City University of New York, as SVP and Chief Administrative Officer for The New York Public Library, and as a Managing Director with Chase Manhattan Asia Limited in Hong Kong and Tokyo. Mr. Zavelle has a Bachelor of Arts degree in Economics from Dartmouth College and a Master of Business Administration degree from Harvard University.

Marquita Russel, Chief of Programs. Ms. Russel joined the NMFA in September, 2000. Ms. Russel has approximately 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.

Jarratt Applewhite, Chief Financial Advisor. Mr. Applewhite joined the NMFA in July 2009 after serving in a variety of private and public capacities for the past 30 years. Mr. Applewhite most recently served as the founder and CEO of New Mexico Community Capital, a nonprofit community development organization. Mr. Applewhite has also served as the CEO of one of New Mexico's fastest growing information technology companies as well as president of a real estate firm. Mr. Applewhite's public service includes a term as the president of the Santa Fe Board of Education and the Co-Chair of the Mayor's Task Force on affordable housing in the City of Santa Fe.

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.

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; public recreation facilities; public transportation systems; 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 October 15, 2009, the NMFA had made 826 PPRF loans totaling approximately $1.643 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 2009E 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 NMFA, urgent economic development projects, loan originations, or addressing other purposes as determined by the NMFA. As of the date hereof, the Contingent Liquidity Account is funded to an amount of approximately $34,089,000. Upon approval of the NMFA, the Contingent Liquidity Account may receive increases. 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 intends to enter 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 $75,000,000 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 will be secured by proceeds of Bonds that are anticipated to be issued subsequent to the advances. The NMFA will enter into such an arrangement to assist it with its cash flows. Such short-term borrowings will not be 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 as of the date hereof.

Program	Project	Original Principal Amount	Amount Outstanding as of October 1, 2009	Scheduled Final Maturity
Worker's Compensation	Administrative Building	$4,310,000	$2,080,000	9/1/2016
Cigarette Tax	University of New Mexico Health Sciences Building	39,035,000	19,855,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	2,125,000	5/1/2026
Transportation	Highways	700,000,000	700,000,000	6/15/2024
Transportation	Highways	237,950,000	138,425,000	6/15/2014
Transportation	Highways	150,000,000	150,000,000	12/15/2026
Transportation	Highways	40,085,000	32,345,000	12/15/2026
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 2009E Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any Revenues the loss of which would materially adversely affect the ability of the NMFA to pay debt service on the Series 2009E Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2009E 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 2009E Bonds. See APPENDIX F for information concerning pending litigation to which the NMFA and one of the Governmental Units are parties.

SALE OF SERIES 2009E BONDS

The Series 2009E Bonds are being sold to Robert W. Baird & Co. Incorporated, the successful bidder of a competitive bidding process that was held on October 22, 2009, at an aggregate purchase price of $36,625,278.72 (being the par amount of the Series 2009E Bonds plus an original issue premium of $1,655,068.20, and less an underwriting discount of $184,789.48). The Series 2009E Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2009E Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside front 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 2009E 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 2009E Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2009E 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 2009E 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 2009E Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2009E 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 2009E Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code.

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 2009E Bonds may affect the federal tax-exempt status of the interest on the Series 2009E Bonds.

Bond Counsel is also of the opinion that the difference between the principal amount of the Series 2009E 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 Series 2009E 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 Series 2009E Bond. For purposes of determining gain or loss on the sale or other disposition of a Series 2009E 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 Series 2009E 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 2009E Bonds. Owners of the Series 2009E Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Series 2009E Bonds.

Interest on the Series 2009E 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 2009E 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 2009E Bonds. Prospective purchasers of the Series 2009E 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 2009E Bonds may affect the tax status of interest on the Series 2009E 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 2009E 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 2009E Bonds, or the interest thereon, if any action is taken with respect to the Series 2009E 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 2009E Bonds is excluded from gross income for federal income tax purposes, a Series 2009E Bondholder's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2009E Bonds. The nature and extent of these other tax consequences will depend upon the Series 2009E Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2009E 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 2009E 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 2009E Bonds, (iii) interest on the Series 2009E 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 2009E 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 2009E 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 2009E Bondholders regarding the tax-exempt status of the Series 2009E 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 2009E 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 2009E 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 2009E Bonds, and may cause the NMFA, the Governmental Units or the Series 2009E Bondholders to incur significant expense.

Bond Counsel is of the opinion that interest on the Series 2009E 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 2009E 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 2009E 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 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 2009E 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, 2008, 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 29, 2008. Such financial statements are the most recently audited financial statements available at this time. 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 2009E Bonds pursuant to which it will agree to provide the following information:

- to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format 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 2009E 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 2004-2005 Through 2008-2009" 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 the MSRB, 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 MSRB, 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, notice of the occurrence of any of the following events (if applicable) with respect to the Series 2009E 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 2009E Bonds;

7. modification of rights of owners of the Series 2009E Bonds;

8. bond calls;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the Series 2009E 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 2009E 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 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 2009E 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 2009E Bonds.

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 2009E Bonds. See APPENDIX F for a discussion of Loans to Governmental Units with the largest outstanding principal loan balances.

The NMFA reports that, during the last five years, it has been in compliance with each undertaking it has entered into pursuant to the Rule.

RATINGS

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service ("Moody's") have assigned ratings of "AA+" and "Aa2," respectively, to the Series 2009E Bonds. An explanation of the significance of such ratings may be obtained from S&P and Moody's, respectively.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2009E 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 2009E Bonds may have an adverse effect on the market price of the Series 2009E Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2009E Bonds any proposed revision or withdrawal of the ratings on the Series 2009E 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 2009E 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, including general economic conditions. 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 2009E 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.

This Preliminary Official Statement is in a form "deemed final" by the NMFA for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

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 2009E 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, 2008

NEW MEXICO
FINANCE AUTHORITY

Financial Statements
for the Year Ended
June 30, 2008,
and Independent
Auditors' Report

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Year Ended June 30, 2008

Governing Board

Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Gary Bland, Member
Ron Curry, Member
Charlie Dorame, Member
Ed Garcia, Member
Paul Gutierrez, Member
Lonnie Marquez, Member
Katherine Miller, Member
Fred Mondragon, Member
Joanna Prukop, Member
Craig Reeves, Member

Chief Executive Officer
William C. Sisneros

Chief Operating Officer
Jerome L. Trojan

Chief Financial Officer
John T. Duff

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, 2008, 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, 2008, as listed in the table of contents. 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, 2008, 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.

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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in

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New Mexico Finance Authority and
Mr. Hector H. Balderas
New Mexico State Auditor

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, 2008, 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 29, 2008, 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 14, 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 29, 2008

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 $108,079,275 in fiscal year 2008 from 2007.
- The Authority's total revenues increased by $125,041,170 in fiscal year 2008 from 2007.
- The total cost of all Authority programs was $122,841,109, an increase of 28,627,230 over 2007.

Authority Highlights

The New Mexico Finance Authority, created in 1992, assists New Mexico governmental units, such as cities, counties and State Governmental Departments and agencies in financing capital equipment and infrastructure projects by providing loans at tax exempt rates 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 Project 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 FY2008, the PPRF program made approximately 90 loans totaling approximately $386.8 million, compared to 93 loans totaling approximately $211.3 million in FY2007.

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 FY2008, the DWRLF made seven loans totaling $34.9 million compared to three loans totaling $5.76 million in FY2007. The FY2008 binding commitments numbered seven, approximating $27.9 million, compared to six totaling approximately $23.8 million in FY2007.

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, 2008, the Authority Board has approved 17 loans totaling $11.25 million. In FY2008, the PCCF program made two loans totaling $3.2 million.

During FY2008, the Authority issued $391.2 million in bonds to provide reimbursement to the Public Projects Revolving Loan Fund and to retire borrowings incurred by the Authority in anticipation of issuing bonds.

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 FY2008, four grants closed for a total of $1,053,260, compared to seven grants totaling $4,281,350 in FY2007.

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.

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.

Overview of the Financial Statements - continued

Government-wide Financial Statements - continued

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.

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 the Governmental Activities for the Authority are the Metro Court Financing, the State Office Building Program Financing, the State Capitol Building Improvements Program Financing, the University of New Mexico (UNM) Health Sciences Center Projects Financing, the Workers' Compensation Administration Building Financing, the Water Projects Fund Financing, the Water/Wastewater Grant Fund, the Local Governments Planning Fund, the Emergency Drought Relief Grant Fund, the Local Government Transportation Fund (GRIP II), the Bio-Mass Dairy Fund, the Economic Development Financing and the Certificates of Participation Equipment 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 Project Revolving Fund, the Drinking Water Revolving Loan Fund, the Primary Care Revolving Loan Fund, the Behavioral Health Care Revolving Loan Fund, the Child Care Revolving Loan Fund, GRIP I Administrative Fund, the Behavioral Health Capital Revolving Loan Fund, the GRIP Administrative Fund, the New Markets Tax Credits Fund, the Energy Efficiency 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.

Overview of the Financial Statements - continued

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 Project 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), the Economic Development Fund, the Local Transportation Government Fund (GRIP II) and the Bio-Mass Dairy 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 uses 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 funds 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, the GRIP Administrative Fund, the Child Care Revolving Loan Fund, the Behavioral Health Care Capital Fund, the Local Infrastructure Transportation Fund, the New Markets Tax Credits Fund, the Energy Efficiency Fund and the Behavioral Health Care Revolving Fund.

Overview of the Financial Statements - continued

Management's Discussion and Analysis

The 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.

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, 2008. FY2008 net assets for Governmental Activities and Business-type Activities were $28,241,533 and $197,914,492, respectively. Total Authority net assets for fiscal year 2008 are $226,156,025. 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	
		2008	2007	**2008**	2007	**2008**	2007
Current and other assets	$	**134,267,548**	45,024,418	**92,483,095**	84,608,587	**226,750,643**	129,633,005
Capital and non-current assets		**2,175,384**	2,396,886	**1,432,582,634**	955,034,773	**1,434,758,018**	957,431,659
Total assets	$	**136,442,932**	47,421,304	**1,525,065,729**	1,039,643,360	**1,661,508,661**	1,087,064,664
Current liabilities	$	**6,482,888**	8,187,482	**323,519,447**	154,767,837	**330,002,335**	162,955,319
Long-term liabilities		**109,883,518**	114,311,923	**995,999,482**	691,720,673	**1,105,883,000**	806,032,596
Total liabilities		**116,366,406**	122,499,405	**1,319,518,929**	846,488,510	**1,435,885,335**	968,987,915
Net Assets:							
Invested in capital assets		**113,333**	145,503	**264,652**	292,268	**377,985**	437,771
Restricted		**19,963,193**	(75,223,604)	**216,061,333**	187,200,507	**236,024,526**	111,976,903
Unrestricted		**-**	-	**(10,246,487)**	5,662,075	**(10,246,487)**	5,662,075
Total net assets		**20,076,526**	(75,078,101)	**206,079,498**	193,154,850	**226,156,024**	118,076,749
Total liabilities and net assets	$	**136,442,932**	47,421,304	**1,525,065,729**	1,039,643,360	**1,661,508,661**	1,087,064,664

Financial Analysis of the Authority as a Whole - continued

Changes in Net Assets: The Authority's change in net assets for fiscal year 2008 was an increase of $108,079,275 (Table A-2). A significant portion, twelve percent (12%), of the Authority's revenue comes from Tax Revenue. Twelve percent (12%) comes from other operating grants and contributions, and six percent (6%) from interest and investment income. Fifty-three percent (53%) comes from state general fund appropriations, and charges for services and other revenue comprise the remaining seventeen percent (17%) of total revenue.

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

		Governmental Activities		Business-Type Activities		Total	
		2008	2007	2008	2007	2008	2007
Revenues:							
Program	$	13,614,678	6,041,563	51,922,659	33,949,508	65,537,337	39,991,071
General		128,361,086	23,207,646	37,021,961	42,680,497	165,383,047	65,888,143
Total revenues		141,975,764	29,249,209	88,944,620	76,630,005	230,920,384	105,879,214
Expenses		39,895,843	29,628,373	82,945,266	64,585,506	122,841,109	94,213,879
Net revenues (loss) before transfers and reversions		102,079,921	(379,164)	5,999,354	12,044,499	108,079,275	11,665,335
Transfers and reversions		(6,925,294)	(1,228,241)	(6,925,294)	1,228,241	-	-
(Decrease) increase in net assets		95,154,627	(1,607,405)	12,924,648	13,272,740	108,079,275	11,665,335
Net assets, beginning of year		(75,078,101)	(73,470,696)	193,154,850	179,882,110	118,076,749	106,411,414
Net assets, end of year	$	20,076,526	(75,078,101)	206,079,498	193,154,850	226,156,024	118,076,749

The significant growth in governmental net assets is the result of the Authority becoming the administrator of the Local Government Transportation Fund (otherwise known as GRIP II). This program is expected to fund 116 designated road projects throughout the State with total costs approximating $183 million. This program is expected to be funded over 3 years with the Authority having received $87.8 million in funds during FY 2008. Business-type (enterprise) activities continue to grow in terms of net assets because of the growth in loan volume and bond issuances in the PPRF program and the continual growth in the loan portfolio of the Authority's other revolving loan programs.

Financial Analysis of the Authority as a Whole - continued

Governmental-Type Activities

In FY 2008, revenues generated through State General Fund Appropriations increased by $103.2 million for the governmental-type activities. The majority of this increase, $87.8 million, is a result of receiving the seed money to begin the Local Government Transportation Fund (GRIP II) and start to fund the projects authorized under the legislation. Grant expenditures for this program amounted to $4.6 million but is expected to increase significantly in FY 2009. The Authority's total expenditures for governmental-type activities during the fiscal year 2008 were $40,094,539. The largest area of expenditures, $26,173,676, 65% of the total, was in the area of grant expense

Business Type Activities

The Authority's total expenditures for business-type activities during the fiscal year were $82,746,570. The majority of business-type expenditures, $43,769,243, 53% of the total, was in the area of debt service. As noted above, expenditures and revenues increased due to the growth in the PPRF program.

Within the operating cost category, salaries and benefits comprise three percent (3%) of the total expenditures, and all other operating costs such as professional services, repairs and maintenance, travel, supplies, etc., were seven percent (7%) of the total expenditures.

Capital Assets and Debt Administration

At the end of fiscal year 2008, the Authority has invested, net of depreciation, a total of $264,252 in capital assets in business-type activities and $113,333 in capital assets for governmental-type activities. During FY 2008, capital outlay expenditures totaled $4,722. This amount represents payment of software upgrades to the Authority's new project database program which was completed in early FY 2008. 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 2008, the total amount outstanding was $1.16 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 $391.2 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.

Financial Analysis of the Authority as a Whole - continued

Bond Ratings

The Authority's bond ratings are:

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

Economic Factors and Next Year's Budgets and Rates

The FY 2008 budget provides for the Authority's administration of six programs paid from different sources of revenue:

- Operation of the PPRF program, funded from Governmental Gross Receipts tax receipts and cigarette tax revenue;
- Administration of the Water Trust Board, funded from interest earnings on the investments of the Water Project Fund.
- 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;
- The Local Governments Planning Fund, funded from the Water Planning Fund;
- The Economic Development Fund, funded from administrative fees and cigarette tax revenue.

The Authority's primary operating budget for FY2008 was $6,667,847, compared to the FY2007 budget of $6,649,027, a 0.3% increase. This nominal change in the budget reflected some increased staffing level offset by some efficiencies being realized through the addition of in-house counsel.

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, 2008

		Governmental Activities	Business-type Activities	Total
ASSETS:				
Cash and equivalents:				
Unrestricted	$	27,961,097	68,229,027	96,190,124
Restricted		102,852,041	300,904,459	403,756,500
Receivables:				
Tax revenue		643,692	7,424,228	8,067,920
Interest		18,210	8,347,617	8,365,827
Grant and other		239,530	6,958,365	7,197,895
Due from other funds (Note 4) [Internal Balances]		-	1,110,138	1,110,138
Administrative fees receivable		73	708,654	708,727
Loans receivable, net of allowance (Note 3)		2,552,905	1,040,185,642	1,042,738,547
Restricted asset - escrow		-	80,877,446	80,877,446
Capital assets, net of depreciation (Note 6)		113,333	264,652	377,985
Deferred costs, net of accumulated amortization		2,062,051	10,528,699	12,590,750
Other assets		-	51,442	51,442
TOTAL ASSETS	$	136,442,932	1,525,590,369	1,662,033,301
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued liabilities	$	138,328	1,971,625	2,109,953
Accrued payroll		11,702	100,160	111,862
Compensated absences (Note 12)		-	200,236	200,236
Notes payable (Note 9)		1,704,789	-	1,704,789
Funds held for others		-	197,721,700	197,721,700
Accrued interest		615,564	3,269,007	3,884,571
Due to other state agencies (Note 5)		-	1,075,831	1,075,831
Due to other funds (Note 5) [Internal Balances]		1,110,138	-	1,110,138
Debt service payable		5,294	61,090,830	61,096,124
Bonds payable, current, net (Note 8)		5,712,000	58,082,000	63,794,000
		9,297,815	323,511,389	332,809,204
Noncurrent liabilities:				
Bonds payable, non-current, net of bond discount/premium (Note 8)		107,068,591	995,999,482	1,103,068,073
		107,068,591	995,999,482	1,103,068,073
TOTAL LIABILITIES		116,366,406	1,319,510,871	1,435,877,277
NET ASSETS:				
Invested in capital assets		113,333	264,652	377,985
Restricted for:				
Debt service		(105,894,139)	-	(105,894,139)
Program funds		125,857,332	216,061,333	341,918,665
Unrestricted		-	(10,246,487)	(10,246,487)
TOTAL NET ASSETS		20,076,526	206,079,498	226,156,024
TOTAL LIABILITIES AND NET ASSETS	$	136,442,932	1,525,590,369	1,662,033,301

YEAR ENDED JUNE 30, 2008

		Governmental Activities	Business-type Activities	Total
EXPENSES:				
Capital financing	$	39,895,843	82,945,266	122,841,109
PROGRAM REVENUES:				
Charges for services		-	38,327,432	38,327,432
Operating grants and contributions		13,614,678	13,595,227	27,209,905
NET PROGRAM EXPENSES		(26,281,165)	(31,022,607)	(57,303,772)
GENERAL REVENUES:				
Governmental gross receipts and gross receipts taxes		-	27,198,766	27,198,766
Investment earnings		4,702,048	9,823,195	14,525,243
TOTAL GENERAL REVENUES		4,702,048	37,021,961	41,724,009
TRANSFERS				
State General Fund Appropriations		123,659,038	-	123,659,038
Internal		(6,925,294)	6,925,294	-
CHANGE IN NET ASSETS		95,154,627	12,924,648	108,079,275
NET ASSETS, BEGINNING OF FISCAL YEAR		(75,078,101)	193,154,850	118,076,749
NET ASSETS, END OF FISCAL YEAR	$	20,076,526	206,079,498	226,156,024

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LGTF (GRIP II)	Other Governmental Funds	Total Governmental Funds
-	14,708,960	27,961,097
-	643,692	643,692
-	6,239	18,210
-	-	239,603
-	411,000	2,552,905
-	15,769,891	31,415,507
-	645,398	645,398
-	-	1,326,996
86,071,771	8,067,050	100,879,647
86,071,771	24,482,339	134,267,548
1,273	115,949	150,030
-	-	5,294
-	1,704,789	1,704,789
52,961	15,825	1,110,138
54,234	1,836,563	2,970,251
86,017,537	11,389,885	99,018,331
-	11,255,891	32,278,966
86,017,537	22,645,776	131,297,297
86,071,771	24,482,339	134,267,548

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

YEAR ENDED JUNE 30, 2008

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	$	131,297,297
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		262,399
Accumulated depreciation is		(149,066)
Total capital assets, net of depreciation		113,333
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		2,062,051
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 $1,899,591		(112,780,591)
Accrued interest payable		(615,564)
Total long-term and other liabilities		(113,396,155)
Net assets of governmental activities (Statement of Net Assets)	$	20,076,526

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Water Project Fund	LGTF (GRIP II)	Other Governmental Funds	Total Governmental Funds
13,614,446	-	-	13,614,446
-	-	28,605	335,673
430,665	2,867,859	1,001,064	4,366,375
232	-	-	232
14,045,343	2,867,859	1,029,669	18,316,726
-	-	35,141	177,552
126,058	1,111	166,526	384,633
221,742	42,908	108,992	504,317
10,209	331	2,262	21,613
670	1,962	364	8,081
1,950	277	1,539	5,256
50,589	7,645	27,284	127,316
19,207,567	4,596,088	2,369,981	26,173,636
1,521	-	1,244	4,722
-	-	2,486,000	5,706,000
-	-	4,144,149	5,466,464
19,620,306	4,650,322	9,343,482	38,579,590
(5,574,963)	(1,782,463)	(8,313,813)	(20,262,864)
7,847,868	87,800,000	11,405,725	123,659,038
-	-	(5,284,406)	(6,925,294)
-	-	(3,376,935)	(7,024,568) ✓
7,847,868	87,800,000	2,744,384	109,709,176
2,272,905	86,017,537	(5,569,429)	89,446,312
7,546,572	-	28,215,205	41,850,985
9,819,477	86,017,537	22,645,776	131,297,297

See Independent Auditors' Report and Notes to Financial Statements.

YEAR ENDED JUNE 30, 2008

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	$	89,446,312
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		5,706,000
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		52,274

YEAR ENDED JUNE 30, 2008

Change from prior year in amortization of bond issuance costs:		
Deferred issuance costs FY07 (p. 17 PY)	$ 2,251,383	
Deferred issuance costs FY08 (p. 15 CY)	2,062,051	
		(189,332)
Change from prior year in amorization of bond premium/discount:		
Amortization of bond premium/discount FY07 (p. 72 PY)	2,071,134	
Amortization of bond premium/discount FY08 (p. 71 CY)	1,899,591	
		171,543
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	4,722	
Depreciation expense	(36,892)	
Excess of depreciation expense over capital outlay		(32,170)
Decrease in capital assets		-
Change in net assets of governmental activities (Statement of Activities)		$ 95,154,627

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Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
165,350	-	3,415,530	-	-	-	68,229,026
-	-	-	-	-	-	7,424,228
1,694	-	-	-	-	-	8,347,617
-	-	-	-	-	-	6,958,365
-	-	-	-	-	-	-
-	-	-	-	-	-	2,152,874
154	-	-	-	-	-	708,654
167,198	-	3,415,530	-	-	-	93,820,764
369,692	-	-	-	-	-	1,040,185,642
-	-	-	-	-	-	-
23,549	275,058	-	2,945,638	-	-	300,904,459
-	-	-	-	-	-	80,877,446
						-
2,341	1,790	1,508	-	2,694	1,102	264,651
-	-	-	-	-	-	10,528,699
-	-	-	-	-	-	51,442
395,582	276,848	1,508	2,945,638	2,694	1,102	1,432,812,339
562,780	276,848	3,417,038	2,945,638	2,694	1,102	1,526,633,103
1,301	-	-	-	19,395	-	1,971,626
447	129	306	-	5,125	47	300,397
-	-	-	20,664	-	-	3,269,007
7,218	-	-	-	-	-	61,090,830
792	250,000	-	-	-	-	197,721,700
-	-	-	-	-	-	1,075,831
3,648	82,784	1,839	-	404,894	14,432	1,042,736
-	-	-	-	-	-	-
-	-	-	125,000	-	-	58,082,000
13,406	332,913	2,145	145,664	429,414	14,479	324,554,127
-	-	-	2,125,000	-	-	995,999,482
-	-	-	2,125,000	-	-	995,999,482
13,406	332,913	2,145	2,270,664	429,414	14,479	1,320,553,609
2,341	1,790	1,508	-	2,694	1,102	264,651
547,033	(57,855)	1,493,404	471,402	-	(14,479)	200,804,989
-	-	1,919,981	203,572	(429,414)	-	5,009,854
549,374	(56,065)	3,414,893	674,974	(426,720)	(13,377)	206,079,494
562,780	276,848	3,417,038	2,945,638	2,694	1,102	1,526,633,103

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Behavioral Health Capital Fund	Child Care Revolving Loan Fund	Local Road Fund	Cigarette Tax Revenue Bond	NM Tax Credits	Energy Efficiency	Total
-	-	-	-	-	-	27,169,340
-	-	-	-	-	-	13,595,226
989	-	722,444	-	-	-	5,729,869
10,884	-	-	-	-	-	32,597,563
7,025	10,603	94,540	109,611	-	-	9,823,193
18,898	10,603	816,984	109,611	-	-	88,915,191
-	-	181,475	-	-	-	206,375
-	-	-	-	-	-	543,018
-	-	-	-	-	-	132,638
5,064	2,785	2,330	168	79,823	1,568	3,580,587
20,584	4,840	8,331	-	136,589	957	2,698,553
823	23	692	-	5,880	68	59,442
614	(56)	(20)	-	-	-	31,889
77	7	18	-	602	2	825
276	161	149	-	1,172	65	33,135
695	(8)	-	-	-	-	11,213
5,174	2,740	3,937	-	38,874	1,227	845,439
320	160	160	-	320	160	56,595
-	-	-	129,734	-	-	43,769,243
33,627	10,652	197,072	129,902	263,260	4,047	51,968,952
(14,729)	(49)	619,912	(20,291)	(263,260)	(4,047)	36,946,239
-	-	-	-	-	-	29,426
(14,729)	(49)	619,912	(20,291)	(263,260)	(4,047)	36,975,665
38,215	-	875,000	217,666	-	-	6,925,294
-	-	-	-	-	-	(30,976,315)
-	-	-	-	-	-	-
38,215	-	875,000	217,666	-	-	(24,051,021)
23,486	(49)	1,494,912	197,375	(263,260)	(4,047)	12,924,644
525,888	(56,016)	1,919,981	477,599	(163,460)	(9,330)	193,154,850
549,374	(56,065)	3,414,893	674,974	(426,720)	(13,377)	206,079,494

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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
(25,336)	(20,631)	(4,910)	(8,798)	-	(132,188)	(909)	(5,689,685)
(14,249)	(17,122)	5,284	(7,235)	(167)	124,689	1,120	(9,338,654)
-	-	-	-	-	-	-	(543,018)
-	-	-	-	(130,882)	-	-	(33,582,785)
-	-	-	(181,475)	-	-	-	(206,375)
-	-	-	-	-	-	-	27,169,340
-	-	-	-	-	-	-	13,234,531
289,550	18,066	10,603	94,540	109,611	-	-	42,164,527
-	989	-	722,444	-	-	-	4,676,033
249,965	(18,698)	10,977	619,476	(21,438)	(7,499)	211	37,883,914
-	38,215	-	875,000	217,666	-	-	9,016,320
-	-	-	-	-	-	-	(30,781,562)
1,200,778	25	-	-	-	-	-	122,784,279
1,200,778	38,240	-	875,000	217,666	-	-	101,019,037
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,715,627
(3,200,000)	-	-	-	-	-	-	(399,572,968)
327,108	31,296	-	-	-	-	-	57,419,331
-	-	-	-	-	-	-	391,245,000
-	-	-	-	(125,000)	-	-	(37,785,000)
284,698	-	-	-	-	-	-	17,489,144
-	-	-	-	-	-	-	(31,338,974)
(277)	(463)	(376)	(299)	-	(559)	(211)	(28,979)
(2,588,471)	30,833	(376)	(299)	(125,000)	(559)	(211)	143,181
(1,137,728)	50,375	10,601	1,494,177	71,228	(8,058)	-	139,046,132
3,279,427	138,524	264,457	1,921,353	2,874,410	-	-	230,079,295
2,141,699	188,899	275,058	3,415,530	2,945,638	(8,058)	-	369,125,427
174,874	23,486	(49)	1,494,912	197,375	(263,260)	(4,047)	12,345,576
160	320	160	160	-	320	160	56,595
-	(38,215)	-	(875,000)	(217,666)	-	-	19,868,969
(5,527)	157	-	-	-	-	-	(5,322,514)
80,458	(4,446)	10,866	(596)	(1,147)	255,441	4,098	8,265,194
249,965	(18,698)	10,977	619,476	(21,438)	(7,499)	211	37,883,914

Statement of Fiduciary Assets and Liabilities - Agency Funds

AS OF JUNE 30, 2007

		Agency Funds
ASSETS:		
Cash at Trustee:		
Program funds	$	143,033,858
Expense funds		237,132,982
Bond reserve funds		6,000
TOTAL ASSETS	$	380,172,840
LIABILITIES:		
Accounts payable	$	3,923,929
Debt service payable		329,378,837
Funds held for the New Mexico Department of Transportation		46,870,074
TOTAL LIABILITIES	$	380,172,840

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.

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.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **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.

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
- UNM Health Sciences Fund
- Water Project Fund
- LGTF (GRIP II)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Special Revenue Funds - continued

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Special Revenue Funds - continued

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.

Special Revenue Fund – Local Government Transportation Fund. In 2007, New Mexico Legislature authorized the establishment of the Local Government Transportation Fund within the New Mexico Finance Authority. This fund provides funding for 116 local government transportation projects as approved by the legislature. The Fund consists of general fund appropriations and severance tax bond proceeds appropriated to the fund in fiscal years 2007 through 2009. Projects are funded based upon project readiness. The interest earnings in the fund are subject to appropriation by legislature.

Special Revenue Fund – Dairy Biomass Loan Fund. This fund was created by the 2006 Legislature to convert dairy waste to energy statewide. The Authority is working with the New Mexico Energy, Minerals and Natural Resources Department to identify biomass projects that support renewable energy development.

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).

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Debt Service Funds - continued

Debt Service Fund - Workers' Compensation Financing Fund - continued. 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.

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

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- continued. 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.

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

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 - continued. 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.

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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Enterprise Funds - continued

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.

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

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 - continued. 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Basis of Presentation - Fund Accounting - continued**

Enterprise Funds - continued

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.

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. Though it's a Limited Liability Company, Finance New Mexico LLC, the Authority has received an allocation of $110,000,000 to encourage capital infusion throughout New Mexico by providing private business greater access to capital in rural or undeserved areas of the state.. 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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Basis of Presentation - Fund Accounting - continued**

Enterprise Funds - continued

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 (Note 13).

- **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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Measurement Focus and Basis of Accounting - continued**

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, 2008 was $46,538,759.

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. The cash on deposit with the State Treasurer is invested in a money market fund registered with the Securities and Exchange Commission rated AAAm by Standard & Poor's.

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.

- **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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Loans - continued**

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, 2008, 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, 2008. 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.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **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.

- **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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Bond Discounts, Premiums and Issuance Costs - continued**

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.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Interfund and Interagency Transactions - continued**

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 trustee in the names of the applicable government entity and the Authority. 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	$	147,117,448	147,117,448
The Primary Care Capital Fund held at the State Treasurer's Office		545,566	545,566
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts		21,600,027	21,600,027
Bank of Albuquerque trust accounts		246,849,598	246,849,598
Reserve on Bond Payable held in Bank of America		279,359	279,359
Wells Fargo operating accounts (collateralized at 50%)		1,100,832	1,141,690
Cash held at the Reserve		82,453,794	82,453,795
		499,946,624	499,987,483
Agency Fund:			
Money market accounts invested in Bank of Albuquerque		380,172,840	380,172,840
	$	880,119,464	880,160,323

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

The Authority's State Treasurer funds are contained in the New Mexico *GROW* LGIP, a Securities and Exchange Commission registered money market fund rated AAAm by Standard & Poor's, and at June 30, 2008 are valued at $147,117,448, with a 46-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. All are fully collateralized and the collateral is held in the Authority's name.

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.

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, 2008:

Enterprise funds:	
Public Projects Revolving Loan Fund, net of allowance of $1,067,970	$ 1,001,731,515
Drinking Water State Revolving Loan Fund	30,907,764
Primary Care Capital Fund	7,176,671
Behavioral Health Capital Fund	369,692
	1,040,185,642
Governmental funds:	
Smart Money Loans	1,825,254
C.O.P.S.	411,000
Water Trust Board Loan/Grants	316,651
	2,552,905
	$ 1,042,738,547

- **Public Projects Revolving Loan Fund**

The Public Projects Revolving Loan Fund loans receivable balance at June 30, 2008 is $1,001,731,515, net of an allowance for loan loss of $1,067,970, 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, 2008 to June 30, 2009	$ 63,106,681	37,947,082	101,053,763
July 1, 2009 to maturity	939,692,804	376,210,888	1,315,903,692
	$ 1,002,799,485	414,157,970	1,416,957,455

3. LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued

- **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, 2008 to June 30, 2009	$	1,198,908	562,504	1,761,412
July 1, 2009 to maturity		29,708,856	5,922,559	35,631,415
	$	30,907,764	6,485,063	37,392,827

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

- **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, 2008 to June 30, 2009	$	915,959	206,455	1,122,414
July 1, 2009 to maturity		6,260,712	1,211,732	7,472,444
	$	7,176,671	1,418,187	8,594,858

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

- **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, 2008 to June 30, 2009	$	32,237	10,167	42,404
July 1, 2009 to maturity		337,455	48,231	385,686
	$	369,692	58,398	428,090

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

- **"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, 2008 to June 30, 2009	$	-	-	-
July 1, 2009 to maturity		1,825,254	-	1,825,254
	$	1,825,254	-	1,825,254

No allowance for uncollectible loans has been established at this time. The loans are secured by commercial real estate mortgages.

3. LOANS RECEIVABLE - BUSINESS TYPE AND GOVERNMENTAL ACTIVITIES - continued

- **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, 2008 to June 30, 2009	$	62,000	24,358	86,358
July 1, 2009 to maturity		349,000	68,501	417,501
	$	411,000	92,859	503,859

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

- **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, 2008 to June 30, 2009	$	16,201	-	16,201
July 1, 2009 to maturity		300,450	-	300,450
	$	316,651	-	316,651

Allowance has not yet been established as these loans were established late in fiscal year 2008 and repayments have not been made. An appropriate allowance will be made in fiscal year 2009.

4. 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, 2008 consist of the following:

		Due to: Enterprise Funds Public Project Revolving Funds 200's
Due From:		
Governmental Funds:		
Metro Court	304	$ -
Water and Wastewater Grant	307	6,707
Water Project Fund	309	28,106
Emergency Drought Relief	312	-
Water Planning Grant	313	9,118
Economic Development	314	1,013,246
LGTF - GRIP II	323	52,961
Total Governmental Funds		1,110,138
Enteprise Funds:		
GRIP Fund	104	82,247
Drinking Water	500	52,734
Child Care	319	82,784
Behavioral Health	311	3,648
Local Road Fund	504	1,839
Primary Care	501	118,307
NM Tax Credit	600	412,952
Energy Efficiency	601	14,432
PPRF	200s	273,793
Total Enterprise Funds		1,042,736
		$ 2,152,874

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Transfers Out							
GRIP Admin.	PPRF	Behav. Health	Cig Tax	Drinking Water	Local Road	Total	Net Transfers In (Out)
-	-	-	-	-	-	-	(7,400,230)
-	4,884,677	-	-	-	-	4,884,677	(1,640,888)
-	2,357,229	-	-	-	-	2,357,229	2,357,229
-	2,814,375	-	-	-	-	2,814,375	(241,405)
-	10,056,281	-	-	-	-	10,056,281	(6,925,294)
-	6,500,000	-	-	-	-	6,500,000	(2,091,026)
-	13,520	-	-	-	-	13,520	(861,480)
-	-	-	-	-	-	25,316,719	6,657,838
-	-	-	38,215	-	-	38,215	38,215
-	-	-	-	-	-	255,882	217,667
-	2,089,080	-	-	-	-	2,089,080	2,089,080
875,000	-	-	-	-	-	875,000	875,000
875,000	18,658,881	-	38,215	-	-	45,144,697	-

5. OPERATING TRANSFERS

Governmental Funds Operating Transfers from (to) Other State Agencies

State Agency	Agency Fund Number	Economic Development Fund	UNM Health Sciences Fund	Other Governmental Funds	Total
Dept. of Finance & Administration	34100	$ 7,100,000	9,505,445	107,053,593	123,659,038
University of New Mexico	95100	-	(3,647,633)	-	(3,647,633)
New Mexico Department of Workforce Solutions	63100	-	-	(557,079)	(557,079)
New Mexico State University	95200	-	-	(2,819,856)	(2,819,856)
		$ 7,100,000	5,857,812	103,676,658	116,634,470

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	$ (950,000)	-
University of New Mexico	95100	(24,177,732)	(4,984,752)
NM Department of Health	66500	(287,297)	-
NM Environment Department	66700	(576,534)	-
		$ (25,991,563)	(4,984,752)

The Authority received $123,659,038 in New Mexico state general fund appropriations from the Department of Finance and Administration.

5. OPERATING TRANSFERS - continued

The following enterprise funds made the following transfers to other state agencies during the year ended June 30, 2008:

The PPRF Series 2005 C & D Metro Court Refunding transferred $950,000 in rebates to Metro Court.

The Drinking Water Revolving Fund transferred $4,984,752 to the New Mexico Environment Department (NMED) for billings, and the PPRF Direct Cash Loans transferred $576,534 to the NMED for debt service for PPRF administration.

The PPRF Series 2005 E Fund transferred $24,177,732 to the University of New Mexico (UNM) for reimbursement of construction costs related to the UNM Cancer Center.

The PPRF Direct Cash Loans transferred $287,297 to Gila Regional Medical Center for payment of debt service.

The following debt service funds made the following transfers to other state agencies during the year ended June 30, 2008:

The UNM Health Sciences 2004A transferred $3,647,633 for revenue rebate to UNM from cigarette tax collections.

The Workers' Compensation Series 1996 transferred $557,079 for revenue rebate to Workers' Compensation.

The State Building GRT Purchase Fund transferred $2,819,856 in program fund requests to project draw requests and debt service payments.

6. CAPITAL ASSETS

A summary of changes in capital assets follows:

Business-type Activities		Balance June 30, 2007	Additions	Adjustments/ Deletions	Balance June 30, 2008
Depreciable assets:					
Furniture and fixtures at historical cost	$	98,166	-	-	98,166
Computer hardware and software		388,702	20,739	-	409,441
Machinery and equipment		24,768	-	-	24,768
Leasehold improvements		26,932	8,240	-	35,172
		538,568	28,979	-	567,547
Accumulated depreciation:					
Furniture and fixtures		(144,059)	(9,789)	-	(153,848)
Computer hardware and software		(87,843)	(40,829)	-	(128,672)
Machinery and equipment		(8,512)	(2,470)	-	(10,982)
Leasehold improvements		(5,886)	(3,507)	-	(9,393)
		(246,300)	(56,595)	-	302,895
Net total	$	292,268	(27,616)	-	264,652

Depreciation expense was $15,060 in the Operating Fund, $18,587 in the Public Project Revolving Fund, $9,197 in the Drinking Water Revolving Loan Fund, $12,470 in the GRIP Administrative Fund, $160 in the Primary Care Fund, $320 in the Behavioral Health Capital Fund, $160 in the Child Care Revolving Loan Fund, $160 in the Local Road Fund, $320 in the Tax Credits Fund and $160 in the Energy Efficiency Fund for the year ended June 30, 2008.

6. CAPITAL ASSETS - continued

Governmental Activities		Balance June 30, 2007	Additions	Adjustments/ Deletions	Balance June 30, 2008
Depreciable assets:					
Furniture and fixtures at historical cost	$	100,636	-	-	100,636
Computer hardware and software		119,374	4,722	-	124,096
Machinery and equipment		24,349	-	-	24,349
Leasehold improvements		13,318	-	-	13,318
		257,677	4,722	-	262,399
Accumulated depreciation:					
Furniture and fixtures		(59,121)	(14,149)	-	(73,270)
Computer hardware and software		(37,854)	(17,448)	-	(55,302)
Machinery and equipment		(10,578)	(3,423)	-	(14,001)
Leasehold improvements		(4,621)	(1,872)	-	(6,493)
Accumulated depreciation		(112,174)	(36,892)	-	(149,066)
Net total	$	145,503	(32,170)	-	113,333

7. BONDS PAYABLE

Bonds outstanding as of June 30, 2008, for the Authority's enterprise funds consist of the following:

- **Public Project Revolving Funds (PPRF)**

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.

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.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - continued**

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.

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.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - continued**

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.

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) originate loans or reimburse 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.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - continued**

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) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2006 C Bonds; and 3) pay 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 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) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 A Bonds; 3) pay accrued interest; and 4) pay costs incurred with the issuance of the Series 2007 A Bonds.

7. BONDS PAYABLE - continued

- **Public Project Revolving Funds (PPRF) - 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 Projects 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 Series 2007B Bonds; (3) purchase a debt service reserve fund surety bond for deposit into the Debt Service Reserve Account established for the Series 2007B Bonds; and (4) pay costs incurred in connection with the issuance of the Series 2007B Bonds.

PPRF Series 2007C. On September 26, 2007, the Authority issued $131,860,000 of Subordinate Lien Public Project Revolving Fund Series 2007 C Revenue Bonds. The 2007 C Series Bonds were issued to: 1) reimburse the Public Projects 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 Series 2007C Bonds; (3) purchase a debt service reserve fund surety bond for deposit into the Debt Service Reserve Account established for the Series 2007C Bonds; and (4) pay costs incurred in connection with the issuance of the Series 2007C Bonds.

PPRF Series 2007E. On November 8, 2007, the Authority issued $61,945,000 of Senior Lien Public Project Revolving Fund Series 2007 E Revenue Bonds. The 2007 E Series Bonds were issued to: 1) reimburse the Public Projects 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 Series 2007E Bonds; and (3) pay costs incurred in connection with the issuance of the Series 2007E Bonds.

PPRF Series 2008A. On April 17, 2008, the Authority issued $158,965,000 of Senior Lien Public Project Revolving Fund Series 2008 A Revenue Bonds. The 2008A Series Bonds were issued to: 1) reimburse the Public Projects 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 Series 2008A Bonds; and (3) pay costs incurred in connection with the issuance of the Series 2008A Bonds.

7. BONDS PAYABLE - continued

Bonds outstanding as of June 30, 2008, to be paid out of the Authority's debt service funds consist of the following:

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.

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.

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.

7. BONDS PAYABLE - continued

Metro Court Financing Fund - continued.
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.

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.

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 1995B. 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%.

7. 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.

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.

7. BONDS PAYABLE - continued

Bonds payable and related premium/discount balances consist of the following at June 30, 2008:

	Amount	Interest Rate	Final Maturity
Enterprise Funds:			
PPRF 1999A, B, C and D	$ 9,760,000	3.15 - 6.80	6/1/2018
PPRF 2000A	200,000	4.10 - 5.30	6/1/2009
PPRF 2000B and C	8,800,000	4.35 - 5.80	6/1/2009
PPRF 2002A	19,975,000	2.00 - 5.00	6/1/2026
PPRF 2003A	21,959,000	2.00 - 4.75	6/1/2025
PPRF 2003B	19,340,000	2.00 - 5.00	6/1/2021
PPRF 2004A	32,265,000	1.125 - 5.875	6/1/2031
PPRF 2004B	37,875,000	3.00 - 5.50	6/1/2033
PPRF 2004C	146,170,000	2.50 - 5.25	6/1/2024
PPRF 2005C and D	51,015,000	3.05 - 5.00	6/15/2025
PPRF 2005A	15,145,000	3.00 – 5.00	6/1/2025
PPRF 2005B	12,665,000	3.00 – 4.25	6/1/2020
PPRF 2005E	23,630,000	3.875 - 5.00	6/15/2025
PPRF 2005F	21,035,000	3.75 - 5.00	6/15/2025
PPRF 2006A	49,090,000	4.00 - 5.00	6/15/2035
PPRF 2006B	36,410,000	4.00 - 5.00	6/1/2036
PPRF 2006C	37,485,000	4.00 - 5.00	6/15/2027
PPRF 2006D	51,785,000	4.25 - 5.00	6/1/2036
PPRF 2007A	32,295,000	4.00 - 5.00	6/15/2027
PPRF 2007B	37,490,000	4.00 - 5.00	6/15/2034
PPRF 2007C	129,360,000	4.25 - 5.25	6/15/2027
PPRF 2007E	60,960,000	4.00 - 5.00	6/1/2032
PPRF 2008A	157,615,000	3.50 - 5.00	6/1/2038
CIG TAX 2006 – Behavioral	2,250,000	5.51	5/1/2026
	1,014,574,000		
Bond premium and discount, net on enterprise funds bonds payable	39,507,482		
Total	$ 1,054,081,482		

7. BONDS PAYABLE – continued

	Amount	Interest Rate	Final Maturity
To be paid out of Debt Service Funds:			
UNM Health Sciences	$ 22,460,000	2.00 - 5.00	4/1/2019
UNM Health Sciences 2004B	8,460,000	2.10 - 5.50	4/1/2019
Workers' Compensation Financing	2,540,000	5.00 - 5.60	3/1/2017
Metro Court Financing Fund	45,595,000	1.65 - 5.50	6/15/2011
State Capitol Improvement Financing	5,385,000	7.00	6/1/2021
State Building Purchase Fund	26,030,000	4.00 - 5.00	11/1/2006
COP-Equipment Loan Fund Series	191,000	4.05 - 5.40	10/1/2016
COP-Equipment Loan Fund Series	57,000	3.85 - 5.20	4/1/2016
COP-Equipment Loan Fund Series	163,000	4.50 - 5.70	4/1/2012
	110,881,000		
Bond premium and discount, net on Debt Service Funds bonds payable	1,899,591		
Total	$ 112,780,591		

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

	Principal	Interest	Total
2009	$ 63,794,000	53,783,568	117,577,568
2010	56,818,000	51,064,441	107,882,441
2011	100,504,000	48,695,791	149,199,791
2012	60,777,000	44,069,750	104,846,750
2013	70,940,000	46,272,661	117,212,661
2014 - 2018	297,218,000	158,097,077	455,315,077
2019 - 2023	243,393,000	92,241,085	335,634,085
2024 - 2028	136,066,000	40,104,275	176,170,275
2029 - 2033	62,295,000	17,668,144	79,963,144
2034 - 2038	33,650,000	3,571,650	37,221,650
Total	$ 1,125,455,000	555,568,442	1,681,023,442

7. BONDS PAYABLE - continued

The bonds payable activity for the year is as follows:

		Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008
Enterprise Funds	$	661,114,000	391,245,000	(37,785,000)	1,014,574,000
Debt Service Funds		116,587,000	-	(5,706,000)	110,881,000
Total	$	777,701,000	391,245,000	(43,491,000)	1,125,455,000

The amount of bonds payable due within one year is $63,794,000.

8. 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 (3.980% at June 30, 2008), note due in annual installments of $156,941 (currently), including interest, through May 2015. Note is offset by cigarette tax proceeds received from the State of New Mexico.	$	1,704,789
Less current maturities		156,941
	$	1,547,848

Long-term debt maturities on note payable to PPRF Fund as of June 30, 2008, are as follows:

Years ending June 30:		
2009	$	156,941
2010		163,848
2011		171,223
2012		179,102
2013		187,505
2014 and thereafter		846,170
	$	1,704,789

9. LINE OF CREDIT

The Authority has a tax-exempt $100,000,000 line of credit with a bank. Advances may be taken against the facility for the funding of loans made by the Authority. Advances, plus accrued interest, must be repaid within six months from the proceeds of Authority bond issuances. The interest rate on advances changes monthly, and is equal to the one-month U.S. dollar LIBOR index plus 17 basis points. The Authority pays a commitment fee on the unused balance of the line at an annual rate of 6 basis points as long as the Authority's long-term debt rating by Standard & Poor's is AA- or better. The Authority's rating is currently AA+. In the event the Authority's rating drops below AA-, the unused fee would increase to 9 basis points.

9. LINE OF CREDIT – continued

At June 30, 2008, there were no amounts due under the line of credit. During the year then ended, the Authority drew a total of $144,509,901 and repaid $175,848,875 in principal and $944,596 in interest. There have been no advances between June 30, 2008 and the date of the independent auditor's report.

10. OPERATING LEASE COMMITMENT

The Authority is committed under various lease agreements for office space, a vehicle and copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2008 amounted to approximately $316,000.

Future minimum lease payments for these leases are as follows:

Years ending June 30:		
2009	$	330,506
2010		342,810
2011		22,908
2012		15,545
2013		847
2014 and thereafter		-
	$	712,616

11. 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 $361,328, $301,983 and $263,313 for the years ended June 30, 2008, 2007 and 2006, respectively. Substantially all full time employees participate in this plan.

11. RETIREMENT PLAN - continued

Presented below is the June 30, 2008, Statement of Fiduciary Net Assets and Statements of Change in Net Assets:

Statement of Fiduciary Net Assets

Assets:		
Cash	$	23,941
Self-directed accounts (cash and investments)		1,651,831
Guaranteed Account		2,621
Participant loans receivable		38,162
Total assets	$	1,716,555
Net assets:		
Pension plan participants' benefits	$	1,716,555

Statement of Changes in Net Assets

Additions:		
Investment earnings	$	(91,969)
Employer contributions		361,328
Rollover contributions		34,297
Employee contributions		120,951
Total additions		424,607
Deductions:		
Distributions to participants		(405,013)
Investment expenses		(13,925)
Total deductions		(418,938)
Change in net assets		5,669
Net assets - beginning		1,710,886
Net assets - ending	$	1,716,555

11. 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, 2008 were $14,106.

12. COMPENSATED ABSENCES

During the year ended June 30, 2008, the following changes occurred in the compensated absences liabilities:

	Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008
$	192,088	214,582	206,434	200,236

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.

13. AGENCY TRANSACTIONS

- **Bond Issues**

In 2003, the State Legislature authorized the issuance of $1.6 billion in bonds to fund statewide transportation expansion and improvement projects known as Governor Richardson's Investment Partnership (GRIP). The Authority was authorized to issue $1.6 billion in bonds (the Bonds) in several installments on behalf of the New Mexico Department of Transportation (NMDOT). The Bonds were issued by the Authority as agent for the NMDOT. The Bonds are liabilities of NMDOT, not the Authority, and are not included in the Authority's financial statements.

13. AGENCY TRANSACTIONS - continued

- **Bond Issues – continued**

In May 2004, the Authority issued the following bonds pursuant to the GRIP legislation:

		Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
State Transportation Revenue Bonds (Senior Lien) Series 2004A	$	700,000,000	743,556,815	43,556,815	7,987,367
State Transportation Refunding: Revenue Bonds (Subordinate Lien) Series 2004B		237,950,000	254,297,187	16,347,187	2,980,638
Series 2004C (Adjustable Rate)		200,000,000	200,000,000	-	2,505,264
Total	$	1,137,950,000	1,197,854,002	59,904,002	13,473,269

The proceeds of the Series 2004A issuance were used to fund the construction of GRIP transportation projects. The proceeds of the Series 2004B and 2004C issuances were used to advance refund certain older debt issues of the NMDOT. The proceeds were used to purchase U.S. government securities which were deposited in an irrevocable trust to provide for all future debt service payments on the refunded issues. The bonds issued in 2004 the 2006 bonds discussed below, and any subsequent bonds that may be issued in the future are special, limited obligations of the NMDOT, payable solely from certain federal funds that are paid into the State Road Fund, certain taxes and fees that are required to be paid into the State Road Fund, and certain taxes and fees required by law to be paid into the Highway Infrastructure Fund.

In December, 2006, the Authority issued the following additional bonds pursuant to the GRIP legislation:

		Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
State Transportation Revenue Bonds (Senior Lien) Series 2006A	$	150,000,000	160,886,296	10,886,296	1,192,789
State Transportation Revenue and Refunding Bonds (Subordinate Lien) Series 2006B		40,085,000	41,797,863	1,712,863	352,732

13. AGENCY TRANSACTIONS - continued

- **Bond Issues – continued**

		Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien) Series 2006C Subseries C-1through C-3	$	220,000,000	200,000,000	-	1,698,064
Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien) Series 2006D (Taxable) Subseries D-1 through D-2		50,400,000	50,400,000	-	400,000
Total	$	460,485,000	473,084,159	12,599,159	3,643,585

With the exception of $10,071,197 deposited to an escrow account for refunded bonds, all of the net proceeds of the 2006 bonds were used to fund GRIP transportation projects.

- **GRIP Administrative fee**

For services provided by the Authority in the issuance and administration of the Bonds, NMDOT pays an annual fee to the Authority of twenty-five basis points of the outstanding principal balance of the Bonds. One-half of the fee is set aside by the Authority in the Local Transportation Infrastructure Fund ("LTIF") to fund local highway and transportation projects.

For the year ended June 30, 2008, the Authority received 2,882,887 in administrative fees related to the Bonds. One-half of this amount was deposited in the LTIF, the remaining one-half was recorded as revenue to the Authority.

At June 30, 2008, the Trustee for the Bonds held $380,172,840 in cash in various program and debt service accounts related to the Bonds.

- **Refunding of Variable Rate Bonds**

The 2004C, 2006C, and 2006D Series bonds were issued as Auction Rate Securities ("ARS"). ARS are one of the two principal types of securities for which interest rates are reset in a periodic auction process. For each of these Series, the rates were reset in weekly auctions. All of the bonds were insured by certain municipal bond insurance companies. In late 2007 and early 2008, the market for ARS was negatively impacted by a number of factors, the principal event being downgrades of the ratings of certain insurers of ARS. These downgrades and other events caused the weekly auctions of the bonds to "fail', meaning that insufficient bids were received to permit resale of all of the bonds. In the event of a

13. AGENCY TRANSACTIONS - continued

- **Refunding of Variable Rate Bonds**

failed auction, no bonds are resold, even though some bids were received. In a failed ARS suction, the existing holders of the bonds must continue to hold their bonds until the next successful auction. The procedures applicable to a failed auction included a provision that the interest rate on the bonds resets to a default rate. In the case of the 2004C bonds, the default rate was one-month LIBOR plus 175 basis points. The default rate for the 2006C and D bonds was 12%.

In April and May, 2008, the Authority refunded all of the ARS Series 2004C, 2006C, and 2006D, reissuing the bonds as Variable Rate Demand Notes (VRDN). The interest rates for these bonds reset in weekly auctions, as was the case for the ARS. The principal difference between the ARS and the VRDN is that the ARS were credit-enhanced with insurance, while the VRDN are supported by bank letters of credit. The following bonds were issued:

		Par Value
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A	$	115,200,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B		220,000,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C		84,800,000
Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008D (Taxable)		50,400,000
Total	$	460,400,000

All of the above refunding bonds were issued at par. The DOT provided additional funds totaling $2,641,872 to pay for the cost of issuance of the bonds.

- **Derivative Instruments**

At the time of the 2004 GRIP bond issuance, the Authority entered into interest rate exchange agreements ("swaps") with respect both to the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately-starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

13. AGENCY TRANSACTIONS - continued

- **Derivative Instruments - continued**

In all of the swaps, the Authority receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has the effect of converting the variable rate bonds to "synthetic fixed-rate" issues.

As in the case of the GRIP bonds, the Authority has entered into the swaps as an agent for the DOT, and no amounts with respect to the swap transactions appear in the Authority's financial statements. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the 2008 A through D Series).

- **Objectives of the Swaps**

The Authority's objective in entering into the swap agreements was to obtain a lower interest cost for the 2004 bonds than could have been obtained at the time had they been issued as fixed-rate bonds. With respect to the planned 2006, issuance, the Authority believed in 2004 that it would be desirable to "lock in" a synthetic fixed rate of 5% or less for a portion of the bonds anticipated to be issued in 2006.

- **Significant Terms**

2004 Swaps:

Counterparty	Royal Bank of Canada	Goldman Sachs	Lehman Brothers*
Notional Amount	$100,000,000	$50,000,000	$50,000,000
Receipt Rate	68 % of 1 month LIBOR**	68 % of 1 month LIBOR**	68 % of 1 month LIBOR**
Payment Rate (Synthetic Fixed Rate)	3.934%	3.934%	3.934%
Embedded Option(s)	None	None	None
Effective Date	May 20, 2004	May 20, 2004	May 20, 2004
Termination Date:	June 15, 2024	June 15, 2024	June 15, 2024

* On October 6, 2008, as discussed below, Lehman Brothers was replaced as the counterparty by Deutsche Bank. The significant terms of the Deutsche Bank swap are the same as the Lehman Brothers swap.

**For the period May 20, 2004 to June 15, 2006 the rate was the BMA Municipal Swap Index

13. AGENCY TRANSACTIONS - continued

- **Significant Terms - continued**

2006 Forward Starting Swaps:

Counterparty	JPMorgan Chase Bank	UBS AG
Notional Amount	$110,000,000	$110,000,000
Receipt Rate	SIFMA Municipal Swap Index	SIFMA Municipal Swap Index
Payment Rate	5.072%	5.072%
Embedded Option(s)	"Knockout" option – Counterparty may cancel if the index remains above 7% for more than 180 days	"Knockout" option – Counterparty may cancel if the index remains above 7% for more than 180 days
Option premium to the Authority	0.34%	0.34%
Net payment rate ("Synthetic Fixed Rate"), equals the payment rate less option premium	4.732%	4.732%
Effective Date	December 15, 2006	December 15, 2006
Termination Date:	December 15, 2026	December 15, 2026

No cash was paid or received at the initiation of any of the above swaps.

13. AGENCY TRANSACTIONS - continued

- **Fair Value**

The estimated fair value of the swaps at June 30, 2008 was as follows:

Counterparty		Notional Value	Fair Value*
Goldman Sachs	$	50,000,000	(3,617,674)
Lehman Brothers		50,000,000	(3,592,705)
Royal Bank of Canada		100,000,000	(7,235,348)
JPMorgan Chase Bank		110,000,000	(16,441,991)
UBS AG		110,000,000	(16,441,991)
Total	$	420,000,000	(47,329,709)

*The Fair Value is the estimated amount that would have been received by or paid to the Authority if the agreements had been terminated at June 30, 2008 under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2008. Negative amounts indicate payments that would have been made by the Authority to the counterparties.

- **Associated Debt**

Variable Rate Debt*			2008 Debt Service Principal	2008 Debt Service Interest	Net Swap Payments Made (Received)	Total	Actual Synthetic Fixed Rate
Series 2008A and C	$	200,000,000	-	7,520,995	1,864,390	9,385,385	4,693%
Series 2008B		220,000,000	-	8,360,775	2,890,693	11,251,468	5.114%

*The interest and swap payments for these bonds include the payments for the 2004 and 2006 Series bonds that that the 2008 series bonds replaced during the fiscal year.

- **Replacement of Counterparty**

The terms of the Authority's agreements with the swap counterparties provide that a bankruptcy filing is an event that terminates the agreement. In September 2008, Lehman Brothers, one of the counterparties for the 2004 swaps, filed for bankruptcy. The Authority evaluated a number of options and replaced Lehman Brothers with Deutsche Bank as the counterparty for this swap. All significant terms of the new agreement with Deutsche Bank remain the same as the original Lehman Brothers agreement. At the closing of the transaction on October 6, 2008, Deutsche Bank paid the then-current termination value as provided by the original agreement. The amount paid was calculated pursuant to the agreement to be $4,840,000. This was approximately $300,000 greater than the amount due Lehman

13. AGENCY TRANSACTIONS - continued

- **Replacement of Counterparty - continued**

Brothers, which was calculated, per the agreement, as of September 23, 2008, a termination date triggered by the bankruptcy filing. The excess funds were deposited in a debt service account and will be used to make debt service payments on the bonds.

Credit Risk

Credit risk is the possibility that a counterparty will not fulfill its obligations.

The credit ratings of the counterparties, at October 10, 2008, were:

	Moody's	S&P	Fitch
Royal Bank of Canada	Aaa	AA-	AA
Goldman Sachs	Aaa	AAA	NR
Deutsche Bank	Aa1	AA-	AA-
JP Morgan Chase	Aaa	AA	AA-
UBS AG	Aa2	AA-	AA-

Presently, the Authority has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to the Authority if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. No termination value currently exceeds these limits, and, accordingly, no collateral is posted. The swap agreements permit the netting of amounts owed between the Authority and the counterparty, mitigating, to some extent, the level of credit risk that would exist if the Authority were owed a termination value by a counterparty. The authority believes it has an adequate degree of diversification with regard to counterparties.

Interest Rate Risk

The knock-out option in the 2006 swaps leaves the Authority open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and the Authority would have outstanding unhedged variable rate debt in a 7% interest rate environment.

Basis Risk

Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. The Authority has little or no such risk with respect to the 2004 bonds as the 2004 swaps pay a variable rate equal to the SIFMA Municipal Swap index which has very closely approximated, historically, the rates paid on variable rate municipal debt. The Authority has basis risk, however, with respect to the 2006 swaps. The variable rate the Authority

13. AGENCY TRANSACTIONS - continued

- **Risks - continued**

Basis Risk - continued
receives with respect to the 2006 swaps is 68% of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal; Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2006 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated.

One event that would cause a divergence between the indices is a significant change in U.S. income tax rates. This might result in 68% of LIBOR no longer approximating the tax-exempt rate set by the market for the Authority's variable rate debt.

- **Termination Risk**

The unplanned termination of one or more of the swaps exposes the Authority to the possibility that the synthetic fixed rate expected to be obtained on the variable rate debt will not, in fact, be achieved. The swap agreements contain the standard ISDA provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, the Authority, but not the counterparties, can terminate the swaps at any time with 30-day notice. As discussed above, an unplanned termination occurred due to the bankruptcy filing by Lehman Brothers. In this situation, the Authority was successful in replacing the counterparty with another on the same terms, resulting in no loss to the Authority. There can be no assurance that the same result could be obtained if other unplanned terminations occur in the future.

14. SUBSEQUENT EVENTS

After June 30, 2008, 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 – Town of Bernalillo	7/11/2008	$	1,016,321
DL – Catron County – Quemado Lake VFD	7/18/2008		101,500
DL – Sierra SWCD	7/18/2008		133,658
DL – Village of Willard	7/18/2008		225,993
DL – City of Santa Fe	8/1/2008		3,610,000
DL – City of Sunland Park	8/15/2008		186,690
DL – Cuba SWCD	8/22/2008		24,360
DL – Village of Reserve	8/22/2008		101,500
DL – Torrance County	9/5/2008		30,450
DL – City of Las Cruces	9/12/2008		1,708,755
DL – Town of Lake Arthur	9/19/2008		56,995
DL – Valencia County – Highland Meadows VFD	9/19/2008		137,025
DL – Upper Chama SWCD	9/19/2007		218,245
DL – Otero County – 16 Springs VFD	9/26/2008		162,400
Water Project Fund/Water Trust Board:			
WPF/WTB – Claunch Pinto Soil and Water Conservation District	7/18/2008		600,000
WPF/WTB – Santo Domingo Pueblo	8/1/2008		293,000
WPF/WTB – City of Lordsburg	8/22/2008		850,000
WPF/WTB – NM Interstate Stream Commission	8/29/2008		750,000
WPF/WTB – NM Interstate Stream Commission	8/29/2008		2,000,000
WPF/WTB – City of Clovis – ENMRWA	9/5/2008		1,250,000
WPF/WTB – City of Clovis – ENMRWA	9/5/2008		2,271,400
Planning Grant Fund:			
P/G – Ancones MDWCA	7/11/2008		25,000
P/G – Sangre de Cristo Regional MDWCA	7/11/2008		18,000
P/G – Canjilon MDWCA & MSWA	8/8/2008		22,500
P/G – Sierra County	9/5/2008		50,000
Water Waste Water Grant Funding:			
WW – City of Moriarty	9/19/2008		396,000

14. SUBSEQUENT EVENTS - continued

PPRF Series 2008B. On October 16, 2008, the Authority issued $24,430,000 of Senior Lien Public Project Revolving Fund Series 2008 B Revenue Bonds. The 2008 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, and 2) pay costs incurred with the issuance of the Series 2008 B Bonds.

15. DEFICIT FUND / NET ASSETS

There are deficit fund balances of $56,065 in the Child Care Revolving Loan Fund, $426,720 in the New Mexico Tax Credits Fund and $13,377 in the Energy Efficiency Fund. The operating fund will cover the deficits in these 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 2009E Bonds, copies of the Indenture will be available at the principal office of the Representative. Subsequent to the offering of the Series 2009E 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 2009E Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Seventy-Third 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 2009E Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2009E Bonds and otherwise exercise ownership rights with respect to Series 2009E 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 Series 2009E 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 2009E 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 Pledged 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 2009E Bonds, each June 1 and December 1, commencing June 1, 2010.

"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 2009E 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 2009E 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 2009E Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2009E 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.

"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 2009E 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 2009E 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 2009E Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009E, in an initial aggregate principal amount of $35,155,000.

"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 The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, 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."

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.

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.

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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 2009E 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
1999-2008

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1999	1,808,082	279,040,168	0.8%	1.2%
2000	1,820,704	282,171,936	0.7	1.1
2001	1,828,330	285,039,803	0.4	1.0
2002	1,848,986	287,726,647	1.1	0.9
2003	1,867,909	290,210,914	1.0	0.9
2004	1,889,266	292,892,127	1.1	0.9
2005	1,912,884	295,560,549	1.3	0.9
2006	1,937,916	298,362,973	1.3	0.9
2007	1,964,402	301,290,332	1.4	1.0
2008	1,984,356	304,059,724	1.0	0.9

(Source: Population Division, U.S. Census Bureau, March 2009.)

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 1998-2007.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Growth 2006-2007	Growth 1998-2007
Total employment	945,474	951,156	972,954	977,815	987,693	1,013,107	1,038,845	1,051,704	1,091,651	1,115,677	2.20%	18.00%
Wage and salary employment	765,582	773,819	789,690	801,610	809,872	822,438	838,544	855,049	877,954	887,936	1.25	16.11
Proprietors employment	179,892	177,337	183,264	176,205	177,821	190,669	200,301	196,655	213,697	227,741	6.57	26.60
Farm proprietors employment	15,818	15,237	14,985	17,470	17,649	17,035	16,972	17,159	17,095	17,519	2.48	10.75
Nonfarm proprietors employment	164,074	162,100	168,279	158,735	160,172	173,634	183,329	179,496	196,602	210,222	6.93	28.13
Farm employment	23,203	21,982	21,760	24,091	24,038	23,855	23,757	24,550	24,318	24,575	1.06	5.91
Nonfarm employment	922,271	929,174	951,194	953,724	963,655	989,252	1,015,088	1,027,154	1,067,333	1,091,169	2.23	18.31
Private employment	723,483	730,406	748,804	748,250	754,776	775,615	797,520	808,390	853,037	881,017	3.28	21.77
Forestry, fishing, related activities and other[1]	7,469	7,250	7,144	7,019	7,284	7,080	7,132	7,219	7,164	7,086	(0.84)	(4.89)
Mining[2]	19,348	17,428	18,823	19,469	17,520	18,875	19,025	21,118	23,666	24,596	3.93	27.12
Utilities	4,253	4,214	4,312	4,272	4,100	4,120	4,063	4,082	4,142	4,397	6.16	3.39
Construction[3]	60,783	60,167	60,646	63,144	61,086	63,927	68,145	72,453	79,654	82,275	3.29	35.36
Manufacturing	48,246	46,895	47,294	46,001	43,939	41,770	40,954	41,083	42,857	42,563	(0.69)	(11.78)
Durable goods manufacturing[4]	35,139	33,902	33,888	32,671	30,887	28,868	28,162	28,412	29,877	29,705	(0.58)	(15.46)
Nondurable goods manufacturing[5]	13,107	12,993	13,406	13,330	13,052	12,902	12,792	12,671	12,980	12,858	(0.94)	(1.90)
Wholesale trade	27,862	27,634	28,022	27,970	27,181	26,761	27,441	28,248	29,419	30,243	2.80	8.55
Retail trade[6]	115,073	113,110	112,676	111,250	111,912	113,827	115,746	116,168	118,189	121,257	2.60	5.37
Transportation and warehousing[7]	24,726	24,310	24,903	23,854	23,930	23,920	24,980	25,077	26,060	27,625	6.01	11.72
Information[8]	16,468	17,287	18,194	19,331	18,584	17,942	17,238	17,240	18,511	18,663	0.82	13.33
Finance and insurance[9]	33,079	32,216	31,904	30,996	31,079	31,515	31,844	31,460	32,210	32,460	0.78	(1.87)
Real estate and rental and leasing[10]	26,192	27,250	30,598	29,117	29,489	32,319	34,859	35,664	38,754	41,905	8.13	59.99
Professional and technical services	59,006	60,081	62,146	60,386	60,693	64,443	67,459	66,884	75,824	81,750	7.82	38.55
Management of companies and enterprises	6,307	5,848	5,815	6,083	5,923	5,423	5,354	6,388	6,426	6,105	(5.00)	(3.20)
Administrative and waste services[11]	43,969	47,680	51,125	52,659	53,555	53,077	54,423	54,336	58,185	60,687	4.30	38.02
Educational services	10,457	11,067	11,411	11,826	12,535	13,936	14,838	15,015	15,850	16,645	5.02	59.18
Health care and social assistance[12]	82,368	85,883	89,726	89,614	96,323	102,830	107,352	108,336	112,171	115,090	2.60	39.73
Arts, entertainment and recreation[13]	18,359	19,294	19,605	18,570	19,496	20,722	21,479	21,062	22,081	22,823	3.36	24.32
Accommodation and food services[14]	70,552	72,611	74,398	76,403	77,903	79,733	80,498	81,137	84,443	85,528	1.28	21.23
Other services, except public administration[15]	48,966	50,181	50,062	50,286	52,244	53,395	54,690	55,420	57,431	59,319	3.29	21.14
Government and government enterprises[16]	198,788	198,768	202,390	205,474	208,879	213,637	217,568	218,764	214,296	210,152	1.93	5.72

(1) The "Forestry, fishing, related activities, and other" category includes: forestry and logging; fishing, hunting and trapping; agriculture and forestry support activities; and other.
(2) The "Mining" category includes: oil and gas extraction; mining (except oil and gas); and support activities for mining.
(3) The "Construction" category includes: construction of buildings; heavy and civil engineering construction; and specialty trade contractors.
(4) The "Durable good manufacturing" category includes: wood product manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment and appliance manufacturing; motor vehicles, bodies and trailers, and parts manufacturing; other transportation equipment manufacturing; furniture and related product manufacturing; and miscellaneous manufacturing.
(5) The "Nondurable goods manufacturing" category includes: food manufacturing; beverage and tobacco product manufacturing; textile mills; textile product mills; apparel manufacturing; leather and allied product manufacturing; paper manufacturing; printing and related support activities; petroleum and coal products manufacturing; chemical manufacturing; and plastics and rubber products manufacturing.
(6) The "Retail trade" category includes: motor vehicle and parts dealers; furniture and home furnishings stores; electronics and appliance stores; building material and garden supply stores; food and beverage stores; health and personal care stores; gasoline stations; clothing and clothing accessories stores; sporting goods, hobby, book and music stores; general merchandise stores; miscellaneous store retailers; and nonstore retailers.
(7) The "Transportation and warehousing" category includes: air transportation; rail transportation; water transportation; truck transportation; transit and ground passenger transportation; pipeline transportation; scenic and sightseeing transportation; support activities for transportation; couriers and messengers; and warehousing and storage.
(8) The "Information" category includes: publishing industries, except Internet; motion picture and sound recording industries; broadcasting, except Internet; Internet publishing and broadcasting; telecommunications; ISPs, search portals and data processing; and other information services.
(9) The "Finance and insurance" category includes: monetary authorities-central bank; credit intermediation and related activities; securities, commodity contracts, investments; insurance carriers and related activities; and funds, trusts and other financial vehicles.
(10) The "Real estate and rental and leasing" category includes: real estate; rental and leasing services; and lessors of nonfinancial intangible assets.
(11) The "Administrative and waste services" category includes: administrative and support services; and waste management and remediation services.
(12) The "Health care and social assistance" category includes: ambulatory health care services; hospitals; nursing and residential care facilities; and social assistance.
(13) The "Arts, entertainment and recreation" category includes: performing arts and spectator sports; museums, historical sites, zoos and parks; and amusement, gambling and recreation.
(14) The "Accommodation and food services" category includes: accommodation; and food services and drinking places.
(15) The "Other services, except public administration" category includes: repair and maintenance; personal and laundry services; membership associations and organizations; private households;
(16) The "Government and government enterprises" category includes: federal, civilian; military; state and local; and state government and local government.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, February 2009.)

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
1999-2008

	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
1999	840	139,439	793	133,414	5.5%	4.3%	128%
2000	853	142,278	811	136,531	4.9	4.0	123
2001	864	143,654	822	137,071	4.9	4.6	107
2002	872	144,803	824	136,413	5.6	5.8	97
2003[3]	889	146,485	836	137,474	6.0	6.2	97
2004[3]	902	147,692	850	139,556	5.7	5.5	104
2005[3]	918	149,445	871	142,029	5.1	5.0	102
2006[3]	935	151,414	897	144,427	4.1	4.7	87
2007[3]	945	153,101	912	145,972	3.5	4.7	74
2008[3]	959	154,506	919	145,596	4.2	5.8	72

(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 2004-2008 New Mexico figures reflect revised population controls, model re-estimation, and new seasonal factors, and that 2000 and 2003-2008 United States figures are affected by changes in population controls.

(Source: U.S. Department of Labor, Bureau of Labor Statistics, March 2009.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1999-2008

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
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	53,382,823	10,252,973,000	7.2	5.6
2006	56,870,351	10,978,053,000	6.5	7.1
2007	60,318,370	11,634,322,000	6.1	6.0
2008[1]	63,679,909	12,086,533,576	5.6	3.9

(1) Preliminary estimate.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2009.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1999-2008

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	N.M.	U.S.
1999	$21,042	27,939	75%	1.9%	3.9%
2000	22,144	29,847	74	5.2	6.8
2001	24,141	30,582	79	9.0	2.5
2002	24,330	30,838	79	0.8	0.8
2003	24,975	31,530	79	2.7	2.2
2004	26,366	33,157	80	5.6	5.2
2005	27,907	34,690	80	5.8	4.6
2006	29,346	36,794	80	5.2	6.1
2007	30,706	38,615	80	4.6	4.9
2008	32,091	39,751	81	4.5	3.5

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, March 2009.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
1990, 2000, 2001 AND 2007

	New Mexico (Dollars in Thousands)				United States (Dollars in Millions)				Percent Change 2001-2007		Distribution of 2007 Wages and Salaries	
	2007[1]	2001[1]	2000	1990	2007[1]	2001[1]	2000	1990	N.M.	U.S.	N.M.	U.S.
Farm Total	227,595	176,072	179,521	95,849	20,042	17,920	16,781	11,767	29.3%	11.84%	0.71%	0.32%
Non-Farm												
Private												
Agricultural Services, Forestry, Fishing	88,280	72,008	143,971	62,663	19,137	15,968	30,886	15,164	22.6	19.85	0.28	0.30
Mining	1,202,142	726,676	671,919	507,585	53,874	32,132	31,219	26,655	65.4	67.66	3.76	0.85
Construction	2,247,873	1,481,698	1,306,228	577,016	367,585	271,681	256,807	140,468	51.7	35.30	7.03	5.78
Manufacturing[2]	1,886,583	1,670,758	1,656,465	980,349	810,937	773,184	830,026	561,384	12.9	4.88	5.90	12.76
Transportation & Public Utilities[3]	1,548,282	1,239,195	1,351,378	884,830	340,493	295,851	313,333	179,390	24.9	15.09	4.85	5.36
Wholesale Trade	1,114,180	834,834	950,471	552,522	369,146	283,974	332,549	189,402	33.5	29.99	3.49	5.81
Retail Trade[4]	3,360,680	2,564,031	2,434,023	1,316,067	571,382	463,539	449,642	264,791	31.1	23.27	10.52	8.99
Finance, Insurance & Real Estate[5]	1,485,740	1,060,638	1,027,385	543,814	622,750	444,684	431,911	207,758	40.1	40.04	4.65	9.80
Services[6]	10,578,618	6,633,316	5,916,169	2,945,866	2,119,125	1,535,895	1,382,404	644,429	59.5	37.97	33.11	33.34
Total Private	23,512,378	16,283,154	15,458,009	8,370,712	5,274,429	4,116,908	4,058,777	2,229,441	44.4	28.12	73.58	82.99
Government												
Federal, Civilian	1,911,686	1,366,112	1,280,241	917,118	181,868	134,679	135,011	99,598	39.9	35.04	5.98	2.86
Military	666,286	495,168	477,480	440,596	86,314	54,970	50,520	46,332	34.6	57.02	2.09	1.36
State & Local	5,636,256	4,700,434	4,374,109	2,472,762	792,613	615,467	572,880	356,505	19.9	28.78	17.64	12.47
Total Government	8,214,228	6,561,714	6,131,830	3,830,476	1,060,795	805,116	758,411	502,435	25.2	31.76	25.71	16.69
Non-Farm Total:	31,726,601	22,844,868	21,589,839	12,201,188	6,335,224	4,922,024	4,817,188	2,731,876	38.9	28.71	99.29	99.68
Total	31,954,201	23,020,940	21,769,360	12,297,037	6,355,266	4,939,944	4,833,969	2,743,643	38.8%	28.65	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 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

The New York Mellon Trust Company, N.A.
Global Corporate Trust
1775 Sherman Street, Suite 2775
Denver, Colorado 80203

Re: New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2009E

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 2009E in the aggregate principal amount of $35,155,000 (the "Series 2009E Bonds"). The Series 2009E Bonds are being issued for the purpose of (i) purchasing securities from certain governmental units ("Governmental Units") that will be used to finance or refinance certain Projects for such Governmental Units ("Loans"); and (ii) paying costs incurred in connection with the issuance of the Series 2009E 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 2009E 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"), by and between Sunwest Bank, National Association, Albuquerque, New Mexico, as the predecessor Trustee, and as further supplemented by a Seventy-Fifth Supplemental Indenture of Trust dated as of November 1, 2009 (together with the General Indenture, the "Indenture"), by and between the NMFA and The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as trustee (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 of New Mexico (the "State"), duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 2009E 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 2009E 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 2009E 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 2009E 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. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on or ownership of the Series 2009E Bonds.

5. The interest on the Series 2009E Bonds is exempt from State personal income taxes.

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

(a) the rights of the holders of the Series 2009E 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 2009E Bonds or any other offering material relating to the Series 2009E 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 and they should not 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 2009E Bonds, payment of principal, premium, if any, interest on the Series 2009E Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2009E 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 2009E Bonds. The Series 2009E 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 2009E Bond certificate will be issued for each maturity of the Series 2009E 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 2009E Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009E Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009E 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 2009E 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 2009E Bonds, except in the event that use of the book-entry system for the Series 2009E Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009E 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 2009E 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 2009E Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009E 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 2009E 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 2009E 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 2009E 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 2009E 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 2009E 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 2009E Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2009E 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 2009E 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

2009E GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS

2009E Governmental Units

As previously stated, a portion of the proceeds of the Series 2009E Bonds is being used to originate Loans to be made to the 2009E Governmental Units. The 2009E 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 Albuquerque[(2)]	$26,080,000	–	6/1/2019
Gadsden Independent Schools[(2)]	9,075,000	–	6/1/2019
TOTAL	$35,155,000		

(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 at or about the same time as the issuance of the Series 2009E Bonds.

(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, 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 current outstanding principal amount of the ABCWUA Loan Agreements is $101,020,000.

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 $93,932,282 and are scheduled to mature on June 1, 2038.

New Mexico Spaceport Authority. The NMFA issued a series of bonds for the purpose of purchasing securities from the New Mexico Spaceport Authority (the "Spaceport Authority Securities"), the proceeds from which are being used to finance the costs of planning, designing, engineering and constructing a regional spaceport. The Spaceport Authority Securities are payable from and secured by a portion of the county regional spaceport gross receipts tax revenues received by the New Mexico Spaceport Regional District from gross receipts taxes imposed by Dona Aña and Sierra Counties which are pledged by the Spaceport Authority to pay the Spaceport Authority Securities. The Spaceport Authority Securities are currently outstanding in the aggregate principal amount of $55,810,000 and are scheduled to mature on June 1, 2029.

City of Santa Fe. The NMFA has entered into various obligations with the City of Santa Fe (the "Santa Fe Obligations"). The proceeds of the Santa Fe Obligations were used to finance the costs of various projects in the City of Santa Fe including infrastructure improvements for Santa Fe's Railyard Redevelopment Project and the Santa Fe Community Convention Center and the acquisition of the College of Santa Fe. The Santa Fe Obligations are payable from and secured by a portion of the gross receipts tax revenues received by Santa Fe. The outstanding balance of the Santa Fe Obligations totals $39,306,384. The last of the Santa Fe Obligations is scheduled to expire on June 1, 2037.

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 $34,974,477. 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 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 on June 1, 2038.

Special Consideration Concerning an Action Involving Previously Executed Loan Agreements

The NMFA has partially funded two loans (the "Angel Fire Loans") to the Angel Fire Public Improvement District (the "Angel Fire District"). Proceeds from the Angel Fire Loans are being applied to finance infrastructure improvements within the Angel Fire District. If the Angel Fire Loans are entirely funded, the Angel Fire Loans will be outstanding in the aggregate principal amount of $26.25 million and will be scheduled to mature in August 2038.

An action was filed against the Angel Fire District, and others, including the NMFA, which challenged the creation of the Angel Fire District (the "Angel Fire Litigation"). If the Angel Fire Litigation is decided in favor of the petitioners, the Angel Fire District would not be considered to be properly created and any actions taken by the Angel Fire District, including the Angel Fire Loans, could be declared void and unenforceable. A declaration that the Angel Fire Loans are void and unenforceable could mean that the NMFA would lose a source of Agreement Pledged Revenues that are pledged to the payment of the Bonds. The amount of Agreement Pledged Revenues expected to be received pursuant to the Angel Fire Loans averages approximately $1,740,000 per year. See "ESTIMATED REVENUES, ANNUAL DEBT SERVICE REQUIREMENTS, AND PROJECTED COVERAGE RATIOS," herein to gain an understanding of the impact of such revenue stream on the estimated coverage ratios.

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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 2009E

NEW ISSUE – BOOK-ENTRY ONLY

Ratings: S & P "AA+"
Moody's "Aa2"
(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 2010A-1 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. In the opinion of Bond Counsel, under current law, interest on the Series 2010A-2 Bonds is includable in gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that interest on the Series 2010A 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

$15,170,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, TAX-EXEMPT SERIES 2010A-1

$13,795,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, TAXABLE SERIES 2010A-2 (FEDERALLY TAXABLE ISSUER SUBSIDY— BUILD AMERICA BONDS)

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

The New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2010A-1 and Taxable Series 2010A-2 (Federally Taxable Issuer Subsidy—Build America Bonds) 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 2010A Bonds through its nominee, Cede & Co. One fully-registered bond in a denomination equal to the principal amount of each maturity of each series of the Series 2010A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2010A Bonds will be made in book-entry form only, and beneficial owners of the Series 2010A 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 2010A Bonds.

The Series 2010A Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2010A Bonds accrues from the date of initial delivery of the Series 2010A Bonds and is payable on June 1 and December 1 of each year, commencing December 1, 2010. Principal of the Series 2010A 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 2010A Bonds are subject to redemption prior to maturity.

Proceeds of the Series 2010A 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 certain governmental entities that were used to finance certain Projects for such governmental entities, and (ii) paying costs incurred in connection with the issuance of the Series 2010A Bonds. The principal of and premium, if any, and interest on the Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 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, Fulbright & Jaworski L.L.P., Dallas, Texas. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with the issuance of Series 2010A Bonds. It is expected that a single certificate for each maturity of each series of the Series 2010A Bonds will be delivered to DTC or its agent on or about May 13, 2010.

Ramirez & Co., Inc.

RBC Capital Markets Corporation **Piper Jaffray & Co.**

This Official Statement is dated April 22, 2010 and the information contained herein speaks only as of that date.

NEW MEXICO FINANCE AUTHORITY

$15,170,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
TAX-EXEMPT SERIES 2010A-1

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2011	$2,745,000	2.000%	0.450%	64711N KG9
2012	1,630,000	3.000	1.000	64711N KH7
2013	1,635,000	3.500	1.310	64711N KJ3
2014	1,605,000	3.000	1.720	64711N KK0
2015	1,445,000	3.750	2.110	64711N KL8
2016	440,000	3.500	2.530	64711N KM6
2017	610,000	4.000	2.830	64711N KN4
2018	750,000	4.000	3.020	64711N KP9
2019	585,000	4.000	3.210	64711N KQ7
2020	675,000	4.500	3.370	64711N KR5
2021	640,000	4.000	3.530(c)	64711N KS3
2022	690,000	4.000	3.610(c)	64711N KT1
2023	440,000	4.000	3.740(c)	64711N KU8
2024	185,000	4.000	3.870(c)	64711N KV6
2025	90,000	4.000	3.950(c)	64711N KW4
2026	95,000	4.000	4.030	64711N KX2
2027	100,000	4.000	4.110	64711N KY0
2028	105,000	4.125	4.190	64711N KZ7
2029	105,000	4.125	4.270	64711N LA1
2030	110,000	4.250	4.340	64711N LB9
2031	115,000	4.375	4.410	64711N LC7
2032	120,000	4.375	4.460	64711N LD5
2033	125,000	4.500	4.510	64711N LE3
2034	130,000	4.500	4.550	64711N LF0

† 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 2010A 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 their correctness on the Series 2010A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2010A 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, 2020.

$13,795,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
TAXABLE SERIES 2010A-2
(FEDERALLY TAXABLE ISSUER SUBSIDY—BUILD AMERICA BONDS)

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2016	$805,000	3.777%	3.777%	64711N LL7
2017	845,000	4.077	4.077	64711N LM5
2018	875,000	4.432	4.432	64711N LN3
2021	780,000	4.932	4.932	64711N LG8
2022	815,000	5.082	5.082	64711N LH6
2025	1,065,000	5.482	5.482	64711N LQ6
2028	1,000,000	5.782	5.782	64711N LJ2
2029	1,045,000	5.882	5.882	64711N LK9

$1,835,000 4.782% Term Bonds Due June 1, 2020; Price 100%; CUSIP 64711N LS2

$1,970,000 5.382% Term Bonds Due June 1, 2024; Price 100%; CUSIP 64711N LT0

$1,830,000 5.632% Term Bonds Due June 1, 2027; Price 100%; CUSIP 64711N LR4

$930,000 6.406% Term Bonds Due June 1, 2039; Price 100%; CUSIP 64711N LP8

† 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 2010A Bonds. Neither the NMFA, the Trustee nor the Underwriters are responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2010A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2010A 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.

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 2010A 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 2010A 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" and "ANNUAL DEBT SERVICE REQUIREMENTS." 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 or prices at which the Series 2010A Bonds are offered to the public may vary from the initial reoffering yields or prices shown 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 yields or prices of the Series 2010A 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 2010A Bonds.

THE SERIES 2010A 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 2010A 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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Members
Stephen R. Flance, Chairman[(1)]
William F. Fulginiti, Vice-Chairman
Ron Curry, Secretary
Craig Reeves, Treasurer
Rhonda G. Faught[(1)]
Jon Goldstein
Paul Gutierrez
Steven K. Moise
Lonnie Marquez
Katherine B. Miller
Fred Mondragon
Daniel P. Silva[(1)]

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 LLP
Salt Lake City, Utah

Trustee, Registrar and Paying Agent
The Bank of New York Mellon Trust Company, N.A.
Denver, Colorado

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(1) Messrs. Flance and Silva and Ms. Faught have been appointed by the Governor of the State and are awaiting confirmation by the New Mexico State Senate during its next regular legislative session that is scheduled to commence in January, 2011. See "NEW MEXICO FINANCE AUTHORITY—Governing Body and Key Staff Members" for a discussion of the effect of senate confirmation on their respective terms.

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

\$15,170,000 **SENIOR LIEN PUBLIC PROJECT** **REVOLVING FUND REVENUE BONDS,** **TAX-EXEMPT SERIES 2010A-1**	**\$13,795,000** **SENIOR LIEN PUBLIC PROJECT** **REVOLVING FUND REVENUE BONDS,** **TAXABLE SERIES 2010A-2** **(FEDERALLY TAXABLE ISSUER SUBSIDY—** **BUILD AMERICA BONDS)**

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page, and appendices, provides information in connection with the offer and sale of the \$15,170,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2010A-1 (the "Series 2010A-1 Bonds") and the \$13,795,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2010A-2 (Federally Taxable Issuer Subsidy—Build America Bonds) (the "Series 2010A-2 Bonds" and together with the Series 2010A-1 Bonds, the "Series 2010A Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2010A 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-Sixth Supplemental Indenture of Trust, dated as of May 1, 2010 (the "Seventy-Sixth Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the NMFA and The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as successor 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, 2009 included as APPENDIX A hereto, which are the most recent audited financial statements available at this time. See "FINANCIAL STATEMENTS" herein.

Authority and Purpose

The Series 2010A 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 2010A 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 certain governmental entities that were used to finance certain Projects for such governmental entities, and (ii) paying costs incurred in connection with the issuance of the Series 2010A Bonds. See "THE PLAN OF FINANCING" for more information with respect to the sources and uses of proceeds of the Series 2010A Bonds and "APPENDIX F" for a list of the Governmental Units and the amount of the Loans to be financed with the proceeds of the Series 2010A Bonds. Such Governmental Units whose Loans are being financed with proceeds of the Series 2010A Bonds are sometimes referred to herein as the "2010A Governmental Units."

Parity Obligations

Bonds with a lien on the Trust Estate on a parity with the lien of the Series 2010A 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 2010A Bonds

The Series 2010A Bonds will be dated the date of their initial delivery. Interest on the Series 2010A Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2010. The Series 2010A Bonds will mature on the dates and in the amounts and will bear interest at the rates shown on the inside front cover of this Official Statement. The Series 2010A 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 2010A 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 2010A 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 2010A Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2010A 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 2010A 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 2010A Bonds are subject to redemption prior to maturity. See "THE SERIES 2010A BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2010A 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 2010A 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 2010A 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 any separate accounts in the Debt Service Reserve Fund with respect to the Series 2010A 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 2010A 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 such 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 2010A Bond Owners that, so long as the Series 2010A 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 the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format prescribed by the MSRB and notice of certain material events to the MSRB in an electronic format prescribed by the MSRB in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). The provisions of the Continuing Disclosure Undertaking may be amended under certain circumstances. See "CONTINUING DISCLOSURE UNDERTAKING" herein.

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 2010A-1 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. In the opinion of Bond Counsel, under current law, interest on the Series 2010A-2 Bonds is includable in gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that interest on the Series 2010A Bonds is exempt from State of New Mexico personal income taxes as described herein. See "TAX MATTERS" regarding certain other tax considerations.

Designation of Series 2010A-2 Bonds As "Build America Bonds"

The NMFA has elected to treat the Series 2010A-2 Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") and to receive a cash subsidy from the United States Treasury in connection therewith. Pursuant to the Recovery Act, the NMFA expects cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Series 2010A-2 Bonds. Such credits, if received by the NMFA, will be pledged under the Indenture.

No assurances are provided that the NMFA will receive Interest Subsidy Payments. The amount of any Interest Subsidy Payments is subject to legislative changes by Congress. Interest Subsidy Payments will only be paid if the Series 2010A-2 Bonds are Qualified Build America Bonds. For the Series 2010A-2 Bonds to be and remain Qualified Build America Bonds, the NMFA must comply with certain covenants and the NMFA must establish certain facts and expectations with respect to the Series 2010A-2 Bonds, the use and investment of proceeds thereof and the use of property financed thereby. There are currently no procedures for requesting an Interest Subsidy Payments after the 45th day prior to an interest payment date; therefore, if the NMFA fails to file the necessary tax return in a timely fashion, it is possible that the NMFA will never receive such Interest Subsidy

Payments. Also, Interest Subsidy Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the NMFA to an agency of the United States of America.

See “TAX MATTERS—Taxable Series 2010A-2 Bonds” for a discussion of tax matters related to Qualified Build America Bonds.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2010A 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 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 hereinafter defined Underwriters are being represented by their counsel Fulbright & Jaworski L.L.P., Dallas, Texas. 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 2010A Bonds. See “FINANCIAL ADVISOR.”

The NMFA’s audited financial statements for the fiscal year ended June 30, 2009, included in APPENDIX A, have been audited by Clifton Gunderson LLP, Certified Public Accountants, Albuquerque, New Mexico. See also “FINANCIAL STATEMENTS.”

Offering, Sale and Delivery of the Series 2010A Bonds

The Series 2010A 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 2010A Bonds will be delivered to DTC or its agent on or about May 13, 2010. The Series 2010A 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 2010A Bonds.

THE SERIES 2010A BONDS

General

The Series 2010A Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2010A 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 December 1, 2010. The Series 2010A 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. The Series 2010A Bonds are issuable in denominations of $5,000 or integral multiples of $5,000 (the “Authorized Denominations”).

Book-Entry Only System

DTC will act as securities depository for all of the Series 2010A 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 2010A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2010A Bonds will be made in book-entry only form, and beneficial owners of the Series 2010A 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 2010A Bonds. For a more complete description of the book-entry only system, see "APPENDIX E—BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

Optional Redemption – Series 2010A Bonds. The Series 2010A Bonds maturing on or after June 1, 2021 are subject to optional redemption at any time on and after June 1, 2020, 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 2010A Bonds to be redeemed, but without premium.

Mandatory Sinking Fund Redemption – Series 2010A-2 Bonds. The Series 2010A-2 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 2010A-2 Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2019	$920,000
2020†	915,000

† Final Maturity

If less than all of the Series 2010A-2 Bonds maturing on June 1, 2020 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 2010A-2 Bonds, in such order as may be directed by the NMFA.

The Series 2010A-2 Bonds maturing on June 1, 2024 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 2010A-2 Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2023	$960,000
2024†	1,010,000

† Final Maturity

If less than all of the Series 2010A-2 Bonds maturing on June 1, 2024 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 2010A-2 Bonds, in such order as may be directed by the NMFA.

The Series 2010A-2 Bonds maturing on June 1, 2027 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 2010A-2 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	$890,000
2027†	940,000

† Final Maturity

If less than all of the Series 2010A-2 Bonds maturing on June 1, 2027 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 2010A-2 Bonds, in such order as may be directed by the NMFA.

The Series 2010A-2 Bonds maturing on June 1, 2039 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 2010A-2 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	$235,000
2031	95,000
2032	105,000
2033	110,000
2034	120,000
2035	45,000
2036	50,000
2037	55,000
2038	60,000
2039†	55,000

† Final Maturity

If less than all of the Series 2010A-2 Bonds maturing on June 1, 2039 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 2010A-2 Bonds, in such order as may be directed by the NMFA.

Extraordinary Optional Redemption. The Series 2010A-2 Bonds are subject to redemption prior to their maturity at the option of the NMFA, in whole or in part, upon the occurrence of an Extraordinary Event, at a redemption price equal to the greater of: (1) 100% of the principal amount of the Series 2010A-2 Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2010A-2 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010A-2 Bonds are to be redeemed, discounted to the date on which the Series 2010A-2 Bonds are to be redeemed on a semi–annual basis, assuming a 360–day year consisting of 12, 30–day months, at the Treasury Rate (as defined below), plus 100 basis points; plus, in each case, accrued interest on the Series 2010A-2 Bonds to be redeemed to the redemption date.

An “Extraordinary Event” means a material adverse change has occurred to Section 54AA or 6431 of the Code pursuant to which the NMFA’s 35% cash subsidy payment from the United States Treasury is reduced or eliminated. At the request of the Paying Agent, the redemption price of the Series 2010A-2 Bonds to be redeemed at the option of the NMFA will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the NMFA at the NMFA's expense to calculate such redemption price. The Paying Agent and the NMFA may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date of the Series 2010A-2 Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

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 2010A Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2010A 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 2010A 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 2010A 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 2010A Governmental Units and the allocable portions of the Loans financed with the Series 2010A 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 2009-2010. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

Type of Revenue	FY 2009-2010 Amounts	% of Total Agreement Revenues
Enterprise System Revenues	$22,698,171	26.67%
Local Gross Receipts Tax	22,549,781	26.50
General Obligation (ad valorem taxes)	14,303,572	16.81
Local Special Tax	11,591,397	13.62
State Gross Receipts Tax	6,437,591	7.56
Fire Protection Funds	3,083,715	3.62
Governmental Gross Receipts Tax	2,618,786	3.08
Special Assessments	1,720,289	2.02
Mill Levy	98,897	0.12
Total	$85,102,197	100.00%

Note: Totals may not add due to rounding. Assumes that the Loans funded with proceeds of the Series 2010A Bonds are executed and delivered.
(Source: The NMFA.)

The following table lists the ten Governmental Units that have Agreements with the same revenue pledge from the respective Governmental Unit that, based on scheduled payments in fiscal year 2009-2010 and assuming no prepayments of any Agreements, are expected to generate the largest amount of Agreement Revenues in fiscal year 2009-2010. The Agreement Revenues generated from such Agreements account for 45.57% of projected Agreement Revenues for fiscal year 2009-2010.

AGREEMENTS EXPECTED TO GENERATE THE LARGEST AGREEMENT REVENUES[(1)]

Borrower	FY 2009-2010 Debt Service	% of Total Pledged Agreement Revenues[(1)]
Albuquerque Bernalillo Water Utility Authority (Enterprise System Revenues)	$10,460,749	12.29%
General Services Department (State Gross Receipts Taxes)	6,399,237	7.52
New Mexico Spaceport Authority (Gross Receipts Tax)	4,228,807	4.97
Gadsden Independent Schools (Ad Valorem Property Tax)	3,165,273	3.72
City of Albuquerque (Enterprise System Revenues)	3,068,045	3.61
State Parks and Recreation Department (Governmental Gross Receipts Tax)	2,618,786	3.08
Taos County (Gross Receipts Tax)	2,600,998	3.06
Department of Health (Cigarette Taxes)	2,434,266	2.86
New Mexico Highlands University (Enterprise System Revenues)	1,956,489	2.30
City of Santa Fe (Gross Receipts Tax)	1,838,557	2.16
Total	$38,771,206	45.57%

(1) Reflects a percentage of total Agreement Revenues, and does not include 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 the Governmental Units with the largest repayment obligations, See “APPENDIX F—2010A GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS.”

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. See "APPENDIX F—2010A GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS."

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 2004-2005 through 2008-2009.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2004-2005 THROUGH 2008-2009

	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009
Total Net Receipts	$24,582,478	$26,918,001	$27,936,430	$29,186,583	$29,370,303
NMFA Portion of the Governmental Gross Receipts Tax	$18,445,414	$19,689,576	$21,335,908	$21,431,489	$21,493,438

(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 2005-2006 through 2007-2008. 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 2005-2006 THROUGH 2007-2008

	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008
Entity	% of Total Net Receipts	% of Total Net Receipts	% of Total Net Receipts
Albuquerque Bernalillo County Water Utility Authority	27.87%	18.68%	23.34%
City of Albuquerque	8.18	8.28	8.48
City of Santa Fe	7.84	7.33	7.36
City of Las Cruces	5.17	5.03	4.92
University of New Mexico	4.45	4.47	4.14
City of Rio Rancho	3.79	4.17	4.50
City of Farmington	2.52	2.62	2.89
City of Roswell	2.15	2.06	1.99
County of Los Alamos	1.81	1.64	1.76
City of Carlsbad	1.75	1.71	1.62
Total	65.53%	55.99%	61.00%

(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 2010A 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.

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.

No Debt Service Reserve Account. 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 any separate Accounts in the Debt Service Reserve Fund with respect to the Series 2010A 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 2010A Bonds. The NMFA covenants pursuant to the Seventy-Sixth 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 respective subseries of Series 2010A Bonds with debt service payable on the related subseries of Series 2010A Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the respective Series 2010A 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 the respective subseries of Series 2010A 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 or reimburse 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 the respective subseries of Series 2010A Bonds from which the Loan relating to the

Prepayment was initially funded and which Series 2010A Bonds 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 SERIES 2010A BONDS—Redemption."

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 2010A Bonds of the respective Series relating to such Prepayment, in Authorized Denominations, to their first optional redemption date as described under the caption "THE SERIES 2010A BONDS—Redemption," 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 2010A 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. During the fiscal years indicated below, the NMFA has 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	32	10,223,706
2009-2010[1]	17	5,838,395

[1] Reflects Prepayments received as of March 15, 2010.
(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 2010A 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 other Additional Bonds are not known as of the date of this Official Statement.

No Obligations Senior to the Series 2010A Bonds

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 Outstanding Parity Bonds that were outstanding under the Indenture as of March 31, 2010:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of March 31, 2010[(2)]
2002A	$55,610,000	$16,075,000
2003A	39,945,000	20,326,000
2003B	25,370,000	17,145,000
2004A-1	28,410,000	16,350,000
2004A-2	14,990,000	12,485,000
2004B-1	48,135,000	33,345,000
2004B-2	1,405,000	1,020,000
2004C	168,890,000	139,140,000
2005A	19,015,000	13,505,000
2005B	13,500,000	12,145,000
2006B	38,260,000	35,050,000
2006D	56,400,000	50,885,000
2007E	61,945,000	56,395,000
2008A	158,965,000	153,720,000
2008B	36,545,000	34,535,000
2008C	29,130,000	28,620,000
2009A	18,435,000	18,435,000
2009B	30,225,000	30,115,000
2009C	55,810,000	55,810,000
2009D-1	13,570,000	13,570,000
2009D-2	38,845,000	38,845,000
2009E	35,155,000	35,155,000
Total	$988,555,000	$832,671,000

(1) The official statements for the various Series of Outstanding Parity 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 that have Agreements with the same revenue pledge, based on scheduled payments in fiscal year 2009-2010 and assuming no prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2009-2010.

Outstanding Subordinate Lien Bonds

Pursuant to a Subordinated General Indenture of Trust and Pledge 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 that were outstanding as of March 31, 2010:

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of March 31, 2010[2]
2005C[3]	$50,395,000	$49,030,000
2005E	23,630,000	23,630,000
2005F	21,950,000	20,095,000
2006A	49,545,000	48,180,000
2006C	39,860,000	35,760,000
2007A	34,010,000	30,440,000
2007B	38,475,000	34,175,000
2007C	131,860,000	125,045,000
Total	$389,725,000	$366,355,000

(1) The official statements for the various series of Subordinate Lien 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.

(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 Subordinated Indenture from time to time to satisfy the financing needs of governmental entities in the State.

The Series 2010A 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 2010A 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 the 2010A Governmental Units that were used to finance certain projects for the 2010A Governmental Units, and (ii) paying costs incurred in connection with the issuance of the Series 2010A Bonds. See APPENDIX F for a list of the 2010A Governmental Units and the amount of the Loans expected to be financed with the respective Series of the Series 2010A Bonds.

Estimated Sources and Uses of Funds

The following tables set forth the estimated sources and uses of funds in connection with the issuance of the Series 2010A Bonds.

TAX-EXEMPT SERIES 2010A-1 BONDS

Sources of Funds

Principal Amount	$15,170,000.00
Net Reoffering Premium	682,658.85
Total Sources	$15,852,658.85

Uses of Funds

Reimbursement of Loans[1]	$15,509,773.85
Costs of Issuance[2]	342,885.00
Total Uses	$15,852,658.85

(1) Includes reimbursement of the PPRF of amounts used to make Loans to 2010A 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 2010A Bonds.

TAXABLE SERIES 2010A-2 BONDS

Sources of Funds

Principal Amount	$13,795,000.00
Total Sources	$13,795,000.00

Uses of Funds

Reimbursement of Loans[1]	$13,783,000.00
Costs of Issuance[2]	12,000.00
Total Uses	$13,795,000.00

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(1) Includes reimbursement of the PPRF of amounts used to make loans to 2010A Governmental Units.

(2) Reflects the underwriting discount.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2010A Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

ANNUAL DEBT SERVICE FOR THE BONDS

Fiscal	Series 2010A-1 Bonds		Series 2010A-2 Bonds		Outstanding	Total Annual
Year	Principal	Interest	Principal	Interest	Parity Bonds	Debt Service
2010	–	–	–		$80,129,152	$80,129,152
2011	$2,745,000	$537,213	–	$753,491	82,718,334	86,754,037
2012	1,630,000	456,731	–	717,610	84,966,812	87,771,153
2013	1,635,000	407,831	–	717,610	82,633,894	85,394,336
2014	1,605,000	350,606	–	717,610	79,750,432	82,423,649
2015	1,445,000	302,456	–	717,610	78,854,457	81,319,524
2016	440,000	248,269	$805,000	717,610	75,890,024	78,100,903
2017	610,000	232,869	845,000	687,205	64,840,128	67,215,202
2018	750,000	208,469	875,000	652,755	63,155,210	65,641,434
2019	585,000	178,469	920,000	613,975	60,382,525	62,679,968
2020	675,000	155,069	915,000	569,980	53,877,551	56,192,600
2021	640,000	124,694	780,000	526,225	51,907,766	53,978,685
2022	690,000	99,094	815,000	487,755	48,149,383	50,241,232
2023	440,000	71,494	960,000	446,337	43,660,410	45,578,240
2024	185,000	53,894	1,010,000	394,670	42,150,883	43,794,447
2025	90,000	46,494	1,065,000	340,312	37,281,269	38,823,074
2026	95,000	42,894	890,000	281,928	34,772,400	36,082,222
2027	100,000	39,094	940,000	231,804	33,547,179	34,858,077
2028	105,000	35,094	1,000,000	178,863	29,599,483	30,918,440
2029	105,000	30,763	1,045,000	121,043	25,151,398	26,453,203
2030	110,000	26,431	235,000	59,576	19,396,448	19,827,455
2031	115,000	21,756	95,000	44,522	19,359,118	19,635,395
2032	120,000	16,725	105,000	38,436	18,975,575	19,255,736
2033	125,000	11,475	110,000	31,710	16,954,508	17,232,692
2034	130,000	5,850	120,000	24,663	15,223,440	15,503,953
2035	–	–	45,000	16,976	13,870,946	13,932,922
2036	–	–	50,000	14,093	12,935,354	12,999,447
2037	–	–	55,000	10,890	3,506,675	3,572,565
2038	–	–	60,000	7,367	3,500,300	3,567,667
2039	–	–	55,000	3,523	1,740,750	1,799,273
Total	$15,170,000	$3,703,732	$13,795,000	$10,126,147	$1,278,881,803	$1,321,676,682

(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 2010A Bonds and all other outstanding Bonds and the resulting estimated annual coverage ratios. Revenues estimated for current and future fiscal years are based on fiscal year 2008-2009 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	NMFA Portion of Governmental Gross Receipts Tax(1)	Aggregate Pledged Borrower Payments(2)(3)	Estimated Total Revenues(3)	Total Annual Debt Service Requirement	Estimated Annual Coverage Ratios(4)
2010	$21,493,438	$85,102,197	$106,595,635	$80,129,152	1.33x
2011	21,493,438	91,205,717	112,699,155	86,754,037	1.30x
2012	21,493,438	91,537,734	113,031,172	87,771,153	1.29x
2013	21,493,438	90,538,929	112,032,367	85,394,336	1.31x
2014	21,493,438	86,454,427	107,947,865	82,423,649	1.31x
2015	21,493,438	85,542,221	107,035,659	81,319,524	1.32x
2016	21,493,438	81,141,013	102,634,451	78,100,903	1.31x
2017	21,493,438	71,268,555	92,761,993	67,215,202	1.38x
2018	21,493,438	69,248,522	90,741,960	65,641,434	1.38x
2019	21,493,438	65,150,190	86,643,628	62,679,968	1.38x
2020	21,493,438	59,080,134	80,573,572	56,192,600	1.43x
2021	21,493,438	56,274,838	77,768,276	53,978,685	1.44x
2022	21,493,438	52,799,237	74,292,675	50,241,232	1.48x
2023	21,493,438	46,802,263	68,295,701	45,578,240	1.50x
2024	21,493,438	44,954,549	66,447,987	43,794,447	1.52x
2025	21,493,438	40,050,710	61,544,148	38,823,074	1.59x
2026	21,493,438	36,584,131	58,077,569	36,082,222	1.61x
2027	21,493,438	35,618,412	57,111,850	34,858,077	1.64x
2028	21,493,438	31,033,287	52,526,725	30,918,440	1.70x
2029	21,493,438	26,564,154	48,057,592	26,453,203	1.82x
2030	21,493,438	19,903,363	41,396,801	19,827,455	2.09x
2031	21,493,438	19,715,812	41,209,250	19,635,395	2.10x
2032	21,493,438	19,322,108	40,815,546	19,255,736	2.12x
2033	21,493,438	17,290,226	38,783,664	17,232,692	2.25x
2034	21,493,438	15,543,758	37,037,196	15,503,953	2.39x
2035	21,493,438	13,970,056	35,463,494	13,932,922	2.55x
2036	21,493,438	13,085,471	34,578,909	12,999,447	2.66x
2037	21,493,438	3,657,019	25,150,457	3,572,565	7.04x
2038	21,493,438	3,657,467	25,150,905	3,567,667	7.05x
2039	21,493,438	1,866,458	23,359,896	1,799,273	12.98x

(1) Reflects NMFA Portion of the Governmental Gross Receipts Tax collections from July 1, 2008 through June 30, 2009.
(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 2008-2009 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 39 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 with voting privileges include four cabinet-level secretaries, each of whom are appointed by the Governor and serve at the pleasure of the Governor (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 Paul Gutierrez; the Investment Committee, chaired by Craig Reeves; and the Contracts Committee, chaired by Paul Gutierrez. 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
Ron Curry[(1)(2)] (Secretary)	Secretary, Environment Department, State of New Mexico	not applicable
Rhonda G. Faught[(2) (3)]	R. Faught & Associates, LLC, Former Secretary of the New Mexico Department of Transportation	01/01/12
Stephen R. Flance[(2) (3)] (Chairman)	Owner/CEO, The Flance Company Santa Fe, New Mexico	01/01/13
William F. Fulginiti[(1)] (Vice-Chairman)	Executive Director, New Mexico Municipal League	not applicable
Paul Gutierrez[(1)]	Executive Director, New Mexico Association of Counties	not applicable
Steven K. Moise[(1)]	State Investment Officer (Interim), State Investment Council	not applicable
Lonnie Marquez[(2)]	Vice President for Administration and Finance, New Mexico Institute of Mining and Technology	01/01/12
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
Jon Goldstein[(1)]	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
Daniel P. Silva[(2) (3)]	Former State Representative Albuquerque, New Mexico	01/01/13

(1) *Ex officio* member with voting privileges. An *ex officio* member may designate an alternate member. Alternate members may attend meetings and vote on all matters considered by the NMFA. *Ex officio* members that are cabinet secretaries are appointed to their cabinet positions by the Governor of the State and serve in those capacities at the pleasure of the Governor.

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

(3) Appointed by the Governor of the State, awaiting confirmation by the New Mexico State Senate during its next regular legislative session that is scheduled to commence in January, 2011, and will continue to serve until the expiration of such session if no confirmation is received. If the New Mexico State Senate confirms Messrs. Flance and Silva during its next session, the terms of such individuals will expire on January 1, 2013. If the Senate confirms Ms. Faught during its next session, her term 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 2010A 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.

Michael J. Zavelle, Chief of Investor Relations. Mr. Zavelle joined the NMFA in June 2009. Mr. Zavelle has an extensive and varied background in finance with public and private universities, a major cultural organization, and as a capital markets banker in Asia responsible for client relations and for loan and bond underwriting, syndication and private placement. He served as a VP/CFO for Fisk University, Brooklyn College/CUNY, and Baruch College/CUNY, as Vice Chancellor for Administration & Planning for City University of New York, as SVP and Chief Administrative Officer for The New York Public Library, and as a Managing Director with Chase Manhattan Asia Limited in Hong Kong and Tokyo. Mr. Zavelle has a Bachelor of Arts degree in Economics from Dartmouth College and a Master of Business Administration degree from Harvard University.

Marquita Russel, Chief of Programs. Ms. Russel joined the NMFA in September, 2000. Ms. Russel has approximately 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.

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.

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; public recreation facilities; public transportation systems; 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 the date hereof, the NMFA had made 869 PPRF loans totaling approximately $1.76 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 2010A 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 NMFA, urgent economic development projects, loan originations, or addressing other purposes as determined by the NMFA. As of the date hereof, the Contingent Liquidity Account was funded to an amount of approximately $36,900,000. Upon approval of the NMFA, the Contingent Liquidity Account may receive increases. 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 entered into an arrangement (the "Short-Term Borrowing") with Bank of America, N.A. (the "Short-term Lender") for the Short-term Lender to provide to the NMFA an amount up to $75,000,000 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 Borrowing is scheduled to expire on August 31, 2010. The Short-Term Borrowing is secured by proceeds of Bonds that are anticipated to be issued subsequent to the advances. The NMFA has entered into the Short-Term Borrowing to assist it with its cash flows. Such Short-Term Borrowing is 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 as of the date hereof.

Program	Project	Original Principal Amount	Amount Currently Outstanding	Scheduled Final Maturity
Worker's Compensation	Administrative Building	$4,310,000	$2,080,000	9/1/2016
Cigarette Tax	University of New Mexico Health Sciences Building	39,035,000	17,405,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	2,000,000	5/1/2026
Transportation	Highways	700,000,000	700,000,000	6/15/2024
Transportation	Highways	182,315,000	138,425,000	6/15/2014
Transportation	Highways	150,000,000	150,000,000	12/15/2026
Transportation	Highways	40,085,000	30,000,000	12/15/2026
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
Transportation	Highways	112,345,000	112,345,000	6/15/2017

(Source: The NMFA.)

During the first half of calendar year 2010, the NMFA plans to issue various series of bonds to refund certain of its transportation bonds. Such bonds will be payable from and secured by revenues from the New Mexico Department of Transportation and not from the Revenues pledged under the Indenture.

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 2010A Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any Revenues the loss of which would materially adversely affect the ability of the NMFA to pay debt service on the Series 2010A Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2010A 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 2010A Bonds. See APPENDIX F for information concerning pending litigation to which the NMFA and one of the Governmental Units are parties.

UNDERWRITING

The Underwriters have agreed to purchase the Series 2010A Bonds from the NMFA pursuant to a Bond Purchase Agreement dated April 22, 2010 (the "Bond Purchase Agreement"), at a price of $29,485,748.85 (being the aggregate principal amount of the Series 2010A Bonds plus a net reoffering premium of $682,658.85, and less an Underwriters' discount of $161,910.00). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2010A 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 yields or prices at which the Series 2010A Bonds are offered to the public may vary from the initial public offering yields or 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.

Piper Jaffray & Co. ("Piper"), one of the Underwriters of the Series 2010A Bonds, has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Series 2010A Bonds, allocated to Piper at the original offering prices. Under the Distribution Agreement, Piper will share with AAM a portion of the fee or commission paid to Piper.

TAX MATTERS

Tax-Exempt Series 2010A-1 Bonds

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2010A-1 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 2010A-1 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2010A-1 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 2010A-1 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 2010A-1 Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2010A-1 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 2010A-1 Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code.

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 2010A-1 Bonds may affect the federal tax-exempt status of the interest on the Series 2010A-1 Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2010A-1 Bonds maturing on June 1 in the years 2026 through 2034, 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 2010A-1 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 2010A-1 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 2010A-1 Bonds maturing on June 1 in the years 2011 through 2025, 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 2010A-1 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 2010A-1 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 2010A-1 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 2010A-1 Bonds. Prospective purchasers of the Series 2010A-1 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 2010A-1 Bonds may affect the tax status of interest on the Series 2010A-1 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 2010A-1 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 2010A-1 Bonds, or the interest thereon, if any action is taken with respect to the Series 2010A-1 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 2010A-1 Bonds is excluded from gross income for federal income tax purposes, a Series 2010A-1 Bondholder's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2010A-1 Bonds. The nature and extent of these other tax consequences will depend upon the Series 2010A-1 Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2010A-1 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 2010A-1 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 2010A-1 Bonds, (iii) interest on the Series 2010A-1 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 2010A-1 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 2010A-1 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 2010A-1 Bondholders regarding the tax-exempt status of the Series 2010A-1 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 2010A-1 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 2010A-1 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 2010A-1 Bonds, and may cause the NMFA, the Governmental Units or the Series 2010A-1 Bondholders to incur significant expense.

Bond Counsel is of the opinion that interest on the Series 2010A-1 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 2010A-1 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.

Taxable Series 2010A-2 Bonds

Series 2010A-2 Bonds as "Build America" Bonds. The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2010A-2 Bonds by "U.S. Holders" as defined herein. The summary is based upon provisions of the Code, the regulations promulgated thereunder and rulings and court decisions now in effect, all of which are subject to change. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2010A-2 Bonds. This summary generally addresses Series 2010A-2 Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 2010A-2 Bonds as a hedge against currency risks or as a position in a straddle for tax purposes, foreign investors or persons whose functional currency is not the U.S. dollar. Potential purchasers of the Series 2010A-2 Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2010A-2 Bonds.

For purposes of this summary, a "U.S. Holder" means any beneficial owner of a Series 2010A-2 Bond that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to United Stated federal income taxation regardless of its source, or (iv) a trust the administration of which is subject to the primary jurisdiction of a United States court and which has one or more United States persons with authority to control all substantial decisions of the trust.

The Series 2010A-2 Bonds are taxable obligations for federal income tax purposes. The interest on the Series 2010A-2 Bonds is includible in gross income for federal income tax purposes. Purchasers other than those who purchase the Series 2010A-2 Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2010A-2 Bonds. Generally, the interest on the Series 2010A-2 Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to the holder of Series 2010A-2 Bonds at the time such interest is paid or accrued in accordance with the holder's regular method of tax accounting, and, after adjustment for the foregoing, the payment of principal with respect to Series 2010A-2 Bonds will be treated as a return of capital.

A Build America Bond is a qualified bond under Section 54AA(g) of the Code (a "Qualified Build America Bond") if it meets certain requirements of the Code and the related Treasury regulations and the issuer has made an irrevocable election to have the special rule for qualified bonds apply. Under the Code, the NMFA must use 100% of the excess of the available project proceeds over amounts in a reasonably required reserve fund for capital expenditures. Interest on Qualified Build America Bonds is includible in gross income for purposes of the federal income tax, and owners of Qualified Build America Bonds will not receive any tax credits as a result of ownership of such Qualified Build America Bonds when an issuer has elected to receive a cash subsidy payment.

Under Section 6431 of the Code, an issuer of a Qualified Build America Bond may apply to receive subsidy payments directly from the Secretary of the United States Treasury (the "Secretary"). The amount of a subsidy payment is 35% of the corresponding interest payable on the related Qualified Build America Bond. Depending on the timing of filing and other factors, the subsidy payment may be received before or after the corresponding interest payment date.

The NMFA will elect to treat the Series 2010A-2 Bonds as Qualified Build America Bonds for purposes of Section 54AA(g) of the Code. As a result of this election, interest on the Series 2010A-2 Bonds will be includible in gross income of the holders thereof for federal income tax purposes and the holders of the Series 2010A-2 Bonds will not be entitled to any tax credits as a result of either ownership of the Series 2010A-2 Bonds or receipt of any interest payments on the Series 2010A-2 Bonds. Owners of the Series 2010A-2 Bonds should consult their tax advisors with respect to the inclusion of interest on the Series 2010A-2 Bonds in gross income for federal income tax purposes.

The availability of such subsidy payment is subject to the condition that the NMFA comply with the requirements discussed in the preceding paragraph and all other requirements of the Code that must be satisfied subsequent to the issuance of the Series 2010A-2 Bonds. The NMFA has covenanted to comply with such requirements. If the NMFA does not meet these requirements, it is possible that the NMFA may not receive such subsidy payment.

If a certificate holder purchases a Series 2010A-2 Bond for an amount that is less than the adjusted issue price of the Series 2010A-2 Bond, and such difference is not considered to be de minimis, then such discount will represent market discount. Absent an election to accrue market discount currently, upon a sale, exchange or other disposition of a Series 2010A-2 Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to purchase or carry a market discount bond is limited. Such certificate holders should consult their own tax advisors with respect to whether or not they should elect to accrue market discount currently, the determination and treatment of market discount for federal income tax purposes and the state and local tax consequences of owning such Series 2010A-2 Bonds.

If a holder purchases a Series 2010A-2 Bond at a cost greater than its then principal amount, generally the excess is amortizable bond premium. The tax accounting treatment of bond premium is complex. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Such holders should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code, the determination and treatment of such premium for federal income tax purposes and the state and local tax consequences of owning such Series 2010A-2 Bonds.

A holder's tax basis for a Series 2010A-2 Bond is the price such owner pays for the Series 2010A-2 Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than stated interest) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2010A-2 Bond, measured by the difference between the amount realized and the Series 2010A-2 Bond basis as so adjusted, will generally give rise to capital gain or loss if the Series 2010A-2 Bond is held as a capital asset (except market discount as discussed above), and will be long-term capital gain or loss if the holding period for the Series 2010A-2 Bond is greater than one year. Long-term capital gains are subject to reduced rates of federal income taxation for non-corporate holders. The deduction of capital losses may be subject to limitations. The legal defeasance of any Series 2010A-2 Bonds may result in a deemed sale or exchange of such Series 2010A-2 Bonds under certain circumstances; owners of such Series 2010A-2 Bond should consult their tax advisors as to the federal income tax consequences of such an event.

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the accrual of any original issue discount on Series 2010A-2 Bonds and the proceeds of the sale of Series 2010A-2 Bonds within the United States. Backup withholding may apply to holders of Series 2010A-2 Bonds under Section 3406 of the Code. A holder generally may avoid backup withholding by providing its taxpayer identification number and meeting certain other certification requirements. Amounts withheld under the backup withholding rules are not an additional tax, and may be allowed as a refund or a credit against such holder's United States federal income tax provides the required information is furnished to the Internal Revenue Service.

Circular 230 Disclosure. The above discussion relating to the Series 2010A-2 Bonds was written to support the promotion and marketing of the Series 2010A-2 Bonds and was not intended or written to be used, and cannot be used, by a taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Bond Counsel is of the opinion that interest on the Series 2010A-2 Bonds is exempt from State of New Mexico personal income taxes as described herein.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2010A 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 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, Fulbright & Jaworski L.L.P., Dallas, Texas. 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 2010A 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, 2009, included in APPENDIX A of this Official Statement, have been audited by Clifton Gunderson LLP, certified public accountants, Albuquerque, New Mexico, as set forth in their report thereon dated March 25, 2010. Such financial statements are the most recently audited financial statements available at this time. Clifton Gunderson LLP have not been asked to consent 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 2010A Bonds pursuant to which it will agree to provide the following information:

- to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB 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 2010A Bonds who requests such information):

    1. 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 2004-2005 Through 2008-2009" 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;

    2. 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 the MSRB, 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;

    3. 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 and audited financial statements as soon as such audited financial statements become available;

- in a timely manner to the MSRB in an electronic format prescribed by the MSRB, notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking;

- in a timely manner to the MSRB in an electronic format prescribed by the MSRB, notice of the occurrence of any of the following events (if applicable) with respect to the Series 2010A 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 2010A Bonds;

  7. modification of rights of owners of the Series 2010A Bonds;

  8. bond calls;

  9. defeasances;

  10. release, substitution, or sale of property securing repayment of the Series 2010A 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 2010A 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 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 2010A 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 2010A Bonds.

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 2010A Bonds. See APPENDIX F for a discussion of Loans to Governmental Units with the largest outstanding principal loan balances.

The NMFA reports that, during the last five years, it has been in compliance in all material respects with each undertaking it has entered into pursuant to the Rule.

RATINGS

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service ("Moody's") have assigned ratings of "AA+" and "Aa2," respectively, to the Series 2010A Bonds. An explanation of the significance of such ratings may be obtained from S&P and Moody's, respectively.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2010A 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 2010A Bonds may have an adverse effect on the market price of the Series 2010A Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2010A Bonds any proposed revision or withdrawal of the ratings on the Series 2010A 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 2010A 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, including general economic conditions. 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 2010A 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 2010A 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, 2009

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NEW MEXICO FINANCE AUTHORITY
Santa Fe, New Mexico

Financial Statements
June 30, 2009 and 2008

NEW MEXICO FINANCE AUTHORITY

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NEW MEXICO FINANCE AUTHORITY

Official Roster

Year Ended June 30, 2009

Governing Board

Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Gary Bland, Member
Ron Curry, Member
Rhonda Faught, Member
Paul Gutierrez, Member
Lonnie Marquez, Member
Fred Mondragon, Member
Katherine Miller, Member
Joanna Prukop, Member
Craig Reeves, Member
Dan Silva, Member

Chief Executive Officer
William C. Sisneros

Chief Operating Officer
Jerome Trojan

Chief Financial Officer
John Duff

Independent Auditor's Report

Governing Board
New Mexico Finance Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying basic financial statements of the New Mexico Finance Authority (the Authority), a component unit of the State of New Mexico, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. The basic financial statements as of and for the year ended June 30, 2008 were audited by other auditors, whose report dated September 29, 2008, expressed an unqualified opinion on those statements. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 opinion.

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, 2009, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2009 and changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the Authority restated its prior year financial statements and changed its presentation for reporting certain funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

The Management's Discussion and Analysis, presented on pages 4 through 14, is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. 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 an opinion on the basic financial statements of the Authority taken as a whole. 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. 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.

Clifton Gunderson LLP

Baltimore, Maryland
March 25, 2010

This section of the New Mexico Finance Authority's (the "Authority") annual financial statements presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2009 and financial condition at that date. This section should be read together with the Authority's financial statements and accompanying notes.

The New Mexico Finance Authority

The Authority was created by the New Mexico State Legislature in 1992 to finance infrastructure projects for the state's counties and cities and certain departments of state government. The objective was to provide low-cost financing for borrowers who might not otherwise be able to access the tax-exempt bond market on a cost-effective basis. The 1992 statute created the Public Projects Revolving Fund ("PPRF") as the vehicle to accomplish this financing objective. As authorized by the statute, the Authority issues tax-exempt PPRF bonds to obtain the funds it loans to New Mexico governmental entities. The statute created the Governmental Gross Receipts tax as a source of funding for Authority operations and to serve as a credit enhancement for the Authority's bonds. Although the legislature has created additional program responsibilities for the Authority, the PPRF remains the core of its activities.

Overview of the Financial Statements

These annual financial statements consist of three parts:

1. Management's Discussion and Analysis (this section), including condensed, comparative financial statements.
2. The financial statements (Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows) and related notes.
3. Supplementary information.

Condensed Comparative Financial Statements

New Mexico Finance Authority
Combined Statements of Net Assets
As of June 30

	FY 2009	As Restated FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Cash and cash equivalents:					
Unrestricted	$ 111,877,869	$ 88,756,143	$ 23,934,228	27.0%	$ 70,167,367
Restricted	373,898,180	411,190,481	(37,292,301)	(9.1%)	200,975,188
Loans receivable, net of allowance	1,113,608,650	1,041,033,758	72,574,892	7.0%	698,598,236
Intergovernmental receivables	154,793,087	161,605,000	(6,811,913)	(4.2%)	168,165,000
Other accounts receivable	16,645,091	24,348,425	(7,703,334)	(31.6%)	19,171,584
Capital assets	197,828	377,984	(180,156)	(47.7%)	439,292
Other assets	11,679,176	12,125,477	(446,301)	(3.7%)	10,660,513
Total assets	**$ 1,782,699,881**	**$ 1,739,437,268**	**$ 44,075,115**	**2.5%**	**$ 1,168,177,180**
Current liabilities					
Bonds payable, current, net	$ 57,878,000	$ 62,119,000	$ (4,241,000)	(6.8%)	$ 35,584,000
Line of credit payable	-	-	-	0.0%	31,338,974
Undisbursed loan proceeds	182,920,935	197,721,699	(14,800,764)	(7.5%)	74,937,416
Borrowers' reserve deposits	66,071,327	61,634,993	4,436,334	7.2%	43,583,290
Accounts payable	1,556,821	1,579,139	(22,318)	(1.4%)	2,082,609
Other liabilities	5,054,229	5,034,419	19,810	0.4%	4,112,774
Total current liabilities	313,481,312	328,089,250	(14,607,938)	-4.5%	191,639,063
Noncurrent liabilities					
Bonds payable, noncurrent, net	1,075,076,148	1,022,818,292	52,257,856	5.1%	690,296,368
Total liabilities	**1,388,557,460**	**1,350,907,542**	**37,649,918**	**2.8%**	**881,935,431**
Net assets					
Invested in capital assets	197,828	377,984	(180,156)	(47.7%)	439,292
Restricted for debt service	8,962,319	9,921,093	(842,929)	(8.5%)	9,451,685
Restricted for program funds	274,378,249	289,676,812	6,513,913	2.2%	206,712,116
Unrestricted	110,604,025	88,553,837	121,867	0.1%	69,638,656
Total net assets	**394,142,421**	**388,529,726**	**5,612,695**	1.4%	**286,241,749**
Total liabilities and net assets	**$ 1,782,699,881**	**$ 1,739,437,268**	**$ 43,262,613**	**2.5%**	**$ 1,168,177,180**

New Mexico Finance Authority
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30

	FY 2009	As Restated FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Appropriation revenue	$ 52,379,731	$ 136,293,957	$ (83,914,226)	(61.6%)	$ 34,930,401
Grant revenue	36,494,181	27,209,672	9,284,509	34.1%	12,579,061
Administrative fees	7,670,438	5,730,102	1,940,336	33.9%	3,918,596
Interest on loans	47,590,234	41,142,152	6,448,082	15.7%	31,335,380
Interest on investments	2,890,591	10,927,088	(8,036,497)	(73.5%)	7,937,870
Operating revenue	**147,025,175**	**221,302,971**	**(74,277,796)**	**(51.5%)**	**90,701,308**
Grant expense	59,785,212	26,380,010	33,405,202	126.6%	19,237,131
Bond issuance costs	1,604,245	501,042	1,103,203	220.2%	575,664
Professional services	3,642,941	3,965,930	(322,989)	(8.1%)	2,515,254
Salaries and benefits	3,860,505	3,202,868	657,637	20.5%	2,869,659
Interest expense	49,418,130	45,684,800	3,733,330	8.2%	29,565,405
Other expense	2,208,819	1,951,991	256,828	13.2%	1,647,332
Expenses	**120,519,852**	**81,686,641**	**38,833,211**	**380.5%**	**56,410,445**
Operating income	26,505,323	139,616,330	(113,111,007)	13.8%	**34,290,863**
Loss on investments	8,205,430	-	8,205,430	0.0%	-
Income before transfers	**18,299,893**	**139,616,330**	**(121,316,437)**	**(86.9%)**	**34,290,863**
Transfers to other agencies	12,687,198	37,328,353	(24,641,155)	(66.0%)	33,725,706
Increase in net assets	**5,612,695**	**102,287,977**	**(96,675,282)**	**(94.5%)**	**565,157**
Net assets, beginning of year (restated)	**388,529,726**	**286,241,749**	**102,287,977**	**35.7%**	**285,676,592**
Net assets, end of year	**$ 394,142,421**	**$ 388,529,726**	**$ 5,612,695**	**1.4%**	**$ 286,241,749**

Analysis of the Authority's overall financial position and results of operations

- The Authority's unrestricted cash grew by $23.1 million primarily due to the receipt of the Governmental Gross Receipts Tax (see discussion on page 4, "the New Mexico Finance Authority"). Restricted cash decreased by $37.3 million in 2009, primarily due to $34.8 million in grant program expenditures of funds appropriated by the legislature in 2008 for local road construction projects (the "GRIP II" program).
- Loans receivable increased by $72.6 million in 2009 primarily as a result of new loans made during the year totaling $146.1 million less loan payments received of $73.5 million.
- Bonds payable increased by $48.0 million in 2009 resulting from the issuance of $115.4 million of new bonds, principal payments on outstanding bonds of $58.0 million, the reclassification of an interfund liability of $8.5 million, and amortization of bond premium.
- The Authority's revenues decreased by $74.3 million in 2009 compared to 2008. The main reason for the decline was an appropriation in 2008 of $86.7 million from the state legislature for the GRIP II program. In 2009, only $19.9 million was appropriated. Other revenues increased in 2009, with the exception of investment earnings which declined by $8 million due to significantly lower interest rates in 2009.
- Grant expense increased by $33.4 million in 2009 as the funds appropriated in 2008 for local road projects, described above, began to be spent.
- Interest expense increased by $3.7 million due to the increased amount of bonds outstanding during the year.
- The Authority's net assets grew by $5.6 million in 2009.
- During fiscal year 2009, the Authority invested, net of depreciation, a total of $32,757 in capital assets. More detailed information about the Authority's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

- The Authority's long-term debt consists of outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2009, the total amount outstanding was $1.13 billion (excluding the $1.85 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 6 to the financial statements.
- During the fiscal year, the Authority issued $115.5 million in PPRF debt, primarily to directly fund loans, reimburse the Public Project Revolving Fund ("PPRF") loan fund for loans already made or to advance refund certain earlier bond issues.

Authority Programs

The authority accounts for each bond resolution or activity as a separate program, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund is highlighted due to the significance of the program.

Public Project Revolving Fund

The Authority began its existence in 1992 to administer the PPRF. The mission of the PPRF is to make affordable tax-exempt financing for infrastructure projects available to borrowers who could not, on their own, access the bond market on a cost-effective basis. New Mexico's counties, cities and certain departments of state government qualify as entities who can borrow from the PPRF. Departments of state governments and certain not-for profit entities, including state universities, are also eligible borrowers. Since 1993, the PPRF has made 789 loans totaling $1.8 billion.

The PPRF makes loans of less than $5 million from its own funds on hand. It then reimburses its cash balance at a later date by "packaging" the loans as collateral and selling tax-exempt bonds. Loans for amounts larger than $5 million are funded by closing the loans on the same day a reimbursement bond issue closes.

The PPRF operates, in many respects, in the same manner as a bank or other lending institution. Infrastructure finance agencies similar to the PPRF are often called "bond banks." Financial statements for the PPRF are presented in the following pages in a format similar to that employed by commercial banking organizations.

New Mexico Finance Authority
Public Projects Revolving Fund
Statement of Net Assets
As of June 30

	FY 2009	FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Cash and cash equivalents	$ 99,584,576	$ 78,584,787	$ 20,999,789	26.7%	$ 62,173,143
Restricted	252,786,821	260,492,357	(7,705,536)	(3.0%)	146,572,672
Accounts receivable	16,111,757	21,930,398	(5,818,641)	(26.5%)	15,832,945
Loans receivable, net of allowance	1,050,541,321	1,000,026,726	50,514,595	5.1%	669,900,381
Intergovernmental receivables	127,848,087	122,760,000	5,088,087	4.1%	125,320,000
Other assets	10,992,276	11,095,194	(102,918)	-0.9%	9,522,247
Total assets	**$ 1,557,864,838**	**$ 1,494,889,462**	**$ 62,975,376**	**5.5%**	**$ 1,029,321,388**
Accounts payable and accrued liabilities	$ 4,678,201	$ 4,586,196	$ 92,005	2.0%	$ 3,469,291
Undisbursed loan proceeds	181,136,484	196,132,082	(14,995,598)	(7.6%)	74,268,789
Borrowers' debt service and reserve deposits	65,813,605	61,027,236	4,786,369	7.8%	43,293,816
Line of credit payable	-	-	-	0.0%	31,338,974
Bonds payable	54,343,000	57,957,000	(3,614,000)	-6.2%	31,018,000
Total current liabilities	305,971,290	319,702,514	(13,731,224)	-4.3%	183,388,870
Noncurrent liabilities					
Bonds payable, noncurrent, net	1,047,860,109	984,005,633	63,854,478	6.5%	647,530,090
Total liabilities	**1,353,831,399**	**1,303,708,147**	**50,123,254**	**3.8%**	**830,918,960**
Net assets					
Invested in capital assets	118,026	188,451	(70,425)	(37.4%)	202,551
Restricted for program funds	105,344,348	113,209,182	(7,864,834)	(6.9%)	137,381,159
Unrestricted	98,571,065	77,783,682	20,787,383	26.7%	60,818,718
Total net assets	**204,033,439**	**191,181,315**	**12,852,124**	**6.3%**	**198,402,428**
Total liabilities and net assets	**$ 1,557,864,838**	**$ 1,494,889,462**	**$ 62,975,378**	**2.5%**	**$ 1,029,321,388**

New Mexico Finance Authority
Public Projects Revolving Fund
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30

	FY 2009	FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Interest income					
Loans	$ 45,103,590	$ 38,683,071	$ 6,420,519	16.6%	$ 29,081,700
Investments	1,118,311	4,978,951	(3,860,640)	(77.5%)	4,256,980
Total interest income	**46,221,901**	**43,662,022**	**2,559,879**	**5.9%**	**33,338,680**
Interest expense					
Bonds	47,591,764	42,290,093	5,301,671	12.5%	28,889,309
Short-term borrowing	60,833	944,596	(883,763)	(93.6%)	-
Total interest expense	**47,652,597**	**43,234,689**	**4,417,908**	**10.2%**	**28,889,309**
Net interest income (expense)	(1,430,696)	427,333	(1,858,029)	(434.8%)	4,449,371
Less provision for loan losses	299,114	400,123	(101,009)	(25.2%)	185,427
Net interest income (expense) after provision for loan losses	**(1,729,810)**	**27,210**	**(1,757,020)**	**(6457.3%)**	**4,263,944**
Loan administration fees	4,689,716	2,786,246	1,903,470	68.3%	1,522,755
Appropriation revenues	25,645,568	27,341,776	(1,696,208)	(6.2%)	29,501,655
Total noninterest income	**30,335,284**	**30,128,022**	**207,262**	**0.7%**	**31,024,410**
Salaries and benefits	2,215,044	1,907,427	307,617	16.1%	1,667,377
Professional services	2,020,996	2,953,662	(932,666)	(31.6%)	1,719,541
Bond issuance costs	1,190,438	515,580	674,858	130.9%	423,016
Loss on investments	3,729,143	-	3,729,143	100.0%	-
Other	869,281	824,638	44,643	5.4%	889,292
Total noninterest expense	**10,024,902**	**6,201,307**	**3,823,595**	**61.7%**	**4,699,226**
Excess of revenue over expenses	**18,580,572**	**23,953,925**	**(5,373,353)**	**(22.4%)**	**30,589,128**
Transfers from (to) other funds or agencies	**(5,728,448)**	**(31,175,038)**	**25,446,590**	**(81.6%)**	**(100,765,291)**
Increase (decrease) in fund net assets	**12,852,124**	**(7,221,113)**	**20,073,237**	**(278.0%)**	**(70,176,163)**
Net assets, beginning of year	**191,181,315**	**198,402,428**	**(7,221,113)**	**(3.6%)**	**268,578,591**
Net assets, end of year	**$ 204,033,439**	**$ 191,181,315**	**$ 12,852,124**	**6.7%**	**$ 198,402,428**

Analysis of the PPRF's overall financial position and results of operations:

Loan volume:

	2009	2008	Since Inception
Amount of loans made	$121.6 million	$386.8 million	$1.849 billion
Number of loans made	82	90	789

Both average loan size and the number of loans made in 2009 declined from the previous year. Management believes that this was due to economic conditions in the state. Although New Mexico has been affected less severely than many states, there has been a decline in tax revenues collected by many cities and counties, leading local governments to become more cautious in their borrowing. The decline in loan volume is less dramatic than the above figures seem to suggest since fiscal 2008 includes one loan for $77 million. While the PPRF occasionally makes loans of this size, it does not do so regularly, and a loan of comparable size was not made in 2009.

Loans receivable:

There were no defaults on PPRF loans during 2009 and no delinquencies as of June 30, 2009.

Bond issuance:

During fiscal 2009, the PPRF issued 4 series of bonds, with a total par value of $114.3 million.

Net interest income:

As a not-for profit lender, the Authority attempts to pass on to its borrowers the same rates it pays on the bonds it issues to provide the funds it loans. In its planning and management processes, therefore, the Authority attempts to achieve zero net interest income in the PPRF. 1n 2008, the Authority met this goal, for practical purposes, with net interest income of only $27 thousand. In 2009, net interest income was negative $1.7 million. The loss resulted from the significant decline in interest rates experienced on the PPRF's investments during 2009.

Loss on Investments:

During 2009, the PPRF incurred a loss of $8.2 million due to losses suffered by a money market mutual fund in which the PPRF had invested. The circumstances of this loss are described in footnote 15.

Governmental Gross Receipts Tax:

The Governmental Gross Receipts Tax ("GGRT") is a tax imposed on the gross receipts of municipalities for services rendered to customers such as water, sewer, and solid waste collection. 75% of GGRT collections are appropriated to the PPRF. The Authority's share of GGRT collections was $21,494,438 in 2009, a $61,947 increase from the $21,431,491 received in 2008. The GGT funds are used:

1. as a credit enhancement for the PPRF bonds. In the event of defaults on loans, GGRT funds can be used to make up for any shortfall in funds available for bond payments.
2. to fund loans to borrowers, especially smaller loans which the Authority may choose to not reimburse in a bond issue.
3. To pay operating expenses of the PPRF.

Restatement of previously issued financial statements:

During 2009, the Authority restated its 2008 financial statements to recognize accounts receivable (intergovernmental receivables) from other governmental entities. The accounts receivable arose from transactions that occurred prior to 2008. A detailed explanation of the restatement is provided in footnote 12. The effect of the restatement was to increase the beginning net assets of the PPRF for fiscal year 2008 by $46 million.

Other Programs:

The PPRF accounts for a large portion of total Authority activity. At June 30, 2009 and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	$1.6 billion	$1.8 billion	87.0%
Net assets	$204.0 million	$394.1 million	51.8%
Revenues	$76.6 million	$147.0 million	52.1%

There are 14 other programs administered by the Authority, some of which are loan programs and some of which are grant programs. Loan and grant activity in these programs in 2009 and 2008 was as follows:

	FY 2009	FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Drinking Water Revolving Loan Fund	$ 22,139,294	$ 10,298,773	$ 11,840,521	115.0%	$ 6,138,562
Local Transportation Infrastructure Fund	969,542	181,475	788,067	434.3%	-
Water Projects Fund	22,728,950	19,338,532	3,390,418	17.5%	10,265,454
Economic Development Fund	222,447	202,796	19,651	9.7%	1,724,445
Local Government Transportation Fund	34,827,691	4,596,088	30,231,603	657.8%	-
Child Care Revolving Loan Fund	34,466	-	34,466	n/a	-
Behavioral Health Cigarette Tax Revenue Bond Fund	471,509	-	471,509	n/a	-
Water and Wastewater Project Grant Fund	3,210,290	2,164,356	1,045,934	48.3%	8,875,509
Local Governement Planning Grant Fund	268,240	205,625	62,615	30.5%	38,488
Total Assets	**$ 84,872,429**	**$ 36,987,645**	**$ 47,884,784**	**1313.0%**	**$ 27,042,458**

The increase in loan volume for the Drinking Water Revolving Loan Fund resulted from the Authority making a loan for approximately $15 million to the City of Santa Fe. This was an uncharacteristically large loan for this program.

The $30.2 million increase in grant volume for the Local Government Transportation Fund occurred because this is a new program for the Authority. The state legislature appropriated $87.8 million to the Authority in 2008 to provide grants to municipalities and counties for local transportation projects. The New Mexico Department of Transportation determines the priority of recipients of the grants. The Authority manages the funds received from the legislature and disburses the funds as directed by the Department of Transportation. In 2007, the program was in a start-up phase and relatively few grants were awarded. The program achieved its planned volume in 2008.

The Child Care and Behavioral Health programs were funded by the legislature in 2006, and the Authority began making loans in 2009.

In 2008, the Authority was awarded a $110 million allocation of New Markets Tax Credits by the U.S. Treasury Department. Under this program, the Authority can provide federal income tax credits to incentivize businesses to create jobs and otherwise contribute to the economic development of the state. During fiscal 2009, the Authority made one award of tax credits for $15.5 million. Subsequent to June 30, 2009, the Authority has made $30.4 million in additional awards. The tax credits have no impact on the financial statements of the Authority beyond the expenses incurred to administer the program and the fees charged to applicants and recipients of the credits, which are minimal.

Budgetary Variations, capital and infrastructure assets:

The Authority does not have any legally adopted budgets, and, therefore, does not present any budgetary information. The Authority has an immaterial amount of capital assets, and owns no infrastructure assets.

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators, 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

Statements of Net Assets
June 30, 2009 and 2008

	2009	As Restated 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 111,877,869	$ 88,756,143
Restricted cash	373,898,180	411,190,481
Tax revenue receivable	2,080,571	8,067,919
Interest receivable	8,248,801	8,365,828
Grant and other receivable	5,910,474	7,205,952
Administrative fees receivable	405,245	708,726
Loans receivable, net of allowance	1,113,608,650	1,041,033,758
Intergovernmental receivables	154,793,087	161,605,000
Restricted asset - escrow	659,798	653,574
Other assets	59,029	51,441
Total current assets	1,771,541,704	1,727,638,822
NONCURRENT ASSETS		
Capital assets, net of depreciation	197,828	377,984
Deferred cost, net of accumulated amortization	10,960,349	11,420,462
Total noncurrent assets	11,158,177	11,798,446
TOTAL ASSETS	$ 1,782,699,881	$ 1,739,437,268
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,556,821	$ 1,579,139
Accrued payroll	169,996	111,861
Compensated absences	226,830	200,238
Undisbursed loan proceeds	182,920,935	197,721,699
Accrued interest	3,857,403	3,646,489
Due to other state agencies	800,000	1,075,831
Debt service payable	66,071,327	61,634,993
Bonds payable, current, net	57,878,000	62,119,000
Total current liabilities	313,481,312	328,089,250
NONCURRENT LIABILITIES		
Bonds payable, noncurrent, net	1,075,076,148	1,022,818,292
Total noncurrent liabilities	1,075,076,148	1,022,818,292
Total liabilities	1,388,557,460	1,350,907,542
NET ASSETS		
Invested in capital assets	197,828	377,984
Restricted for debt service	8,962,319	9,921,093
Restricted for program funds	274,378,249	289,676,812
Unrestricted	110,604,025	88,553,837
Total net assets	394,142,421	388,529,726
TOTAL LIABILITIES AND NET ASSETS	$ 1,782,699,881	$ 1,739,437,268

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

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008

	2009	As Restated 2008
OPERATING REVENUES		
Appropriation revenue	$ 52,379,731	$ 136,293,957
Grant revenue	36,494,181	27,209,672
Administrative fees	7,670,438	5,730,102
Interest on loans	47,590,234	41,142,152
Interest on investments	2,890,591	10,927,088
Total operating revenues	147,025,175	221,302,971
OPERATING EXPENSES		
Grant expense	59,785,212	26,380,010
Bond issuance costs	1,604,245	501,042
Administrative fee	241,866	310,190
Professional services	3,642,941	3,965,930
Salaries and fringe benefits	3,860,505	3,202,868
In-state travel	118,950	80,975
Out-of-state travel	57,960	51,564
Operating costs	958,017	1,015,651
Provision for loan losses	619,113	400,124
Interest expense	49,418,130	45,684,800
Total operating expenses	120,306,939	81,593,154
Operating income before depreciation	26,718,236	139,709,817
Depreciation	212,913	93,487
Total operating income	26,505,323	139,616,330
NON-OPERATING REVENUES (EXPENSES)		
Loss on investments	(8,205,430)	-
Income before transfers	18,299,893	139,616,330
TRANSFERS		
Transfers from (to) other state agencies	(12,687,198)	(37,328,353)
CHANGE IN NET ASSETS	5,612,695	102,287,977
TOTAL NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	388,529,726	286,241,749
TOTAL NET ASSETS, END OF YEAR	$ 394,142,421	$ 388,529,726

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

Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	As Restated 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for employee services	$ (3,775,777)	$ (3,161,959)
Cash paid to vendors for services	(4,280,350)	(5,909,350)
Bond issuance costs	(156,799)	(2,535,633)
Interest expense paid	(51,254,313)	(41,628,467)
Grants disbursed	(59,785,212)	(26,380,010)
Appropriation revenue	70,776,650	149,758,189
Cash received from federal government for revolving loans	21,221,852	13,856,874
Interest income received	46,147,529	49,232,249
Administrative fees received	7,913,572	4,847,590
Transfers from other funds	7,201,087	776,177
Net cash flows provided by operating activities	34,008,239	138,855,658
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash paid for services	(12,687,198)	(37,328,353)
Cash provided (used) by funds held for others	(14,800,764)	122,171,753
Net cash provided by (used in) noncapital financing activities	(27,487,962)	84,843,400
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Investment in partnership	(1,550)	-
Loans funded	(155,191,967)	(397,106,941)
Loan payments received	88,966,814	61,391,765
Bonds issued	115,463,896	398,350,842
Payment of bonds	(65,795,000)	(41,881,000)
Debt service	(4,100,287)	15,719,108
Line of credit payments	-	(31,338,974)
Capital asset purchase	(32,758)	(29,788)
Net cash provided by (used in) capital financing activities	(20,690,852)	5,105,011
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,170,575)	228,804,069
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	499,946,624	271,142,555
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 485,776,049	$ 499,946,624
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 26,505,323	$ 139,616,330
Adjustments to reconcile cash and cash equivalents provided by operating activities:		
Depreciation and amortization	794,940	60,230
(Increase) decrease in prepaids and receivables	6,447,984	(4,387,636)
Increase (decrease) in payables and other accrued liabilities	259,992	3,566,734
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 34,008,239	$ 138,855,658
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 49,418,130	$ 45,684,800

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

Agency Funds – Statement of Assets and Liabilities
Year Ended June 30, 2009

	Agency Funds
ASSETS:	
Cash at Trustee:	
Program funds	$ 118,830,704
Expense funds	1,931,751
Bond reserve funds	42,292,167
TOTAL ASSETS	$ 163,054,622
LIABILITIES:	
Accounts payable	$ 3,466,620
Debt service payable	49,454,819
Funds held for the NM Department of Transportation	110,133,182
TOTAL LIABILITIES	$ 163,054,622

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

Agency Funds – Statement of Changes in Assets and Liabilities
Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Department of Transportation Revenue Bonds, Series 2004				
Fund 315				
ASSETS				
Cash and investments	$ 144,490,815	$ 64,729,527	$ 126,681,479	$ 82,538,863
TOTAL ASSETS	$ 144,490,815	$ 64,729,527	$ 126,681,479	$ 82,538,863
LIABILITIES				
Deposit held in trust for others	$ 144,490,815	$ 64,729,527	$ 126,681,479	$ 82,538,863
TOTAL LIABILITIES	$ 144,490,815	$ 64,729,527	$ 126,681,479	$ 82,538,863
Department of Transportation Revenue Bonds, Series 2006				
Fund 322				
ASSETS				
Cash and investments	$ 232,347,119	$ 20,059,042	$ 175,547,038	$ 76,859,122
TOTAL ASSETS	$ 232,347,119	$ 20,059,042	$ 175,547,038	$ 76,859,122
LIABILITIES				
Deposit held in trust for others	$ 232,347,119	$ 20,059,042	$ 175,547,038	$ 76,859,122
TOTAL LIABILITIES	$ 232,347,119	$ 20,059,042	$ 175,547,038	$ 76,859,122
Department of Transportation Refunding Revenue Bonds, Series 2008				
Fund 326				
ASSETS				
Cash and investments	$ 3,334,907	$ 35,513,856	$ 35,192,127	$ 3,656,637
TOTAL ASSETS	$ 3,334,907	$ 35,513,856	$ 35,192,127	$ 3,656,637
LIABILITIES				
Deposit held in trust for others	$ 3,334,907	$ 35,513,856	$ 35,192,127	$ 3,656,637
TOTAL LIABILITIES	$ 3,334,907	$ 35,513,856	$ 35,192,127	$ 3,656,637

The accompanying notes are an integral part of the 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 the 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 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.

The Authority is a governmental entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39. 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 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 Standards 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.

- **Basis of Presentation**

The accounts of the Authority are organized on the basis of programs and activities, each of which is considered a separate accounting entity. The operations of each project are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, expenditures or expenses and other financing sources or uses.

All of the Authority's activities are reported as an enterprise fund as defined by GASB Statement No. 34. Enterprise funds are used for activities for which a fee is charged to external users for goods and services. Financial reporting for enterprise funds conforms to accounting principles generally applicable to the transactions of similar commercial enterprises and utilizes the full accrual method of accounting.

The following describes the nature of the projects and programs maintained by the Authority:

Public Project Revolving Fund – Accounts for the proceeds from bonds, the debt service requirements of the bonds, the related loans to public entities and the governmental gross receipts tax (GGRT) which is the primary funding source of this program.

Drinking Water State Revolving Loan Program – Accounts for activities of a loan program which provides low cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and public health. This program is primarily funded through a federal capitalization grant which the State of New Mexico is required to match the federal grant by 20%.

Water Projects Program – Accounts for the activities related to administration of a financing program to provide for water use efficiency, resource conservation and protection and fair distribution and allocation of water. The Program provides grant and interest free loans to support the water projects.

Local Government Transportation Program – Accounts for activities to provide funding for 116 legislatively authorized local government transportation projects. The funding for this Program is made up of a $25 million appropriation from the State's General Fund and up to $150 million in proceeds realized from the issuance and sale of severance tax bonds.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

- **Basis of Presentation** (continued)

Local Transportation Infrastructure Program – Accounts for activities for local government road and transportation projects which are not eligible for federal funding and funding for which have not been bet by the existing Local Government Road Fund. The Program provides for grants and low-cost financial assistance for these local governments transportation projects.

Economic Development Program – Accounts for activities for the Statewide Economic Development Finance Act (SWEDFA). This program provides comprehensive financing tools to stimulate economic development projects statewide.

New Markets Tax Credit Program – Accounts for the activities of the Authority as the managing partner in Finance New Mexico LLC, a subsidiary for-profit company which received an allocation of federal tax credits under the New Markets Tax Credit Program. This Program was created to account for costs associated with the application process and other start-up costs as well as management activities undertaken by the Authority, as managing partner of this for-profit company.

Child Care Revolving Loan Program – Partners the Authority with Children, Youth and Families Department to provide low cost financing to licensed child care providers to fund improvements to their facilities.

Behavioral Health Cigarette Tax Revenue Bond Program – Provides low cost capital to behavioral health clinics in rural and underserved areas of the state. The Program provides low cost funding through a revolving loan to non-profit behavioral health care providers.

Primary Care Capital Program – A revolving fund which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provides for a 20 percent annual loan forgiveness if the borrower agrees to a contract-for-services to provide medical care free or at reduced prices to sick and indigent clients.

Water and Wastewater Project Grant Program – Accounts for activities for providing grant funding for water and wastewater system projects authorized by legislation.

Local Government Planning Grant Program – program to make grants to qualified entities on a per project basis for water and wastewater related studies, long term water management plans and economic development plans.

State Office Building Financing Program – Provides for the financing of state office building projects consisting of acquisition, construction, equipping and otherwise improving land and buildings for the General Services Department of the State of New Mexico. The funding for this program is provided by $6.36 million annual appropriation from the State Gross Receipts Tax.

State Capital Improvement Financing Program – Accounts for the issuance of revenue bonds the proceeds of which were used to finance capital improvements to a state facility located adjacent to the State Capitol. The financing is secured by distributions by the State Treasurer of income from the land grant fund to the capitol buildings improvement repair fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Basis of Presentation - Fund Accounting** (continued)

UNM Health Sciences Program – Accounts for the financing of several capital projects for UNM Health Sciences Center. The Authority issued bonds, secured by authorized distributions of cigarette excise taxes, 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.

Workers Compensation Financing Program – Accounts for the issuance of revenue bonds used to finance the planning, designing, constructing, equipping and furnishing of a state office building for the Workers' Compensation Administration. The bonds are secured by the first 10% of workers' compensation fee assessments received by the State. Any excess revenues received after all current obligations and sinking fund requirements are transferred to Workers' Compensation Administration.

Equipment Loan Program – Accounts for the Pooled Equipment Certificates of Participation issued by the Authority to assist local government entities in the financing and purchase of equipment. The loans for these financings are the only sources of repayments for these Certificates of Participation ("COPS") and are secured by various local government revenues which are directly intercepted from the State of New Mexico.

- **Basis of Accounting and Measurement Focus**

The basis of accounting for the programs administered by the Authority is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Authority's funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these programs are included in the Statements of Net Assets.

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 programs. 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 program. All other revenues are recognized when received as they 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.

- **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

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 Sheets because their use is limited by applicable bond covenants or legislation.

- **Cash and Cash Equivalents and Restricted Cash**

Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, Wells Fargo Bank and with the Bank of New York Mellon acting as bond trustee. Cash in the various programs on deposit with the State Treasurer is invested by the New Mexico State Treasurer in a pooled investment program which is a AAA-rated money market mutual fund.

Deposits with Wells Fargo Bank are collateralized at 50% with U.S. Treasury or "full faith and credit" U.S. Agency securities as required New Mexico law.

The restricted cash includes the following: Debt service and bond reserve accounts are used to report resources held by trustee and set aside for future debt service payments. A 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.

For purposes of the Statements of Cash Flows, the Authority considers all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

- **Accounts Receivable**

Accounts receivable consists of payments due from the governments, administrative fees due from projects, and other miscellaneous receivables arising from the normal course of operations. A reserve for uncollectible accounts is established based on management's estimates.

- **Loans Receivable**

Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. As of June 30, 2009, there were no reserves for loan losses. Loans that become past due as to principal and interest are evaluated for collectability. Generally, loans are not placed on non-accrual status because they are insured or otherwise guaranteed.

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, 2009 and 2008, the allowance for loan losses was $1,687,083 and $1,067,970, respectively.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

- **Intergovernmental Receivables**

Intergovernmental receivables consist of amounts due from the state based on legislated appropriation of specified taxes for repayment of certain bonds issued by the Authority on behalf of state entities. The related statute directs the Authority to issue bonds and make proceeds available to specified state entities to fund various projects. The statute appropriates a portion of existing taxes or fees to fund the payment of the related bonds.

- **Capital Assets**

Capital assets are recorded at historical cost and depreciated over their estimated useful lives. 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.

- **Bond Discounts, Premiums, Issuance Costs, and Deferred Costs**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs.

- **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)

- **Undisbursed Loan Proceeds**

Undisbursed loan proceeds represent loan proceeds held by the Trustee which are awaiting disbursement to the loan applicant. Funds are not automatically disbursed in their entirety when a loan closes. Proceeds are disbursed as the related project costs are incurred. The accounts, in the majority, represent the loans against the PPRF program and funds held by the Trustee.

- **Debt Service Payable**

Debt service amounts payable represent the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loan payments semi-annually; therefore, any payments received prior to being applied to the loan are held in an account which earns interest and the interest is credited to the entity. These funds are held by the Trustee, and in accounts at the State Treasurer's office.

- **Net Assets**

The 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 assets not otherwise classified as invested in capital assets or restricted assets.

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

- **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)

- **Interprogram and Interagency Transactions**

Interprogram and interagency transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a program for expenses initially incurred by it that are properly applicable to another program are recorded as expenses in the reimbursing program and as reductions of expenses in the program that is reimbursed. All other interprogram transactions are reported as transfers. Non-recurring or non-routine transfers of net assets as restricted net asset transfers. All other transfers are recorded as operating transfers to other state agency under the other financial services category.

- **Reclassifications**

Certain reclassifications have been made to the prior year's financial statements to conform with the current year presentation.

- **New Accounting Pronouncements**

The Authority has adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49). The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Once any one of five specified obligating events occurs, a government is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

Obligating events include: 1) the government is compelled to take pollution remediation action because of imminent endangerment; 2) the government violates a pollution prevention-related permit or license; 3) the government is named or will be named as a responsibility party for remediation or for sharing costs; 4) the government is named or will be named in a lawsuit to compel participating in pollution remediation; and 5) the government commences or legally obligates itself to commence pollution remediation.

For fiscal year 2009, the Authority has not encountered any obligating events which would result in an accrued liability or capitalized asset.

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

The following is a reconciliation of cash and cash equivalents to the financial statements.

	2009	2008
State Treasurer Local Government Investment Pool	$139,875,817	$147,117,448
The Primary Care Capital Fund held at the State Treasurer's Office	1,660,605	545,566
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts	98,589,410	21,600,027
Bank of Albuquerque trust accounts	236,140,975	246,849,598
Reserve on Bond Payable held in Bank of America	279,359	279,359
Wells Fargo operating accounts	7,974,376	1,100,832
Cash held at The Reserve Primary money market fund	1,255,507	82,453,794
Total	$485,776,049	$499,946,624

Cash and cash equivalents are reflected in the Statement of Net Assets as follows:

	2009	2008
Cash and cash equivalents	$111,877,869	$ 88,756,143
Restricted cash	373,898,180	411,190,481
Total	$485,776,049	$499,946,624

The Authority's State Treasurer funds are contained in the New Mexico*GROW* Local Government Investment Pool, a Securities and Exchange Commission registered money market fund rated AAAm by Standard & Poor's, and at June 30, 2009, are valued at $139,875,817 with a 43-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. All are fully collateralized and the collateral is held in the Authority's name.

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.

2. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE (CONTINUED)

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.

3. LOANS RECEIVABLE

Loans receivable balances consist of the following at June 30:

Program	Length of Loan (Years)	Rates	As Restated 2008	Additions	Payments	2009
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,001,094,696	$ 121,621,170	$ 70,807,461	$ 1,051,908,405
Drinking Water State Revolving Loans	5 to 30	0% to 3%	30,907,764	22,139,294	1,198,908	51,848,151
Primary Care Capital Fund Loans	10 to 20	3%	7,176,671	-	1,082,260	6,094,411
Water Projects Fund Loan Grants	10 to 20	0%	316,651	2,230,910	276,653	2,270,908
Smart Money Participation Loans	3 to 20	2% to 5%	1,825,254	222,447	68,272	1,979,429
Behavioral Health Care Loan	15	3%	369,692	-	32,237	337,455
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	-	480,000	8,491	471,509
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	411,000	-	62,000	349,000
Child Care Revolving Loans	15	3%	-	36,466	-	36,466
		Subtotals	1,042,101,728	146,730,287	73,536,282	1,115,295,733
		Less: Allowance for loan losses	(1,067,970)	(619,113)	-	(1,687,083)
		Totals	$ 1,041,033,758	$ 146,111,174	$ 73,536,282	$ 1,113,608,650

3. LOANS RECEIVABLE (CONTINUED)

The following is a summary of the future loan payments to be collected on the loan repayment schedules as of June 30, 2009.

Totals – Loans Receivable, Net of Allowance

Fiscal year ending June 30:	Principal	Interest	Total
2010	$ 64,956,975	$ 43,178,849	$ 108,135,824
2011	64,722,920	41,372,393	106,095,313
2012	68,553,397	39,194,305	107,747,701
2013	70,690,235	36,901,922	107,592,156
2014	68,659,368	34,421,506	103,080,875
2015 - 2019	318,381,024	134,671,432	453,052,456
2020 - 2024	243,121,069	77,730,493	320,851,562
2025 - 2029	128,514,983	35,381,667	163,896,651
2030 - 2034	62,570,310	14,884,810	77,455,120
2035 - 2039	25,125,451	2,677,015	27,802,466
Subtotals	1,115,295,733	$ 460,414,392	$ 1,575,710,126
Less: Allowance for loan losses	(1,687,083)		
Loans receivable, net	$ 1,113,608,650		

4. INTERGOVERNMENTAL RECEIVABLES

The Authority has agreements with various state entities relating to the issuance of bonds. Pursuant to the underlying legislation and resolutions, the bond proceeds financed various State projects. Pursuant to the legislation, the debt service on these bonds is payable solely from revenues from the State and State entities. Intergovernmental receivables represent amounts due to the Authority under these agreements.

4. INTERGOVERNMENTAL RECEIVABLES (CONTINUED)

At June 30, 2009, the intergovernmental receivables are comprised of the following:

State Entity	Revenue Pledge	Rates	Terms	2009	As Restated 2008
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.0%	June 1, 2025	$ 49,030,000	$ 51,015,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.875% to 5.0%	June 1, 2025	23,630,000	23,630,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.0%	June 1, 2036	47,430,000	48,115,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.0%	April 1, 2019	19,855,000	22,460,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	April 1, 2019	7,758,087	8,460,000
Worker's Compensation Adminstration	Worker's Compensation administrative fee	5.35% to 5.60%	September 1, 2016	2,315,000	2,540,000
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	3.875% to 5.0%	June 1, 2025	4,775,000	5,385,000
				$ 154,793,087	$ 161,605,000

The following is a summary of the future loan payments to be collected on the intergovernmental receivables as of June 30, 2009.

Fiscal year ending June 30:	Principal	Interest	Total
2010	$ 6,950,562	$ 7,497,080	$ 14,447,642
2011	7,031,285	7,190,853	14,222,138
2012	7,065,435	6,875,931	13,941,366
2013	7,191,962	6,550,955	13,742,917
2014	7,420,628	6,191,610	13,612,238
2015 - 2019	37,223,215	25,554,111	62,777,326
2020 - 2024	42,425,000	16,227,813	58,652,813
2025 - 2029	18,780,000	7,193,463	25,973,463
2030 - 2034	14,030,000	3,844,000	17,874,000
2035 - 2036	6,675,000	504,750	7,179,750
Intergovernmental receivables	$ 154,793,087	$ 87,630,564	$ 242,423,651

5. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2008	Additions	Adjustments/ Deletion	Balance June 30, 2009
Depreciable assets:				
Furniture and fixtures	$ 198,802	$ -	$ -	$ 198,802
Computer hardware and software	533,537	32,757	-	566,294
Machinery and equipment	48,490	-	-	48,490
Leasehold improvement	49,117	-	-	49,117
	829,946	32,757	-	862,703
Accumulated depreciation:				
Furniture and fixtures	(108,581)	(51,152)	-	(159,733)
Computer hardware and software	(290,073)	(136,647)	-	(426,720)
Machinery and equipment	(26,826)	(12,638)	-	(39,464)
Leasehold improvement	(26,482)	(12,476)	-	(38,958)
	(451,962)	(212,913)	-	(664,875)
Net total	$ 377,984	$ (180,156)	$ -	$ 197,828

	Balance June 30, 2007	Additions	Adjustments/ Deletion	Balance June 30, 2008
Depreciable assets:				
Furniture and fixtures	$ 198,802	$ -	$ -	$ 198,802
Computer hardware and software	508,076	25,461	-	533,537
Machinery and equipment	40,250	8,240	-	48,490
Leasehold improvement	49,117	-	-	49,117
	796,245	33,701	-	829,946
Accumulated depreciation:				
Furniture and fixtures	(84,643)	(23,938)	-	(108,581)
Computer hardware and software	(231,796)	(58,277)	-	(290,073)
Machinery and equipment	(20,933)	(5,893)	-	(26,826)
Leasehold improvement	(21,103)	(5,379)	-	(26,482)
	(358,475)	(93,487)	-	(451,962)
Net total	$ 437,770	$ (59,786)	$ -	$ 377,984

6. BONDS PAYABLE

Bonds have been issued to provide financing for various Authority programs and are collateralized as follows:

- 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 Authority.
- Amounts held in the Agreement Reserve Accounts.
- Additional pledged loans.
- Revenues received by the Authority from the allocation of the Authority's portion of the Governmental Gross Receipts tax.
- Revenues pledged through legislation as security for the payment of principal and interest on bonds. These revenues include Cigarette Excise Tax, State Gross Receipts Tax, Worker's Compensation Fees and Income from Land Grant Permanent Fund.

Bonds payable consist of the following at June 30:

Bond Series	Rate	Maturities	2009	2008
Public Project Revolving Fund Revenue Bonds – Senior Lien				
1999 A	4.45% to 4.75%	June 1, 2010 to June 1, 2018	$ 5,475,000	$ 6,255,000
1999 B	4.60% to 5.00%	June 1, 2010 to June 1, 2018	945,000	1,075,000
1999 C	6.05% to 6.60%	June 1, 2010 to June 1, 2018	420,000	550,000
1999 D	6.25% to 6.80%	June 1, 2010 to June 1, 2018	1,740,000	1,880,000
2000 A	4.20% to 5.00%	(matured in August 2008)	-	200,000
2000 B	4.20% to 5.00%	(matured in June 2009)	-	360,000
2000 C	4.20% to 5.00%	(matured in June 2009)	-	835,000
2002 A	4.20% to 5.00%	June 1, 2010 to June 1, 2023	16,345,000	19,975,000
2003A	3.20% to 4.75%	June 1, 2010 to June 1, 2032	20,326,000	21,959,000
2003 B	4.25% to 5.00%	June 1, 2010 to June 1, 2021	17,145,000	19,340,000
2004 A-1	2.60% to 4.63%	June 1, 2010 to June 1, 2031	17,090,000	19,360,000
2004 A-2	4.13% to 5.88%	June 1, 2010 to June 1, 2027	12,485,000	12,905,000
2004 B-1	5.00% to 5.38%	June 1, 2010 to June 1, 2033	33,345,000	36,770,000
2004 B-2	4.57% to 6.00%	June 1, 2010 to June 1, 2018	1,020,000	1,105,000
2004 C	3.25% to 5.25%	June 1, 2010 to June 1, 2024	139,140,000	146,170,000
2005 A	4.00% to 4.25%	June 1, 2010 to June 1, 2025	13,505,000	15,145,000
2005 B	3.25% to 4.25%	June 1, 2010 to June 1, 2020	12,145,000	12,665,000
2006 B	4.00% to 5.00%	June 1, 2010 to June 1, 2036	35,050,000	36,410,000
2006 D	4.25% to 5.00%	June 1, 2010 to June 1, 2036	50,885,000	51,785,000
2007 E	4.00% to 5.00%	June 1, 2010 to June 1, 2032	56,395,000	60,960,000
2008 A	3.00% to 5.00%	June 1, 2010 to June 1, 2038	153,720,000	157,615,000
2008 B	4.00% to 5.25%	June 1, 2010 to June 1, 2035	34,535,000	-
2008 C	3.25% to 6.00%	June 1, 2010 to June 1, 2033	28,620,000	-
2009 A	2.00% to 5.00%	June 1, 2010 to June 1, 2038	18,435,000	-
2009 B	2.50% to 5.50%	June 1, 2010 to June 1, 2039	30,225,000	-
			698,991,100	623,319,000

6. BONDS PAYABLE (CONTINUED)

Bond Series	Rate	Maturities	2009	2008
Public Project Revolving Fund Revenue Bonds – Subordinate Lien				
2005 C	3.50% to 5.00%	June 15, 2010 to June 15, 2025	$ 49,030,000	$ 50,395,000
2005 D	4.38%	(matured in June 2009)	-	620,000
2005 E	3.88% to 5.00%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	3.75% to 5.00%	June 15, 2010 to June 15, 2025	20,095,000	21,035,000
2006 A	4.00% to 5.00%	June 15, 2010 to June 15, 2035	48,180,000	49,090,000
2006 C	4.00% to 5.00%	June 15, 2010 to June 15, 2026	35,760,000	37,485,000
2007 A	4.00% to 5.00%	June 15, 2010 to June 15, 2027	30,440,000	32,295,000
2007 B	4.00% to 5.00%	June 15, 2010 to June 15, 2034	34,175,000	37,490,000
2007 C	4.25% to 5.25%	June 15, 2010 to June 15, 2027	125,045,000	129,360,000
			366,355,000	361,400,000
	Subtotals – PPRF Bonds		1,065,346,000	1,004,719,000
Pooled Equipment Certificates of Participation (COPS)				
1995 A	6.30% to 6.30%	Oct. 1, 2010 to Oct. 1 , 2015	172,000	191,000
1996 A	5.80% to 5.80%	April 1, 2010 to April 1, 2016	51,000	57,000
1996 B	5.90% to 5.90%	April 1, 2010 to April 1, 2012	126,000	163,000
		Subtotals	349,000	411,000
Worker's Compensation Administration Building Revenue Bonds				
1996	5.45% to 5.60%	Sept. 1, 2010 to Sept. 1, 2016	2,315,000	2,540,000
State Capitol Building Improvement Revenue Bonds				
1999	7.00%	Sept. 15, 2009 to Mar 15, 2015	4,775,000	5,385,000
Cigarette Tax Revenue Bonds – UNM Health Sciences Center Project				
2004 A	3.00% to 5.00%	April 1, 2010 to April 1, 2019	19,855,000	22,460,000
Cigarette Tax Revenue Bonds – UNM Health Sciences Center Project				
2004 B	Variable Rate	(Matured in November 2008)	-	8,460,000
Cigarette Tax Revenue Bonds – Behavioral Health Projects				
2006	5.51%	May 1, 2010 to May 1, 2026	2,125,000	2,250,000
	Total bonds outstanding		1,094,765,000	1,046,225,000
	Add: Net unamortized premium		39,917,386	41,039,870
	Less: Deferred charge on refundings		(1,728,238)	(2,327,578)
	Total bonds payable, net		1,132,954,148	1,084,937,292
	Less: Current portion of bonds payable		(57,878,000)	(62,119,000)
	Noncurrent portion of bonds payable		$ 1,075,076,148	$ 1,022,818,292

6. BONDS PAYABLE (CONTINUED)

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2010	$ 57,878,000	$ 52,447,922	$ 110,325,922
2011	57,458,000	50,174,558	107,632,558
2012	62,635,000	47,669,720	110,304,720
2013	64,997,000	44,885,305	109,882,305
2014	63,944,000	41,882,714	105,826,714
2015 – 2019	304,800,000	164,502,534	469,302,534
2020 – 2024	251,801,000	95,164,226	346,965,226
2025 – 2029	129,012,000	41,911,718	170,923,718
2030 – 2034	72,375,000	18,395,493	90,770,494
2035 – 2039	29,865,000	3,220,375	33,085,375
	1,094,765,000	$ 560,254,565	$1,655,019,566
Add: Unamortized premium	39,917,386		
Less: Deferred charge on refunding	(1,728,238)		
Bonds payable, net	$ 1,132,954,148		

The bonds payable activity for the years ending June 30, 2009 and 2008 was as follows:

	2009				
	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$1,046,225,000	$114,335,000	$ (65,795,000)	$1,094,765,000	$ 57,870,000
Add: Unamortized premium	41,039,870	1,128,896	(2,251,380)	39,917,386	-
Less: Deferred charge on refunding	(2,327,578)	-	599,340	(1,728,238)	-
Total	$1,084,937,292	$115,463,896	$ (67,447,040)	$1,132,954,148	$ 57,878,000

	2008			
	Beginning Balance	Additions	Decreases	Ending Balance
Bonds payable	$ 696,861,000	$ 391,245,000	$ (41,881,000)	$1,046,225,000
Add: Unamortized premium	32,085,054	11,027,107	(2,072,291)	41,039,870
Less: Deferred charge on refunding	(3,065,686)	-	738,108	(2,327,578)
Total	$ 725,880,368	$ 402,272,107	$ (43,215,183)	$1,084,937,292

6. BONDS PAYABLE (CONTINUED)

The Authority enters into swap agreements as agent for the state agencies to which the bonds relate. In all swap agreements, the Authority receives a variable interest rate payment based on an index, and makes a fixed rate payment. This arrangement has the effect of converting the variable rate bonds to fixed rate. As agent, no amounts with respect to swap transactions are included in the Authority's financial statements.

7. DEBT SERVICE PAYABLE

Debt service payable represents the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loans payments semi-annually, therefore, any payments received prior to being applied to the loan is held in an account which earns interest and the interest is credited to the entity. These funds are held by the trustee, and in accounts at the State Treasurer's office. The balance of debt service payable was $66,071,327 and $61,634,993 at June 30, 2009 and 2008, respectively.

8. LINE OF CREDIT

The Authority maintains a credit facility with the Bank of America for the PPRF which provides for a borrowing limit of up to $75,000,000. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issue. Interest is due monthly on the outstanding balance, and accrues at 65% of U.S. dollar monthly LIBOR plus 90 basis points. The Authority pays a 20 basis point fee on the unused portion of the facility. No balances were outstanding under the line of credit at June 30, 2009 and 2008.

9. OPERATING LEASE COMMITMENT

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are considered to be operating leases. Lease expenditures for the years ended June 30, 2009 and 2008 were $330,506 and $316,000, respectively.

Future minimum lease payments for these leases are as follows:

Years ending June 30:	
2010	$ 460,218
2011	377,480
2012	378,055
2013	368,897
2014	376,274
2015	254,172
Total	$ 1,832,986

10. RETIREMENT PLANS

The Authority's 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 an additional, 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 over five years. The contributions are invested in various mutual funds selected by the employee. The Authority's contributions for this retirement plan were $417,088 and $361,328 for the years ended June 30, 2009 and 2008, respectively. Substantially all full time employees participate in this plan.

The Authority maintains 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 years ended June 30, 2009 and 2008 were $43,823 and $14,106, respectively.

11. COMPENSATED ABSENCES

The following changes occurred in the compensated absences liabilities:

Balance July 1, 2007	$ 192,088
Additions	214,584
Deletions	(206,434)
Balance, June 30, 2008	200,238
Additions	219,655
Deletions	(193,063)
Balance June 30, 2009	$ 226,830

The portion of compensated absences due after one year is not material and, therefore, not presented separately

12. AGENCY TRANSACTIONS

The Authority was authorized in 2003 to issue $1.585 billion of bonds as agent for the New Mexico Department of Transportation (NMDOT). To date, $1.150 billion has been issued. Of the total issued to date, $420 million is variable rate debt with associated interest rate exchange agreements. The remainder is fixed-rate debt.

Debt service for the bonds is payable solely from certain revenues of the Department of Transportation. In the opinion of legal counsel, there is no claim that could be asserted against the Authority's assets for payment of debt service on the bonds. These bonds are not reflected in the Authority's financial statements. The Authority receives an annual fee from the Department of Transportation of 12.5 basis points of the outstanding bonds for management of the bond issues. The bonds were issued by the Authority as agent for the NMDOT. The bonds are liabilities of NMDOT, not the Authority.

13. LOSS ON INVESTMENTS

During fiscal 2009, the Authority invested a portion of its cash in the Reserve Primary Fund, a money market mutual fund. In September 2009, the fund disclosed that it anticipated that shareholders would experience a loss on their investment resulting from the bankruptcy filing of Lehman Bros. in whose bonds the fund had invested a portion of its cash. On the date of the Lehman Bros. bankruptcy filing, the Authority had an investment balance of $71.2 million in the fund. The Authority also had an investment totaling $27.9 million in a money market mutual fund managed by the New Mexico State Treasurer that also had an investment in the Reserve Primary fund.

The fund is still in the liquidation process and it is not certain how much the Authority will ultimately recover. Based on distributions from the fund received thorough June 30, 2009, a loss of $8.2 million was recorded in the Statement of Revenues, Expenses, and Changes in Net Assets.

14. CONTINGENCIES

Litigation

As a result of the normal course of operations, the Authority currently is involved in certain litigation and arbitration. This litigation involves former employee complaints, union matters, tenant matters and subcontractor claims. Management and legal counsel believe the outcome of any current litigation will not have a materially adverse impact on the financial position of the Authority.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the State of New Mexico self-insurance program (Risk Management Program). Under this program, the Authority pays an annual premium to the State for the following types of insurance coverage:

- Workers Compensation insurance
- General Liability insurance
- Civil Rights
- Blanket Property insurance
- Boiler and Machinery insurance
- Auto physical Damage insurance
- Crime insurance

The Authority also carries a commercial insurance policy to cover losses to which it may be exposed as it related to the office lease property.

During the year, there were no significant reductions in commercial insurance coverage. For the past five years, no insurance settlements exceeded commercial insurance coverage.

15. RELATED PARTY

The Authority has issued bonds or purchased securities for several other state entities to finance the construction of certain capital projects. Representatives of two of these entities (the Secretary of the Department of Finance and Administration and the Secretary of the Department of Energy, Minerals and Natural Resources) are members of the Authority's board of directors. To date, these transactions have totaled $171,058,619.

16. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT OF 2008 FINANCIAL STATEMENTS

Prior to the fiscal year ended June 30, 2009, the Authority classified its various programs as either governmental or enterprise funds. During fiscal 2009, management determined that none of the funds previously classified as governmental were consistent with the GASB 34 definition of governmental funds, but were, in fact, enterprise funds. The primary factors considered in reaching this judgment were:

- None of the funds account for any tax revenues, as the Authority has no taxing authority. Governmental funds are used to account for tax supported (governmental) activities.
- All of the Authority's funds charge fees to other parties for services rendered by the respective programs, the primary distinguishing characteristic of "enterprise" funds.
- The "Funds" are actually various projects and as such can be treated under one fund.

Based on this determination, the accompanying financial statements, including the previously issued fiscal 2008 statements, have been prepared to reflect all of the Authority's programs as an enterprise fund. The current year presentation is comparable to the entity-wide financial statements as originally issued as of and for the year ended June 30, 2008.

In revising the financial statements, certain errors were noted that have also been corrected in this restatement. The table below reflects the corrections made and the basis for the presentation in the 2009 financial statements:

	Increase (Decrease) Net Assets
Disposition of refunding escrow balances related to defeased bonds reported as assets in error	$ (82,337,416)
Intergovernmental receivables not previously recorded	168,165,000
Defeased bonds payable and related accrued interest recorded as liabilities in error	84,345,119
Write-off of unamortized deferred issuance costs related to defeased bonds	(1,264,976)
Increase as of July 1, 2007	168,907,727
FY 2008 revenues originally reported as appropriation revenue restated as reductions to intergovernmental receivables	(6,560,000)
FY 2008 other revenues and expenses removed to reflect defeased bonds payable	25,975
Net change at June 30, 2008	$ 162,373,702

17. SUBSEQUENT EVENTS

The following is summary of loans and bonds that have closed since the Statement of Net Assets date as of June 30, 2009:

- Closed 65 loans totaling $176,841,281 in the Public Project Revolving Fund program.
- Issued three Public Project Revolving Fund Revenue Bonds totaling $143,380,000.
- Closed on two loans for the Drinking Water State Revolving Fund totaling $1,151,400.
- Closed 18 additional loans for Drinking Water State Revolving Fund under the American Reinvestment and Recovery Act of 2009 totaling $16,949,682.
- Closed 14 loan/grant projects totaling $16,661,012 out of the Water Projects Fund.
- Closed one loan for the Smart Money loan participation program totaling $1,650,000.
- Closed one loan for $100,000 for the Behavioral Health Capital Fund program.

18. NEW ACCOUNTING PRONOUNCEMENTS

The Authority is in the process of assessing the impact on its financial position or results of operations of implementing GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 54., *Fund Balance Reporting and Governmental Fund Type Definitions*. Both statements will be effective for the Authority in fiscal year 2010. GASB No. 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental 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 Series 2010A Bonds, copies of the Indenture will be available at the principal office of the Representative. Subsequent to the offering of the Series 2010A 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 2009E Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Seventy-Third 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 2010A Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2009E Bonds and otherwise exercise ownership rights with respect to Series 2010A 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 Series 2010A 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 2010A 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 Pledged 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 2010A Bonds, each June 1 and December 1, commencing June 1, 2010.

“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 2010A 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 2010A 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 2010A Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2010A 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.

“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 2010A 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 2010A 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 2010A Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2010A-1, in an initial aggregate principal amount of $15,170,000 and Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2010A-2 (Federally Taxable Issuer Subsidy—Build America Bonds), in an initial aggregate principal amount of $13,795,000.

"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 The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, 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."

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.

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.

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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 2010A 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. The State's population has grown at an annual rate of 1.08% from 2000 through 2008 and is forecasted to grow annually at 1.63% through 2035.

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
1999-2008

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
1999	1,808,082	279,040,168	0.8%	1.2%
2000	1,820,704	282,171,936	0.7	1.1
2001	1,828,330	285,039,803	0.4	1.0
2002	1,848,986	287,726,647	1.1	0.9
2003	1,867,909	290,210,914	1.0	0.9
2004	1,889,266	292,892,127	1.1	0.9
2005	1,912,884	295,560,549	1.3	0.9
2006	1,937,916	298,362,973	1.3	0.9
2007	1,964,402	301,290,332	1.4	1.0
2008	1,984,356	304,059,724	1.0	0.9

(Source: Population Division, U.S. Census Bureau, December 2009.)

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 1999-2008.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Growth 2007-2008	Growth 1999-2008
Total employment	942,689	964,673	968,929	979,946	999,286	1,023,303	1,046,746	1,076,098	1,100,456	1,117,433	1.54%	18.54%
Wage and salary employment	765,161	781,167	791,927	800,588	812,914	829,861	845,127	868,119	878,315	881,422	0.35	15.19
Proprietors employment	177,528	183,506	177,002	179,358	186,372	193,442	201,619	207,979	222,141	236,011	6.24	32.94
Farm proprietors employment	15,428	15,227	17,825	14,530	16,045	15,632	15,588	15,255	18,183	17,855	(1.80)	15.73
Nonfarm proprietors employment	162,100	168,279	159,277	164,828	170,327	177,810	186,031	192,724	203,958	218,156	6.96	34.58
Farm employment	22,120	21,910	24,355	20,845	22,838	22,619	23,262	22,829	25,794	24,532	(4.89)	10.90
Nonfarm employment	920,569	942,763	944,574	959,101	976,448	1,000,684	1,023,484	1,053,269	1,074,662	1,092,901	1.70	18.72
Private employment	721,909	740,439	739,416	750,194	762,831	783,120	804,332	838,993	864,806	880,216	1.78	21.93
Forestry, fishing, related activities(1)	5,900	5,489	5,163	5,096	4,979	5,181	5,239	5,136	5,167	5,410	4.70	(8.31)
Mining(2)	17,252	19,016	19,612	17,957	18,576	19,245	21,171	23,726	24,865	27,555	10.82	59.72
Utilities	4,224	4,303	4,249	4,078	4,114	4,040	4,075	4,121	4,450	4,532	1.84	7.29
Construction(3)	59,814	60,690	63,293	61,864	64,135	68,382	73,978	79,826	80,573	79,641	(1.16)	33.15
Manufacturing	46,176	46,979	45,621	43,908	41,544	40,542	41,106	42,710	42,732	41,611	2.62	(9.89)
Durable goods manufacturing(4)	33,799	33,699	32,327	30,838	28,715	27,857	28,451	29,821	29,714	28,521	(4.01)	(15.16)
Nondurable goods manufacturing(5)	12,917	13,280	13,294	13,070	12,829	12,685	12,655	12,889	13,018	13,090	0.55	1.34
Wholesale trade	27,390	28,526	27,801	27,232	26,633	27,285	28,377	29,288	29,116	29,399	0.97	7.33
Retail trade(6)	112,089	113,080	110,010	111,167	112,445	114,169	116,097	116,750	118,932	119,843	0.77	6.92
Transportation and warehousing(7)	24,282	24,905	23,977	24,229	24,158	24,961	25,321	25,953	27,443	27,691	0.90	14.04
Information(8)	17,276	18,033	19,438	18,578	17,927	17,163	17,299	18,445	18,863	18,936	0.39	9.61
Finance and insurance(9)	32,034	31,613	30,848	31,251	31,544	31,769	32,039	32,172	33,567	34,575	3.00	7.93
Real estate and rental and leasing(10)	27,951	29,635	29,363	30,229	31,922	34,715	38,209	40,313	42,303	45,629	7.86	63.25
Professional, scientific and technical services	57,079	59,258	59,391	59,834	62,534	65,461	66,337	73,827	81,492	83,672	2.68	46.59
Management of companies and enterprises	5,906	5,810	6,049	6,129	5,440	5,354	6,354	6,425	6,084	5,663	(6.92)	(4.11)
Administrative and waste services(11)	47,958	51,414	53,226	54,229	53,292	54,598	55,224	58,489	60,352	60,954	1.00	27.10
Educational services	11,083	11,703	11,853	12,765	13,932	14,888	15,384	15,919	16,072	16,762	4.29	51.24
Health care and social assistance(12)	84,849	88,903	87,694	94,469	99,899	103,691	105,151	108,016	111,576	115,883	3.86	36.58
Arts, entertainment and recreation(13)	19,125	19,382	18,646	19,994	20,376	20,987	21,463	21,795	22,867	23,887	4.46	24.90
Accommodation and food services(14)	72,511	73,897	76,263	77,972	79,682	80,465	81,343	84,403	85,211	84,138	(1.26)	16.03
Other services, except public administration(15)	48,370	47,803	46,919	49,213	49,699	50,224	50,665	51,679	53,141	54,435	2.44	12.54
Government and government enterprises(16)	198,660	202,324	205,158	208,907	213,617	217,564	218,652	214,276	209,856	212,685	1.35	7.06

(1) The “Forestry, fishing, related activities, and other” category includes: forestry and logging; fishing, hunting and trapping; agriculture and other forestry support activities.
(2) The “Mining” category includes: oil and gas extraction; mining (except oil and gas); and support activities for mining.
(3) The “Construction” category includes: construction of buildings; heavy and civil engineering construction; and specialty trade contractors.
(4) The “Durable good manufacturing” category includes: wood product manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment and appliance manufacturing; motor vehicles, bodies and trailers, and parts manufacturing; other transportation equipment manufacturing; furniture and related product manufacturing; and miscellaneous manufacturing.
(5) The “Nondurable goods manufacturing” category includes: food manufacturing; beverage and tobacco product manufacturing; textile mills; textile product mills; apparel manufacturing; leather and allied product manufacturing; paper manufacturing; printing and related support activities; petroleum and coal products manufacturing; chemical manufacturing; and plastics and rubber products manufacturing.
(6) The “Retail trade” category includes: motor vehicle and parts dealers; furniture and home furnishings stores; electronics and appliance stores; building material and garden supply stores; food and beverage stores; health and personal care stores; gasoline stations; clothing and clothing accessories stores; sporting goods, hobby, book and music stores; general merchandise stores; miscellaneous store retailers; and nonstore retailers.
(7) The “Transportation and warehousing” category includes: air transportation; rail transportation; water transportation; truck transportation; transit and ground passenger transportation; pipeline transportation; scenic and sightseeing transportation; support activities for transportation; couriers and messengers; and warehousing and storage.
(8) The “Information” category includes: publishing industries, except Internet; motion picture and sound recording industries; broadcasting, except Internet; Internet publishing and broadcasting; telecommunications; ISPs, search portals and data processing; and other information services.
(9) The “Finance and insurance” category includes: monetary authorities-central bank; credit intermediation and related activities; securities, commodity contracts, investments; insurance carriers and related activities; and funds, trusts and other financial vehicles.
(10) The “Real estate and rental and leasing” category includes: real estate; rental and leasing services; and lessors of nonfinancial intangible assets.
(11) The “Administrative and waste services” category includes: administrative and support services; and waste management and remediation services.
(12) The “Health care and social assistance” category includes: ambulatory health care services; hospitals; nursing and residential care facilities; and social assistance.
(13) The “Arts, entertainment and recreation” category includes: performing arts and spectator sports; museums, historical sites, zoos and parks; and amusement, gambling and recreation.
(14) The “Accommodation and food services” category includes: accommodation; and food services and drinking places.
(15) The “Other services, except public administration” category includes: repair and maintenance; personal and laundry services; membership associations and organizations; and private households.
(16) The “Government and government enterprises” category includes: federal, civilian; military; state and local; and state government and local government.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, December 2009.)

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
1999-2008

	Civilian Labor Force (Thousands)		Number of Employed (Thousands)		Unemployment Rate		
Year	New Mexico[1][2]	United States[1][2]	New Mexico[1][2]	United States[1][2]	New Mexico[1][2]	United States[1][2]	N.M. as % of U.S. Rate
1999	824	139,368	778	133,488	5.6%	4.2%	338%
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	888	146,510	836	137,736	5.9	6.0	98
2004	902	147,401	850	139,252	5.8	5.5	105
2005	918	149,320	870	141,730	5.2	5.1	102
2006	935	151,428	896	144,427	4.2	4.6	91
2007	946	153,124	912	146,047	3.5	4.6	76
2008	959	154,287	919	145,362	4.2	5.8	72

(1) Annual Averages. Estimates made in accordance with the U.S. Department of Labor.
(2) Details may not add to total because of rounding.
(Source: New Mexico Department of Workforce Solutions, Economic Research and Analysis Bureau, December 2009.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1999-2008

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
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	53,382,823	10,252,973,000	7.2	5.6
2006	56,870,351	10,978,053,000	6.5	7.1
2007	60,318,370	11,634,322,000	6.1	6.0
2008	63,679,909	12,086,533,576	5.6	3.9

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, December 2009.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
1999-2008

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	N.M.	U.S.
1999	21,461	28,333	76%	1.9%	3.9%
2000	22,752	30,318	75	6.0	7.0
2001	24,796	31,149	80	9.0	2.7
2002	25,063	31,470	80	1.1	1.0
2003	25,773	32,284	80	2.8	2.6
2004	27,300	33,899	81	5.9	5.0
2005	28,931	35,447	81	6.0	4.6
2006	30,587	37,728	81	5.7	6.4
2007	32,163	39,430	82	5.2	4.5
2008	33,430	40,208	83	3.9	2.0

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis, December 2009; Bureau of Business and Economic Research, University of New Mexico, December 2009.)

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WAGES AND SALARIES BY INDUSTRY SECTOR

2001-2008

NAICS Earnings by Place of Work[(1)] Applicable to 2001-2008	New Mexico (Dollars in Thousands)				United States (Dollars in Millions)				Average Annual Percent Change 2001 - 2008		Distribution of 2008 Wages & Salaries	
	2008	2006	2004	2001	2008	2006	2004	2001	N.M.	U.S.	N.M.	U.S.
Farm Wage and Salary	208,698	219,765	189,172	176,815	20,721	20,005	19,109	17,926	18.00%	15.60%	0.20%	0.10%
Non-farm Wage and Salary	33,715,775	30,600,701	26,823,358	23,103,525	6,517,283	6,040,256	5,400,450	4,930,431	45.90	82.20	36.50	35.30
Private Wage and Salary	24,772,013	22,112,414	18,663,773	16,369,207	5,390,379	5,019,888	4,461,334	4,118,734	51.30	30.90	26.80	29.20
Forestry, Fishing, related activities, and other	59,740	58,724	53,726	48,420	12,923	11,993	10,812	9,711	23.40	33.10	0.10	0.10
Mining	1,434,355	1,147,049	787,524	737,368	62,230	47,867	34,856	32,011	94.50	94.40	1.60	0.30
Utilities	312,639	252,398	230,790	231,264	47,830	43,604	40,997	39,738	35.10	20.40	0.30	0.30
Construction	2,445,910	2,177,434	1,675,345	1,491,651	367,928	356,600	297,819	272,368	64.00	35.10	2.60	2.00
Manufacturing	1,708,923	1,688,940	1,476,915	1,576,829	741,831	738,484	693,091	712,816	8.40	4.10	1.80	4.00
Wholesale Trade	1,168,804	1,065,049	912,422	844,202	376,738	349,619	307,255	284,855	38.50	32.30	1.30	2.00
Retail Trade	2,501,968	2,359,401	2,176,025	1,928,437	417,338	408,360	380,491	354,110	29.70	17.90	2.70	2.30
Transportation and Warehousing	920,813	848,719	765,595	651,117	206,312	194,358	176,600	167,414	41.40	23.20	1.00	1.10
Information	681,221	619,675	534,061	573,774	215,134	204,231	192,338	209,312	18.70	2.80	0.70	1.20
Finance and Insurance	1,136,957	1,092,655	973,134	838,215	518,740	491,249	423,149	375,169	35.60	38.30	1.20	2.80
Real Estate and Rental and Leasing	367,554	354,529	294,687	245,480	95,738	95,016	81,648	70,280	49.70	36.20	0.40	0.50
Professional, Scientific, and Technical Services	3,805,813	3,135,727	2,386,588	1,987,406	595,728	519,853	437,091	412,697	91.50	43.40	4.10	3.20
Management of Companies and Enterprises	301,575	306,808	247,768	247,738	182,857	163,809	140,555	119,725	21.70	52.70	0.30	1.00
Administrative and Waste Services	1,460,751	1,326,078	1,147,985	1,002,275	266,043	248,521	217,562	192,949	45.70	37.90	1.60	1.40
Educational Services	322,727	272,132	247,916	185,864	109,293	94,694	84,982	69,003	73.60	58.40	0.30	0.60
Health Care and Social Assistance	3,629,952	3,165,313	2,757,001	2,073,310	677,182	598,933	531,725	438,217	75.10	54.50	3.90	3.70
Arts, Entertainment, and Recreation	196,907	172,465	152,909	132,041	71,203	65,582	57,472	50,672	49.10	40.50	0.20	0.40
Accommodations and Food Services	1,305,144	1,181,837	1,050,152	907,708	218,869	199,725	178,357	157,160	43.80	39.30	1.40	1.20
Other Services, Except Public Administration	1,010,260	887,481	802,190	666,108	206,462	187,390	174,534	150,572	51.70	37.10	1.10	1.10
Government and Government Enterprises	8,943,762	8,488,287	8,168,625	6,734,318	1,126,904	1,020,368	939,116	811,697	32.80	38.80	9.70	6.10
Total	92,412,261	83,533,581	72,517,661	62,753,072	18,445,666	17,120,405	15,281,343	13,997,567			10.000%	100.00%

(1) The estimates of wage and salary disbursements for 2001-2006 are based on the 2002 North American Industry Classification System (NAICS). The estimates for 2007 forward are based on the 2007 NAICS.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, December 2009.)

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

The New York Mellon Trust Company, N.A.
Global Corporate Trust
1775 Sherman Street, Suite 2775
Denver, Colorado 80203

Re: New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2010A-1 and Taxable Series 2010A-2

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, Tax-Exempt Series 2010A-1 in the aggregate principal amount of $__________ (the "Series 2010A-1 Bonds") and its Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2010A-2 (the "Series 2010A-2 Bonds" and together with the Series 2010A-1 Bonds, the "Series 2010A Bonds") in the aggregate principal amount of $___________. The Series 2010A Bonds are being issued for the purpose of (i) originating loans to or purchasing securities from or reimbursing the NMFA for moneys used to originate loans to or purchase securities from certain governmental units ("Governmental Units") that will be or were used to finance certain Projects for such Governmental Units ("Loans"); (ii) retiring a borrowing of the NMFA incurred in anticipation of the issuance of the Series 2010A Bonds; and (iii) paying costs incurred in connection with the issuance of the Series 2010A 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 2010A 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"), by and between Sunwest Bank, National Association, Albuquerque, New Mexico, as the predecessor Trustee, and as further supplemented by a Seventy-Sixth Supplemental Indenture of Trust dated as of May 1, 2010 (together with the General Indenture, the "Indenture"), by and between the NMFA and The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as trustee (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 of New Mexico (the "State"), duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 2010A 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 2010A 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 2010A 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 2010A-1 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. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on or ownership of the Series 2010A-1 Bonds.

5. The interest on the Series 2010A-2 Bonds is not excludable from gross income for federal income tax purposes under Section 103(a) of the Code. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest or ownership of the Series 2010A-2 Bonds.

6. The interest on the Series 2010A Bonds is exempt from State personal income taxes.

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

(a) the rights of the holders of the Series 2010A 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 2010A Bonds or any other offering material relating to the Series 2010A 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 and they should not 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 and the Underwriters believe to be reliable, but the NMFA and the Underwriters take 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 2010A Bonds, payment of principal, premium, if any, interest on the Series 2010A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2010A 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 2010A Bonds. The Series 2010A 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 2010A Bond certificate will be issued for each maturity of the Series 2010A Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

<u>DTC and its Participants</u>. 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 2010A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010A 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 2010A 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 2010A Bonds, except in the event that use of the book-entry system for the Series 2010A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010A 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 2010A 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 2010A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2010A 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 2010A Bonds.

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

APPENDIX F

2010A GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS

2010A Governmental Units

As previously stated, a portion of the proceeds of the Series 2010A Bonds is being used to originate Loans to be made to the 2010A Governmental Units. The 2010A 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
General Services Department	$1,015,000	–	6/1/2039
Dexter Consolidated Schools	700,000	–	8/1/2022
Hagerman Municipal Schools	400,000	–	8/1/2019
Lincoln County	203,000	–	5/1/2020
Tucumcari Municipal Schools	900,000	–	8/1/2022
Village of Melrose	340,025	–	5/1/2020
City of Raton	1,122,725	$102,407	5/1/2029
City of Raton	4,619,684	429,766	5/1/2029
Village of Ruidoso	1,537,768	115,041	5/1/2029
Union County	2,260,338	168,906	5/1/2029
Cuba Independent Schools	475,000	–	8/1/2021
Truth or Consequences Municipal Schools	1,500,000	–	8/1/2023
Rio Arriba County	1,540,000	–	5/1/2015
Town of Clayton	1,274,166	78,070	5/1/2034
Village of Los Lunas	144,597	14,459	5/1/2015
Town of Mountainair	206,819	–	5/1/2020
Otero County	144,130	–	5/1/2020
City of Truth or Consequences	2,046,949	150,632	5/1/2030
Town of Taos	2,213,469	180,756	5/1/2025
Colfax County	223,300	–	5/1/2022
Colfax County	406,000	–	5/1/2020
Village of House	213,150	–	5/1/2020
Texico Municipal Schools	900,000	–	8/1/2022
Village of Angel Fire	417,975	41,797	5/1/2019
City of Rio Rancho	337,259	–	5/1/2020
Taos Soil & Water Conservation District	369,399	36,940	5/1/2019
Grant County	504,891	–	5/1/2025
Grant County	149,343	13,078	5/1/2025
Cuba Soil & Water Conservation District	949,145	65,420	5/1/2029
Lordsburg Municipal Schools	1,500,000	–	10/1/2021
Village of Angel Fire	923,091	63,557	5/1/2034
Union County	134,995	–	5/1/2015
Union County	147,358	–	5/1/2015
Village of Angel Fire	1,118,245	76,994	5/1/2027
Socorro Consolidated Schools	1,500,000	–	8/1/2020
TOTAL	$32,437,821		

(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.

(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, 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 current outstanding principal amount of the ABCWUA Loan Agreements is $101,020,000.

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 $94,947,282 and are scheduled to mature on June 1, 2038.

New Mexico Spaceport Authority. The NMFA issued a series of bonds for the purpose of purchasing securities from the New Mexico Spaceport Authority (the "Spaceport Authority Securities"), the proceeds from which are being used to finance the costs of planning, designing, engineering and constructing a regional spaceport. The Spaceport Authority Securities are payable from and secured by a portion of the county regional spaceport gross receipts tax revenues received by the New Mexico Spaceport Regional District from gross receipts taxes imposed by Dona Aña and Sierra Counties which are pledged by the Spaceport Authority to pay the Spaceport Authority Securities. The Spaceport Authority Securities are currently outstanding in the aggregate principal amount of $55,810,000 and are scheduled to mature on June 1, 2029.

City of Santa Fe. The NMFA has entered into various obligations with the City of Santa Fe (the "Santa Fe Obligations"). The proceeds of the Santa Fe Obligations were used to finance the costs of various projects in the City of Santa Fe including infrastructure improvements for Santa Fe's Railyard Redevelopment Project and the Santa Fe Community Convention Center and the acquisition of the College of Santa Fe. The Santa Fe Obligations are payable from and secured by a portion of the gross receipts tax revenues received by Santa Fe. The outstanding balance of the Santa Fe Obligations totals $39,306,384. The last of the Santa Fe Obligations is scheduled to expire on June 1, 2037.

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 $34,974,477. 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 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 on June 1, 2038.

Special Consideration Concerning an Action Involving Previously Executed Loan Agreements

The NMFA has partially funded two loans (the "Angel Fire Loans") to the Angel Fire Public Improvement District (the "Angel Fire District"). Proceeds from the Angel Fire Loans are being applied to finance infrastructure improvements within the Angel Fire District. If the Angel Fire Loans are entirely funded, the Angel Fire Loans will be outstanding in the aggregate principal amount of $26.25 million and will be scheduled to mature in August 2038.

An action was filed against the Angel Fire District, and others, including the NMFA, which challenged the creation of the Angel Fire District (the "Angel Fire Litigation"). If the Angel Fire Litigation is decided in favor of the petitioners, the Angel Fire District would not be considered to be properly created and any actions taken by the Angel Fire District, including the Angel Fire Loans, could be declared void and unenforceable. A declaration that the Angel Fire Loans are void and unenforceable could mean that the NMFA would lose a source of Agreement Pledged Revenues that are pledged to the payment of the Bonds. The amount of Agreement Pledged Revenues expected to be received pursuant to the Angel Fire Loans averages approximately $1,740,000 per year. See "ESTIMATED REVENUES, ANNUAL DEBT SERVICE REQUIREMENTS, AND PROJECTED COVERAGE RATIOS," herein to gain an understanding of the impact of such revenue stream on the estimated coverage ratios.

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New Mexico FINANCE AUTHORITY

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NEW ISSUE – BOOK-ENTRY ONLY

Ratings: S & P "AA+"
Moody's "Aa1"
(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 2010B-1 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. In the opinion of Bond Counsel, under current law, interest on the Series 2010B-2 Bonds is includable in gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that interest on the Series 2010B 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

$38,610,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS,
TAX-EXEMPT SERIES 2010B-1

$17,600,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS,
TAXABLE SERIES 2010B-2

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

The New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2010B-1 and Taxable Series 2010B-2 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 2010B Bonds through its nominee, Cede & Co. One fully-registered bond in a denomination equal to the principal amount of each maturity of each series of the Series 2010B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2010B Bonds will be made in book-entry form only, and beneficial owners of the Series 2010B 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 2010B Bonds.

The Series 2010B Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2010B Bonds accrues from the date of initial delivery of the Series 2010B Bonds and is payable on June 1 and December 1 of each year, commencing December 1, 2010. Principal of the Series 2010B 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 2010B Bonds are subject to redemption prior to maturity.

Proceeds of the Series 2010B Bonds will be used by the NMFA for the purposes of (i) originating loans to or purchasing securities from 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 2010B Bonds. The principal of and premium, if any, and interest on the Series 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 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 Lovells US LLP, Denver, Colorado. Western Financial Group, LLC has acted as financial advisor to the NMFA in connection with the issuance of Series 2010B Bonds. It is expected that a single certificate for each maturity of each series of the Series 2010B Bonds will be delivered to DTC or its agent on or about August 12, 2010.

RBC Capital Markets

Piper Jaffray & Co. **Morgan Stanley**

This Official Statement is dated July 22, 2010 and the information contained herein speaks only as of that date.

NEW MEXICO FINANCE AUTHORITY

$38,610,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
TAX-EXEMPT SERIES 2010B-1

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2011	$1,530,000	2.000%	0.340%	64711N LU7
2012	2,815,000	2.000	0.590	64711N LV5
2013	2,835,000	2.000	0.860	64711N LW3
2014	2,980,000	1.875	1.180	64711N LX1
2015	2,415,000	2.500	1.630	64711N LY9
2016	2,240,000	2.500	2.000	64711N LZ6
2017	530,000	5.000	2.270	64711N MM4
2017	1,725,000	2.750	2.270	64711N MA0
2018	650,000	4.000	2.480	64711N MN2
2018	1,665,000	3.000	2.480	64711N MB8
2019	1,170,000	5.000	2.660	64711N MQ5
2019	1,255,000	3.000	2.660	64711N MC6
2020	1,410,000	5.000	2.840	64711N MR3
2020	1,040,000	3.000	2.840	64711N MD4
2021	2,490,000	4.000	3.060 c	64711N ME2
2022	2,595,000	4.000	3.190 c	64711N MF9
2023	2,000,000	5.000	3.310 c	64711N MS1
2023	150,000	4.000	3.310 c	64711N MG7
2024	1,255,000	4.000	3.430 c	64711N MH5
2025	810,000	4.000	3.540 c	64711N MJ1
2026	1,335,000	5.000	3.640 c	64711N MK8
2027	1,335,000	5.000	3.740 c	64711N ML6

$1,650,000 4.000% Term Bond Due June 1, 2030; Price 99.318%; CUSIP 64711N MP7

$730,000 4.200% Term Bond Due June 1, 2035; Price 99.232%; CUSIP 64711N MU6

c Priced to call on June 1, 2020.

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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 2010B Bonds. Neither the NMFA, the Trustee nor the Underwriters are responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2010B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2010B 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.

$17,600,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
TAXABLE SERIES 2010B-2

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2013	$155,000	2.236%	2.236%	64711N MV4
2014	160,000	2.785	2.785	64711N MW2
2015	165,000	3.135	3.135	64711N MX0
2016	170,000	3.715	3.715	64711N MY8
2017	175,000	4.015	4.015	64711N MZ5
2018	185,000	4.346	4.346	64711N NA9
2019	190,000	4.546	4.546	64711N NB7
2020	200,000	4.646	4.646	64711N NC5
2021	210,000	4.746	4.746	64711N ND3

$4,415,000 5.496% Term Bond Due June 1, 2025; Price 100.00%; CUSIP 64711N NH4

$7,425,000 6.080% Term Bond Due June 1, 2030; Price 100.00%; CUSIP 64711N NN1

$4,150,000 6.230% Term Bond Due June 1, 2035; Price 100.00%; CUSIP 64711N NT8

† 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 2010B Bonds. Neither the NMFA, the Trustee nor the Underwriters are responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2010B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2010B 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.

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 2010B 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 2010B 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" and "ANNUAL DEBT SERVICE REQUIREMENTS." 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 or prices at which the Series 2010B Bonds are offered to the public may vary from the initial reoffering yields or prices shown 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 yields or prices of the Series 2010B 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 2010B Bonds.

THE SERIES 2010B 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 2010B 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[(1)]
William F. Fulginiti, Vice-Chairman
Ron Curry, Secretary
Craig Reeves, Treasurer
Rhonda G. Faught[(1)]
Paul Gutierrez
Steven K. Moise
Lonnie Marquez
Katherine B. Miller
Fred Mondragon
Jim Noel
Daniel P. Silva[(1)]

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 LLP
Salt Lake City, Utah

Trustee, Registrar and Paying Agent
The Bank of New York Mellon Trust Company, N.A.
Denver, Colorado

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(1) Messrs. Flance and Silva and Ms. Faught have been appointed by the Governor of the State and are awaiting confirmation by the New Mexico State Senate during its next regular legislative session that is scheduled to commence in January, 2011. See "NEW MEXICO FINANCE AUTHORITY—Governing Body and Key Staff Members" for a discussion of the effect of senate confirmation on their respective terms.

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

$38,610,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, TAX-EXEMPT SERIES 2010B-1	$17,600,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, TAXABLE SERIES 2010B-2

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page, and appendices, provides information in connection with the offer and sale of the $38,610,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2010B-1 (the "Series 2010B-1 Bonds") and the $17,600,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2010B-2 (the "Series 2010B-2 Bonds" and together with the Series 2010B-1 Bonds, the "Series 2010B Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2010B 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-Seventh Supplemental Indenture of Trust, dated as of August 1, 2010 (the "Seventy-Seventh Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the NMFA and The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as successor 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, 2009 included as APPENDIX A hereto, which are the most recent audited financial statements available at this time. See "FINANCIAL STATEMENTS" herein.

Authority and Purpose

The Series 2010B 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 2010B Bonds will be used by the NMFA for the purposes of (i) originating loans to or purchasing securities from 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 2010B Bonds. See "THE PLAN OF FINANCING" for more information with respect to the sources and uses of proceeds of the Series 2010B Bonds and "APPENDIX F" for a list of the Governmental Units and the amount of the Loans to be financed with the proceeds of the Series 2010B Bonds. Such Governmental Units whose Loans are being financed with proceeds of the Series 2010B Bonds are sometimes referred to herein as the "2010B Governmental Units."

Parity Obligations

Bonds with a lien on the Trust Estate on a parity with the lien of the Series 2010B 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 2010B Bonds

The Series 2010B Bonds will be dated the date of their initial delivery. Interest on the Series 2010B Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2010. The Series 2010B Bonds will mature on the dates and in the amounts and will bear interest at the rates shown on the inside front cover of this Official Statement. The Series 2010B 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 2010B 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 2010B 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 2010B Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2010B 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 2010B 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 2010B Bonds are subject to redemption prior to maturity. See "THE SERIES 2010B BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2010B 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 2010B 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 2010B 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 any separate accounts in the Debt Service Reserve Fund with respect to the Series 2010B 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 2010B 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 such 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 2010B Bond Owners that, so long as the Series 2010B 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 the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format prescribed by the MSRB and notice of certain material events to the MSRB in an electronic format prescribed by the MSRB in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). The provisions of the Continuing Disclosure Undertaking may be amended under certain circumstances. See "CONTINUING DISCLOSURE UNDERTAKING" herein.

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 2010B-1 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. In the opinion of Bond Counsel, under current law, interest on the Series 2010B-2 Bonds is includable in gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that interest on the Series 2010B 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 2010B 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 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 hereinafter defined Underwriters are being represented by their counsel Hogan Lovells US LLP, Denver, Colorado. 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 2010B Bonds. See "FINANCIAL ADVISOR."

The NMFA's audited financial statements for the fiscal year ended June 30, 2009, included in APPENDIX A, have been audited by Clifton Gunderson LLP, Certified Public Accountants, Albuquerque, New Mexico. See also "FINANCIAL STATEMENTS."

Offering, Sale and Delivery of the Series 2010B Bonds

The Series 2010B 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 2010B Bonds will be delivered to DTC or its agent on or about August 12, 2010. The Series 2010B Bonds will be distributed in the initial offering by RBC Capital Markets Corporation, Piper Jaffray & Co. and Morgan Stanley & Co. Incorporated (collectively, the "Underwriters") for which RBC Capital Markets Corporation 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 2010B Bonds.

THE SERIES 2010B BONDS

General

The Series 2010B Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2010B 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 December 1, 2010. The Series 2010B 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. The Series 2010B Bonds are issuable in denominations of $5,000 or integral multiples of $5,000 (the "Authorized Denominations").

Book-Entry Only System

DTC will act as securities depository for all of the Series 2010B 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 2010B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2010B Bonds will be made in book-entry only form, and beneficial owners of the Series 2010B 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 2010B 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 2010B Bonds maturing on or after June 1, 2021 are subject to optional redemption at any time on and after June 1, 2020, in whole or in part, in such order of maturity as may be selected by the NMFA and by lot within each maturity within each Series (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 2010B Bonds to be redeemed, but without premium.

Mandatory Sinking Fund Redemption – Series 2010B-1 Bonds. The Series 2010B-1 Bonds maturing on June 1, 2030 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 2010B-1 Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2028	$530,000
2029	550,000
2030†	570,000

† Final Maturity

If less than all of the Series 2010B-1 Bonds maturing on June 1, 2030 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 2010B-1 Bonds, in such order as may be directed by the NMFA.

The Series 2010B-1 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 2010B-1 Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2031	$105,000
2032	85,000
2033	90,000
2034	220,000
2035†	230,000

† Final Maturity

If less than all of the Series 2010B-1 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 2010B-1 Bonds, in such order as may be directed by the NMFA.

Mandatory Sinking Fund Redemption – Series 2010B-2 Bonds. The Series 2010B-2 Bonds maturing on June 1, 2025 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 2010B-2 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	$220,000
2023	815,000
2024	1,675,000
2025†	1,705,000

† Final Maturity

If less than all of the Series 2010B-2 Bonds 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 2010B-2 Bonds, in such order as may be directed by the NMFA.

The Series 2010B-2 Bonds maturing on June 1, 2030 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 2010B-2 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	$910,000
2027	945,000
2028	1,820,000
2029	1,855,000
2030†	1,895,000

† Final Maturity

If less than all of the Series 2010B-2 Bonds maturing on June 1, 2030, 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 2010B-2 Bonds, in such order as may be directed by the NMFA.

The Series 2010B-2 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 2010B-2 Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2031	$830,000
2032	830,000
2033	830,000
2034	830,000
2035†	830,000

† Final Maturity

If less than all of the Series 2010B-2 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 2010B-2 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 2010B Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2010B 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 2010B 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 2010B 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 2010B Governmental Units and the allocable portions of the Loans financed with the Series 2010B 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 2010-2011. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

Type of Revenue	FY 2010-2011 Amounts	% of Total Agreement Revenues
Enterprise System Revenues	$25,847,811	27.45%
Local Gross Receipts Tax	24,383,006	25.89
General Obligation (ad valorem taxes)	15,740,879	16.71
Local Special Tax	13,070,738	13.88
State Gross Receipts Tax	6,449,721	6.85
Fire Protection Funds	3,660,520	3.89
Governmental Gross Receipts Tax	2,616,792	2.78
Special Assessments	2,257,591	2.40
Mill Levy	115,421	0.12
Law Enforcement Protection Funds	29,767	0.03
Total	$94,172,246	100.00%

Note: Totals may not add due to rounding. Assumes that the Loans funded with proceeds of the Series 2010B Bonds are executed and delivered.
(Source: The NMFA.)

The following table lists the ten Governmental Units that have Agreements with the same revenue pledge from the respective Governmental Unit that, based on scheduled payments in fiscal year 2010-2011 and assuming no prepayments of any Agreements, are expected to generate the largest amount of Agreement Revenues in fiscal year 2010-2011. The Agreement Revenues generated from such Agreements account for 43.22% of projected Agreement Revenues for fiscal year 2010-2011.

AGREEMENTS EXPECTED TO GENERATE THE LARGEST AGREEMENT REVENUES[(1)]

Borrower	FY 2010-2011 Debt Service	% of Total Pledged Agreement Revenues[(1)]
Albuquerque Bernalillo Water Utility Authority (Enterprise System Revenues)	$10,790,991	11.46%
General Services Department (State Gross Receipts Taxes)	6,409,464	6.81
New Mexico Spaceport Authority (Gross Receipts Tax)	4,373,011	4.64
City of Albuquerque (Enterprise System Revenues)	4,331,122	4.60
City of Santa Fe (Gross Receipts Tax)	3,052,334	3.24
State Parks and Recreation Department (Governmental Gross Receipts Tax)	2,616,792	2.78
Department of Health (Cigarette Taxes)	2,354,724	2.50
New Mexico Highlands University (Enterprise System Revenues)[(2)]	2,352,930	2.50
Taos County (Gross Receipts Tax)	2,278,156	2.42
Gadsden Independent Schools (Ad Valorem Property Tax)	2,140,320	2.27
Total	$40,699,844	43.22%

(1) Reflects a percentage of total Agreement Revenues, and does not include the NMFA Portion of Governmental Gross Receipts Taxes.

(2) Any interest subsidy payments under the Federal interest subsidy programs which may be received by New Mexico Highlands University or any other Governmental Unit are not taken into account in evaluating revenues available to pay Loan payments pursuant to the respective Loans. See "APPENDIX F—2010B GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS—2010B Governmental Units—Special Considerations Relating to Loans Designated as "Build America Bonds" or "Recovery Zone Economic Development Bonds" below.

(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 the Governmental Units with the largest repayment obligations, See "APPENDIX F—2010B GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS."

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. See "APPENDIX F—2010B GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS."

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 2005-2006 through 2009-2010.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2005-2006 THROUGH 2009-2010

	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010
Total Net Receipts	$26,918,001	$27,936,430	$29,186,583	$29,370,303	$30,294,641
NMFA Portion of the Governmental Gross Receipts Tax	$19,689,576	$21,335,908	$21,431,489	$21,493,438	$23,053,051

(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 2005-2006 through 2007-2008. 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 2005-2006 THROUGH 2007-2008

Entity	Fiscal Year 2005-2006 % of Total Net Receipts	Fiscal Year 2006-2007 % of Total Net Receipts	Fiscal Year 2007-2008 % of Total Net Receipts
Albuquerque Bernalillo County Water Utility Authority	27.87%	18.68%	23.34
City of Albuquerque	8.18	8.28	8.48
City of Santa Fe	7.84	7.33	7.36
City of Las Cruces	5.17	5.03	4.92
University of New Mexico	4.45	4.47	4.14
City of Rio Rancho	3.79	4.17	4.50
City of Farmington	2.52	2.62	2.89
City of Roswell	2.15	2.06	1.99
County of Los Alamos	1.81	1.64	1.76
City of Carlsbad	1.75	1.71	1.62
Total	65.53%	55.99%	61.00%

(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 2010B 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.

Revenue Fund. During each Bond Fund Year, all Revenues constituting (i) receipts from the NMFA Portion of the Governmental Gross Receipts Tax, (ii) principal and interest payments from Additional Pledged Loans, and (iii) any Federally provided interest subsidies actually delivered to or for the account of the NMFA in relation to Bonds, including, but not limited to direct payments of the refundable interest credit (i.e., an interest subsidy) paid pursuant to Section 6431(b) of the Code in relation to "Build America Bonds" (as such term is defined in such section of the Code) are all 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.

No Debt Service Reserve Account. 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 any separate Accounts in the Debt Service Reserve Fund with respect to the Series 2010B 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 2010B Bonds. The NMFA covenants pursuant to the Seventy-Seventh 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 respective subseries of Series 2010B Bonds with debt service payable on the related subseries of Series 2010B Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the respective Series 2010B 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 the respective subseries of Series 2010B 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 or reimburse 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 the respective subseries of Series 2010B Bonds from which the Loan relating to the Prepayment was initially funded and which Series 2010B Bonds 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 SERIES 2010B BONDS—Redemption."

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 2010B Bonds of the respective Series relating to such Prepayment, in Authorized Denominations, to their first optional redemption date as described under the caption "THE SERIES 2010B BONDS—Redemption," 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 2010B 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. During the fiscal years indicated below, the NMFA has 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	32	10,223,706
2009-2010[(1)]	22	6,918,557

[(1)] Reflects Prepayments received as of July 15, 2010.
(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 2010B 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 other Additional Bonds are not known as of the date of this Official Statement.

No Obligations Senior to the Series 2010B Bonds

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 Outstanding Parity Bonds that were outstanding under the Indenture as of July 1, 2010:

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of July 1, 2010[2]
2002A	$55,610,000	$14,650,000
2003A	39,945,000	18,808,000
2003B	25,370,000	14,865,000
2004A-1	28,410,000	14,350,000
2004A-2	14,990,000	12,045,000
2004B-1	48,135,000	30,505,000
2004B-2	1,405,000	930,000
2004C	168,890,000	128,895,000
2005A	19,015,000	12,045,000
2005B	13,500,000	10,375,000
2006B	38,260,000	33,635,000
2006D	56,400,000	49,965,000
2007E	61,945,000	53,005,000
2008A	158,965,000	149,240,000
2008B	36,545,000	32,745,000
2008C	29,130,000	27,575,000
2009A	18,435,000	17,685,000
2009B	30,225,000	30,115,000
2009C	55,810,000	53,785,000
2009D-1	13,570,000	13,215,000
2009D-2	38,845,000	38,845,000
2009E	35,155,000	32,425,000
2010A-1	15,170,000	15,170,000
2010A-2	13,795,000	13,795,000
Total	$1,017,520,000	$818,668,000

(1) The official statements for the various Series of Outstanding Parity 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 that have Agreements with the same revenue pledge, based on scheduled payments in fiscal year 2009-2010 and assuming no prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2009-2010.

Outstanding Subordinate Lien Bonds

Pursuant to a Subordinated General Indenture of Trust and Pledge 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 that were outstanding as of July 1, 2010:

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of July 1, 2010[2]
2005C[3]	$50,395,000	$46,950,000
2005E	23,630,000	23,630,000
2005F	21,950,000	19,640,000
2006A	49,545,000	47,240,000
2006C	39,860,000	34,295,000
2007A	34,010,000	27,930,000
2007B	38,475,000	32,140,000
2007C	131,860,000	120,190,000
Total	$389,725,000	$352,015,000

(1) The official statements for the various series of Subordinate Lien Bonds are available at the Internet site http://www.munios.com.
(2) Bonds mature on June 15.
(3) The Series 2005C 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 Bonds have fluctuated.

(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 Subordinated Indenture from time to time to satisfy the financing needs of governmental entities in the State.

The Series 2010B 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 2010B Bonds will be used by the NMFA for the purpose of (i) originating loans to or purchasing securities from or reimbursing the NMFA for moneys used to originate Loans to or purchase securities from the 2010B Governmental Units that were used to finance certain projects for the 2010B Governmental Units, and (ii) paying costs incurred in connection with the issuance of the Series 2010B Bonds. See APPENDIX F for a list of the 2010B Governmental Units and the amount of the Loans expected to be financed with the respective Series of the Series 2010B Bonds.

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Estimated Sources and Uses of Funds

The following tables set forth the estimated sources and uses of funds in connection with the issuance of the Series 2010B Bonds.

TAX-EXEMPT SERIES 2010B-1 BONDS

Sources of Funds

Principal Amount	$38,610,000.00
Net Reoffering Premium	2,228,460.80
Total Sources	$40,838,460.80

Uses of Funds

Reimbursement of Loans[1]	$16,918,066.93
Deposit to Program Fund Accounts[2]	21,951,130.80
Agreement Reserve Accounts[3]	1,415,778.61
Costs of Issuance[4]	553,484.46
Total Uses	$40,838,460.80

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(1) Includes reimbursement of the PPRF of amounts used to make Loans to certain of the 2010B Governmental Units.

(2) Amounts in the Program Fund Accounts will be used to fund Loans to or purchase securities from certain of the 2010B Governmental Units at or about the same time as the issuance of the Series 2010B Bonds. See "APPENDIX F—2010B GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS."

(3) Represents amount set aside as a reserve for a particular Loan that is being funded with a portion of the proceeds of the Series 2010B-1 Bonds. Each reserve account only secures the particular Loan to which it relates and is not available to be drawn upon in connection with the Series 2010B Bonds.

(4) 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 2010B Bonds.

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TAXABLE SERIES 2010B-2 BONDS

Sources of Funds

Principal Amount	$17,600,000.00
NMFA Contribution	119,165.73
Total Sources	$17,719,165.73

Uses of Funds

Deposit to Program Fund Accounts(1)	$15,843,777.51
Agreement Reserve Accounts(2)	1,673,003.68
Costs of Issuance(3)	202,384.54
Total Uses	$17,719,165.73

(1) Amounts in the Program Fund Accounts will be used to fund Loans to or purchase securities from certain of the 2010B Governmental Units at or about the same time as the issuance of the Series 2010B Bonds. See "APPENDIX F—2010B GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS."

(2) Represents amount set aside as a reserve account for particular Loans that are being funded with a portion of the Series 2010B-2 Bonds. Each reserve account only secures the particular Loan to which it relates and is not available to be drawn upon in connection with the Series 2010B Bonds. See "APPENDIX F—2010B GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS—2010B Governmental Units."

(3) 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 2010B Bonds.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2010B Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

ANNUAL DEBT SERVICE FOR THE BONDS[1]

Fiscal Year	Series2010B-1Bonds Principal	Interest	Series2010B-2Bonds Principal	Interest	Outstanding Parity Bonds	Total Annual Debt Service
2011	$1,530,000	$1,032,170	–	$814,824	$86,754,037	$90,131,031
2012	2,815,000	1,255,148	–	1,015,006	87,771,153	92,856,306
2013	2,835,000	1,198,848	$155,000	1,015,006	85,394,336	90,598,189
2014	2,980,000	1,142,148	160,000	1,011,540	82,423,649	87,717,336
2015	2,415,000	1,086,273	165,000	1,007,084	81,319,524	85,992,880
2016	2,240,000	1,025,898	170,000	1,001,911	78,100,903	82,538,711
2017	2,255,000	969,898	175,000	995,596	67,215,202	71,610,695
2018	2,315,000	895,960	185,000	988,570	65,641,434	70,025,963
2019	2,425,000	820,010	190,000	980,529	62,679,968	67,095,508
2020	2,450,000	723,860	200,000	971,892	56,192,600	60,538,352
2021	2,490,000	622,160	210,000	962,600	53,978,685	58,263,445
2022	2,595,000	522,560	220,000	952,633	50,241,232	54,531,425
2023	2,150,000	418,760	815,000	940,542	45,578,240	49,902,543
2024	1,255,000	312,760	1,675,000	895,750	43,794,447	47,932,956
2025	810,000	262,560	1,705,000	803,692	38,823,074	42,404,326
2026	1,335,000	230,160	910,000	709,985	36,082,222	39,267,367
2027	1,335,000	163,410	945,000	654,657	34,858,077	37,956,144
2028	530,000	96,660	1,820,000	597,201	30,918,440	33,962,301
2029	550,000	75,460	1,855,000	486,545	26,453,203	29,420,208
2030	570,000	53,460	1,895,000	373,761	19,827,455	22,719,676
2031	105,000	30,660	830,000	258,545	19,635,395	20,859,600
2032	85,000	26,250	830,000	206,836	19,255,736	20,403,822
2033	90,000	22,680	830,000	155,127	17,232,692	18,330,499
2034	220,000	18,900	830,000	103,418	15,503,953	16,676,271
2035	230,000	9,660	830,000	51,709	13,932,922	15,054,291
2036	–	–	–	–	12,999,447	12,999,447
2037	–	–	–	–	3,572,565	3,572,565
2038	–	–	–	–	3,567,667	3,567,667
2039	–	–	–	–	1,799,273	1,799,273
Total	$38,610,000	$13,016,310	$17,600,000	$17,954,959	$1,241,547,530	$1,328,728,798

(1) Amounts may not total 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 2010B Bonds and all other outstanding Bonds and the resulting estimated annual coverage ratios. Revenues estimated for current and future fiscal years are based on fiscal year 2009-2010 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	NMFA Portion of Governmental Gross Receipts Tax[1]	Aggregate Pledged Borrower Payments[2][3]	Estimated Total Revenues[3]	Total Annual Debt Service Requirement	Estimated Annual Coverage Ratios[4]
2011	$23,053,051	$94,172,246	$117,225,297	$90,131,031	1.30x
2012	23,053,051	96,262,697	119,315,748	92,856,306	1.28x
2013	23,053,051	95,374,270	118,427,321	90,598,189	1.31x
2014	23,053,051	91,639,828	114,692,879	87,717,336	1.31x
2015	23,053,051	90,104,654	113,157,705	85,992,880	1.32x
2016	23,053,051	85,487,510	108,540,561	82,538,711	1.32x
2017	23,053,051	75,642,885	98,695,936	71,610,695	1.38x
2018	23,053,051	73,624,439	96,677,490	70,025,963	1.38x
2019	23,053,051	69,569,781	92,622,832	67,095,508	1.38x
2020	23,053,051	63,429,841	86,482,892	60,538,352	1.43x
2021	23,053,051	60,560,132	83,613,183	58,263,445	1.44x
2022	23,053,051	57,092,879	80,145,930	54,531,425	1.47x
2023	23,053,051	51,130,203	74,183,254	49,902,543	1.49x
2024	23,053,051	49,095,338	72,148,389	47,932,956	1.51x
2025	23,053,051	43,634,781	66,687,832	42,404,326	1.57x
2026	23,053,051	39,771,309	62,824,360	39,267,367	1.60x
2027	23,053,051	38,716,810	61,769,861	37,956,144	1.63x
2028	23,053,051	34,079,480	57,132,531	33,962,301	1.68x
2029	23,053,051	29,534,291	52,587,342	29,420,208	1.79x
2030	23,053,051	22,799,716	45,852,767	22,719,676	2.02x
2031	23,053,051	20,942,029	43,995,080	20,859,600	2.11x
2032	23,053,051	20,471,688	43,524,739	20,403,822	2.13x
2033	23,053,051	18,388,097	41,441,148	18,330,499	2.26x
2034	23,053,051	16,719,783	39,772,834	16,676,271	2.38x
2035	23,053,051	15,094,366	38,147,417	15,054,291	2.53x
2036	23,053,051	13,085,471	36,138,522	12,999,447	2.78x
2037	23,053,051	3,657,019	26,710,070	3,572,565	7.48x
2038	23,053,051	3,657,467	26,710,518	3,567,667	7.49x
2039	23,053,051	1,866,458	24,919,509	1,799,273	13.85x

(1) Reflects NMFA Portion of the Governmental Gross Receipts Tax collections from July 1, 2009 through June 30, 2010.
(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 2009-2010 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 39 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 with voting privileges include four cabinet-level secretaries, each of whom are appointed by the Governor and serve at the pleasure of the Governor (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 Paul Gutierrez; the Investment Committee, chaired by Rhonda G. Faught; and the Contracts Committee, chaired by Lonnie Marquez. 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
Ron Curry[(1)(2)] (Secretary)	Secretary, Environment Department, State of New Mexico	not applicable
Rhonda G. Faught[(2) (3)]	R. Faught & Associates, LLC, Former Secretary of the New Mexico Department of Transportation	01/01/12
Stephen R. Flance[(2) (3)] (Chairman)	Owner/CEO, The Flance Company Santa Fe, New Mexico	01/01/13
William F. Fulginiti[(1)] (Vice-Chairman)	Executive Director, New Mexico Municipal League	not applicable
Paul Gutierrez[(1)]	Executive Director, New Mexico Association of Counties	not applicable
Steven K. Moise[(1)(4)]	State Investment Officer, State Investment Council	not applicable
Lonnie Marquez[(2)]	Vice President for Administration and Finance, New Mexico Institute of Mining and Technology	01/01/12
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
Jim Noel[(1)]	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
Daniel P. Silva[(2) (3)]	Former State Representative, Restauranter Albuquerque, New Mexico	01/01/13

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(1) *Ex officio* member with voting privileges. An *ex officio* member may designate an alternate member. Alternate members may attend meetings and vote on all matters considered by the NMFA. *Ex officio* members that are cabinet secretaries are appointed to their cabinet positions by the Governor of the State and serve in those capacities at the pleasure of the Governor.

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

(3) Appointed by the Governor of the State, awaiting confirmation by the New Mexico State Senate during its next regular legislative session that is scheduled to commence in January, 2011, and will continue to serve until the expiration of such session if no confirmation is received. If the New Mexico State Senate confirms Messrs. Flance and Silva during its next session, the terms of such individuals will expire on January 1, 2013. If the Senate confirms Ms. Faught during its next session, her term will expire January 1, 2012.

(4) Appointed by the State Investment Council and serves at the pleasure of the State Investment Council.

Presented below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2010B 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.

Michael J. Zavelle, Chief of Investor Relations. Mr. Zavelle joined the NMFA in June 2009. Mr. Zavelle has an extensive and varied background in finance with public and private universities, a major cultural organization, and as a capital markets banker in Asia responsible for client relations and for loan and bond underwriting, syndication and private placement. He served as a VP/CFO for Fisk University, Brooklyn College/CUNY, and Baruch College/CUNY, as Vice Chancellor for Administration & Planning for City University of New York, as SVP and Chief Administrative Officer for The New York Public Library, and as a Managing Director with Chase Manhattan Asia Limited in Hong Kong and Tokyo. Mr. Zavelle has a Bachelor of Arts degree in Economics from Dartmouth College and a Master of Business Administration degree from Harvard University.

Marquita Russel, Chief of Programs. Ms. Russel joined the NMFA in September, 2000. Ms. Russel has approximately 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.

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.

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; public recreation facilities; public transportation systems; 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, 2010, the NMFA had made 881 PPRF loans totaling approximately $1.77 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 2010B 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 NMFA, urgent economic development projects, loan originations, or addressing other purposes as determined by the NMFA. As of June 30, 2010, the Contingent Liquidity Account was funded to an amount of approximately $43,893,000. Upon approval of the NMFA, the Contingent Liquidity Account may receive increases. 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 entered into an arrangement (the "Short-Term Borrowing") with Bank of America, N.A. (the "Short-term Lender") for the Short-term Lender to provide to the NMFA an amount up to $75,000,000 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 Borrowing is scheduled to expire on August 31, 2010. The Short-Term Borrowing is secured by proceeds of Bonds that are anticipated to be issued subsequent to the advances. The NMFA has entered into the Short-Term Borrowing to assist it with its cash flows. Such Short-Term Borrowing is 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 as of the date hereof.

Program	Project	Original Principal Amount	Outstanding as of July 1, 2010	Scheduled Final Maturity
Worker's Compensation	Administrative Building	$4,310,000	$2,080,000	9/1/2016
Cigarette Tax	University of New Mexico Health Sciences Building	39,035,000	17,405,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	2,000,000	5/1/2026
Transportation	Highways	700,000,000	700,000,000	6/15/2024
Transportation	Highways	182,315,000	129,195,000	6/15/2014
Transportation	Highways	150,000,000	150,000,000	12/15/2026
Transportation	Highways	40,085,000	30,000,000	12/15/2026
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	84,800,000	6/15/2024
Transportation	Highways	50,400,000	50,400,000	12/15/2026
Transportation	Highways	112,345,000	102,420,000	6/15/2017

(Source: The NMFA.)

During calendar year 2010, the NMFA plans to issue various series of bonds to refund certain of its transportation bonds. Such bonds will be payable from and secured by revenues from the New Mexico Department of Transportation and not from the Revenues pledged under the Indenture.

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 2010B Bonds, the execution, adoption or effectiveness of the Indenture or the levying or collecting of any Revenues the loss of which would materially adversely affect the ability of the NMFA to pay debt service on the Series 2010B Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2010B 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 2010B Bonds. See APPENDIX F for information concerning pending litigation to which the NMFA and one of the Governmental Units are parties.

UNDERWRITING

The Underwriters have agreed to purchase the Series 2010B Bonds from the NMFA pursuant to a Bond Purchase Agreement dated July 22, 2010 (the "Bond Purchase Agreement"), at a price of $40,626,757.54, with respect to the Series 2010B-1 Bonds (being the aggregate principal amount of the Series 2010B-1 Bonds plus a net reoffering premium of $2,228,460.80, and less an Underwriters' discount of $211,703.26) and $17,480,834.27, with respect to the Series 2010B-2 Bonds (being the aggregate principal amount of the Series 2010B-2 Bonds less an Underwriters' discount of $119,165.73). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2010B 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 yields or prices at which the Series 2010B Bonds are offered to the public may vary from the initial public offering yields or 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.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Series 2010B Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2010B Bonds.

Piper Jaffray & Co. ("Piper"), one of the Underwriters of the Series 2010B Bonds, has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Series 2010B Bonds, allocated to Piper at the original offering prices. Under the Distribution Agreement, Piper will share with AAM a portion of the fee or commission paid to Piper.

TAX MATTERS

Tax-Exempt Series 2010B-1 Bonds

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2010B-1 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 2010B-1 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2010B-1 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 2010B-1 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 2010B-1 Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2010B-1 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 2010B-1 Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code.

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 2010B-1 Bonds may affect the federal tax-exempt status of the interest on the Series 2010B-1 Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2010B-1 Bonds maturing on June 1 in the years 2030 and 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 2010B-1 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 2010B-1 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 2010B-1 Bonds maturing on June 1 in the years 2011 through 2027, 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 2010B-1 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 2010B-1 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 2010B-1 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 2010B-1 Bonds.

Prospective purchasers of the Series 2010B-1 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 2010B-1 Bonds may affect the tax status of interest on the Series 2010B-1 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 2010B-1 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 2010B-1 Bonds, or the interest thereon, if any action is taken with respect to the Series 2010B-1 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 2010B-1 Bonds is excluded from gross income for federal income tax purposes, a Series 2010B-1 Bondholder's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2010B-1 Bonds. The nature and extent of these other tax consequences will depend upon the Series 2010B-1 Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2010B-1 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 2010B-1 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 2010B-1 Bonds, (iii) interest on the Series 2010B-1 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 2010B-1 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 2010B-1 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 2010B-1 Bondholders regarding the tax-exempt status of the Series 2010B-1 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 2010B-1 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 2010B-1 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 2010B-1 Bonds, and may cause the NMFA, the Governmental Units or the Series 2010B-1 Bondholders to incur significant expense.

Bond Counsel is of the opinion that interest on the Series 2010B-1 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 2010B-1 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.

Taxable Series 2010B-2 Bonds

Series 2010B-2 Bonds as Taxable Bonds. The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2010B-2 Bonds by "U.S. Holders" as defined herein. The summary is based upon provisions of the Code, the regulations promulgated thereunder and rulings and court decisions now in effect, all of which are subject to change. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2010B-2 Bonds. This summary generally addresses Series 2010B-2 Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 2010B-2 Bonds as a hedge against currency risks or as a position in a straddle for tax purposes, foreign investors or persons whose functional currency is not the U.S. dollar. Potential purchasers of the Series 2010B-2 Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2010B-2 Bonds.

For purposes of this summary, a "U.S. Holder" means any beneficial owner of a Series 2010B-2 Bond that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to United Stated federal income taxation regardless of its source, or (iv) a trust the administration of which is subject to the primary jurisdiction of a United States court and which has one or more United States persons with authority to control all substantial decisions of the trust.

The Series 2010B-2 Bonds are taxable obligations for federal income tax purposes. The interest on the Series 2010B-2 Bonds is includible in gross income for federal income tax purposes. Purchasers other than those who purchase the Series 2010B-2 Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2010B-2 Bonds. Generally, the interest on the Series 2010B-2 Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to the holder of Series 2010B-2 Bonds at the time such interest is paid or accrued in accordance with the holder's regular method of tax accounting, and, after adjustment for the foregoing, the payment of principal with respect to Series 2010B-2 Bonds will be treated as a return of capital.

If a certificate holder purchases a Series 2010B-2 Bond for an amount that is less than the adjusted issue price of the Series 2010B-2 Bond, and such difference is not considered to be de minimis, then such discount will represent market discount. Absent an election to accrue market discount currently, upon a sale, exchange or other disposition of a Series 2010B-2 Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to purchase or carry a market discount bond is limited. Such certificate holders should consult their own tax advisors with respect to whether or not they should elect to accrue market discount currently, the determination and treatment of market discount for federal income tax purposes and the state and local tax consequences of owning such Series 2010B-2 Bonds.

If a holder purchases a Series 2010B-2 Bond at a cost greater than its then principal amount, generally the excess is amortizable bond premium. The tax accounting treatment of bond premium is complex. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Such holders should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code, the determination and treatment of such premium for federal income tax purposes and the state and local tax consequences of owning such Series 2010B-2 Bonds.

A holder's tax basis for a Series 2010B-2 Bond is the price such owner pays for the Series 2010B-2 Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than stated interest) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2010B-2 Bond, measured by the difference between the amount realized and the Series 2010B-2 Bond basis as so adjusted, will generally give rise to capital gain or loss if the Series 2010B-2 Bond is held as a capital asset (except market discount as discussed above), and will be long-term capital gain or loss if the holding period for the Series 2010B-2 Bond is greater than one year. Long-term capital gains are subject to reduced rates of federal income taxation for non-corporate holders. The deduction of capital losses may be subject to limitations. The legal defeasance of any Series 2010B-2 Bonds may result in a deemed sale or exchange of such Series 2010B-2 Bonds under certain circumstances; owners of such Series 2010B-2 Bond should consult their tax advisors as to the federal income tax consequences of such an event.

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the accrual of any original issue discount on Series 2010B-2 Bonds and the proceeds of the sale of Series 2010B-2 Bonds within the United States. Backup withholding may apply to holders of Series 2010B-2 Bonds under Section 3406 of the Code. A holder generally may avoid backup withholding by providing its taxpayer identification number and meeting certain other certification requirements. Amounts withheld under the backup withholding rules are not an additional tax, and may be allowed as a refund or a credit against such holder's United States federal income tax provides the required information is furnished to the Internal Revenue Service.

Circular 230 Disclosure. The above discussion relating to the Series 2010B-2 Bonds was written to support the promotion and marketing of the Series 2010B-2 Bonds and was not intended or written to be used, and cannot be used, by a taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Bond Counsel is of the opinion that interest on the Series 2010B-2 Bonds is exempt from State of New Mexico personal income taxes as described herein.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2010B 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 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 Lovells US LLP, Denver, Colorado. 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 2010B 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, 2009, included in APPENDIX A of this Official Statement, have been audited by Clifton Gunderson LLP, certified public accountants, Albuquerque, New Mexico, as set forth in their report thereon dated March 25, 2010. Such financial statements are the most recently audited financial statements available at this time. Clifton Gunderson LLP have not been asked to consent 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 2010B Bonds pursuant to which it will agree to provide the following information:

- to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB 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 2010B Bonds who requests such information):

    1. 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 2005-2006 Through 2009-2010" 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;

    2. 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 the MSRB, 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;

    3. 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 and audited financial statements as soon as such audited financial statements become available;

- in a timely manner to the MSRB in an electronic format prescribed by the MSRB, notice of a failure to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking;

- in a timely manner to the MSRB in an electronic format prescribed by the MSRB, notice of the occurrence of any of the following events (if applicable) with respect to the Series 2010B 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 2010B Bonds;

7. modification of rights of owners of the Series 2010B Bonds;

8. bond calls;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the Series 2010B 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 2010B 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 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 2010B 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 2010B Bonds.

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 2010B Bonds. See APPENDIX F for a discussion of Loans to Governmental Units with the largest outstanding principal loan balances.

The NMFA reports that, during the last five years, it has been in compliance in all material respects with each undertaking it has entered into pursuant to the Rule.

RATINGS

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service ("Moody's") have assigned ratings of "AA+" and "Aa1," respectively, to the Series 2010B Bonds. An explanation of the significance of such ratings may be obtained from S&P and Moody's, respectively.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Series 2010B 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 2010B Bonds may have an adverse effect on the market price of the Series 2010B Bonds. The Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Series 2010B Bonds any proposed revision or withdrawal of the ratings on the Series 2010B 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 2010B 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, including general economic conditions. 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 2010B 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 2010B 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, 2009

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NEW MEXICO FINANCE AUTHORITY
Santa Fe, New Mexico

Financial Statements
June 30, 2009 and 2008

NEW MEXICO FINANCE AUTHORITY

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NEW MEXICO FINANCE AUTHORITY

Official Roster

Year Ended June 30, 2009

Governing Board

Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Gary Bland, Member
Ron Curry, Member
Rhonda Faught, Member
Paul Gutierrez, Member
Lonnie Marquez, Member
Fred Mondragon, Member
Katherine Miller, Member
Joanna Prukop, Member
Craig Reeves, Member
Dan Silva, Member

Chief Executive Officer
William C. Sisneros

Chief Operating Officer
Jerome Trojan

Chief Financial Officer
John Duff

Independent Auditor's Report

Governing Board
New Mexico Finance Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying basic financial statements of the New Mexico Finance Authority (the Authority), a component unit of the State of New Mexico, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. The basic financial statements as of and for the year ended June 30, 2008 were audited by other auditors, whose report dated September 29, 2008, expressed an unqualified opinion on those statements. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 opinion.

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, 2009, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2009 and changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the Authority restated its prior year financial statements and changed its presentation for reporting certain funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

The Management's Discussion and Analysis, presented on pages 4 through 14, is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. 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 an opinion on the basic financial statements of the Authority taken as a whole. 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. 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.

Clifton Gunderson LLP

Baltimore, Maryland
March 25, 2010

This section of the New Mexico Finance Authority's (the "Authority") annual financial statements presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2009 and financial condition at that date. This section should be read together with the Authority's financial statements and accompanying notes.

The New Mexico Finance Authority

The Authority was created by the New Mexico State Legislature in 1992 to finance infrastructure projects for the state's counties and cities and certain departments of state government. The objective was to provide low-cost financing for borrowers who might not otherwise be able to access the tax-exempt bond market on a cost-effective basis. The 1992 statute created the Public Projects Revolving Fund ("PPRF") as the vehicle to accomplish this financing objective. As authorized by the statute, the Authority issues tax-exempt PPRF bonds to obtain the funds it loans to New Mexico governmental entities. The statute created the Governmental Gross Receipts tax as a source of funding for Authority operations and to serve as a credit enhancement for the Authority's bonds. Although the legislature has created additional program responsibilities for the Authority, the PPRF remains the core of its activities.

Overview of the Financial Statements

These annual financial statements consist of three parts:

1. Management's Discussion and Analysis (this section), including condensed, comparative financial statements.
2. The financial statements (Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows) and related notes.
3. Supplementary information.

Condensed Comparative Financial Statements

New Mexico Finance Authority
Combined Statements of Net Assets
As of June 30

	FY 2009	As Restated FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Cash and cash equivalents:					
Unrestricted	$ 111,877,869	$ 88,756,143	$ 23,934,228	27.0%	$ 70,167,367
Restricted	373,898,180	411,190,481	(37,292,301)	(9.1%)	200,975,188
Loans receivable, net of allowance	1,113,608,650	1,041,033,758	72,574,892	7.0%	698,598,236
Intergovernmental receivables	154,793,087	161,605,000	(6,811,913)	(4.2%)	168,165,000
Other accounts receivable	16,645,091	24,348,425	(7,703,334)	(31.6%)	19,171,584
Capital assets	197,828	377,984	(180,156)	(47.7%)	439,292
Other assets	11,679,176	12,125,477	(446,301)	(3.7%)	10,660,513
Total assets	**$ 1,782,699,881**	**$ 1,739,437,268**	**$ 44,075,115**	**2.5%**	**$ 1,168,177,180**
Current liabilities					
Bonds payable, current, net	$ 57,878,000	$ 62,119,000	$ (4,241,000)	(6.8%)	$ 35,584,000
Line of credit payable	-	-	-	0.0%	31,338,974
Undisbursed loan proceeds	182,920,935	197,721,699	(14,800,764)	(7.5%)	74,937,416
Borrowers' reserve deposits	66,071,327	61,634,993	4,436,334	7.2%	43,583,290
Accounts payable	1,556,821	1,579,139	(22,318)	(1.4%)	2,082,609
Other liabilities	5,054,229	5,034,419	19,810	0.4%	4,112,774
Total current liabilities	313,481,312	328,089,250	(14,607,938)	-4.5%	191,639,063
Noncurrent liabilities					
Bonds payable, noncurrent, net	1,075,076,148	1,022,818,292	52,257,856	5.1%	690,296,368
Total liabilities	**1,388,557,460**	**1,350,907,542**	**37,649,918**	**2.8%**	**881,935,431**
Net assets					
Invested in capital assets	197,828	377,984	(180,156)	(47.7%)	439,292
Restricted for debt service	8,962,319	9,921,093	(842,929)	(8.5%)	9,451,685
Restricted for program funds	274,378,249	289,676,812	6,513,913	2.2%	206,712,116
Unrestricted	110,604,025	88,553,837	121,867	0.1%	69,638,656
Total net assets	**394,142,421**	**388,529,726**	**5,612,695**	1.4%	**286,241,749**
Total liabilities and net assets	**$ 1,782,699,881**	**$ 1,739,437,268**	**$ 43,262,613**	**2.5%**	**$ 1,168,177,180**

New Mexico Finance Authority
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30

	FY 2009	As Restated FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Appropriation revenue	$ 52,379,731	$ 136,293,957	$ (83,914,226)	(61.6%)	$ 34,930,401
Grant revenue	36,494,181	27,209,672	9,284,509	34.1%	12,579,061
Administrative fees	7,670,438	5,730,102	1,940,336	33.9%	3,918,596
Interest on loans	47,590,234	41,142,152	6,448,082	15.7%	31,335,380
Interest on investments	2,890,591	10,927,088	(8,036,497)	(73.5%)	7,937,870
Operating revenue	**147,025,175**	**221,302,971**	**(74,277,796)**	**(51.5%)**	**90,701,308**
Grant expense	59,785,212	26,380,010	33,405,202	126.6%	19,237,131
Bond issuance costs	1,604,245	501,042	1,103,203	220.2%	575,664
Professional services	3,642,941	3,965,930	(322,989)	(8.1%)	2,515,254
Salaries and benefits	3,860,505	3,202,868	657,637	20.5%	2,869,659
Interest expense	49,418,130	45,684,800	3,733,330	8.2%	29,565,405
Other expense	2,208,819	1,951,991	256,828	13.2%	1,647,332
Expenses	**120,519,852**	**81,686,641**	**38,833,211**	**380.5%**	**56,410,445**
Operating income	26,505,323	139,616,330	(113,111,007)	13.8%	**34,290,863**
Loss on investments	8,205,430	-	8,205,430	0.0%	-
Income before transfers	**18,299,893**	**139,616,330**	**(121,316,437)**	**(86.9%)**	**34,290,863**
Transfers to other agencies	12,687,198	37,328,353	(24,641,155)	(66.0%)	33,725,706
Increase in net assets	**5,612,695**	**102,287,977**	**(96,675,282)**	**(94.5%)**	**565,157**
Net assets, beginning of year (restated)	**388,529,726**	**286,241,749**	**102,287,977**	**35.7%**	**285,676,592**
Net assets, end of year	**$ 394,142,421**	**$ 388,529,726**	**$ 5,612,695**	**1.4%**	**$ 286,241,749**

Analysis of the Authority's overall financial position and results of operations

- The Authority's unrestricted cash grew by $23.1 million primarily due to the receipt of the Governmental Gross Receipts Tax (see discussion on page 4, "the New Mexico Finance Authority"). Restricted cash decreased by $37.3 million in 2009, primarily due to $34.8 million in grant program expenditures of funds appropriated by the legislature in 2008 for local road construction projects (the "GRIP II" program).

- Loans receivable increased by $72.6 million in 2009 primarily as a result of new loans made during the year totaling $146.1 million less loan payments received of $73.5 million.

- Bonds payable increased by $48.0 million in 2009 resulting from the issuance of $115.4 million of new bonds, principal payments on outstanding bonds of $58.0 million, the reclassification of an interfund liability of $8.5 million, and amortization of bond premium.

- The Authority's revenues decreased by $74.3 million in 2009 compared to 2008. The main reason for the decline was an appropriation in 2008 of $86.7 million from the state legislature for the GRIP II program. In 2009, only $19.9 million was appropriated. Other revenues increased in 2009, with the exception of investment earnings which declined by $8 million due to significantly lower interest rates in 2009.

- Grant expense increased by $33.4 million in 2009 as the funds appropriated in 2008 for local road projects, described above, began to be spent.

- Interest expense increased by $3.7 million due to the increased amount of bonds outstanding during the year.

- The Authority's net assets grew by $5.6 million in 2009.

- During fiscal year 2009, the Authority invested, net of depreciation, a total of $32,757 in capital assets. More detailed information about the Authority's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

- The Authority's long-term debt consists of outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2009, the total amount outstanding was $1.13 billion (excluding the $1.85 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 6 to the financial statements.

- During the fiscal year, the Authority issued $115.5 million in PPRF debt, primarily to directly fund loans, reimburse the Public Project Revolving Fund ("PPRF") loan fund for loans already made or to advance refund certain earlier bond issues.

Authority Programs

The authority accounts for each bond resolution or activity as a separate program, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund is highlighted due to the significance of the program.

Public Project Revolving Fund

The Authority began its existence in 1992 to administer the PPRF. The mission of the PPRF is to make affordable tax-exempt financing for infrastructure projects available to borrowers who could not, on their own, access the bond market on a cost-effective basis. New Mexico's counties, cities and certain departments of state government qualify as entities who can borrow from the PPRF. Departments of state governments and certain not-for profit entities, including state universities, are also eligible borrowers. Since 1993, the PPRF has made 789 loans totaling $1.8 billion.

The PPRF makes loans of less than $5 million from its own funds on hand. It then reimburses its cash balance at a later date by "packaging" the loans as collateral and selling tax-exempt bonds. Loans for amounts larger than $5 million are funded by closing the loans on the same day a reimbursement bond issue closes.

The PPRF operates, in many respects, in the same manner as a bank or other lending institution. Infrastructure finance agencies similar to the PPRF are often called "bond banks." Financial statements for the PPRF are presented in the following pages in a format similar to that employed by commercial banking organizations.

New Mexico Finance Authority
Public Projects Revolving Fund
Statement of Net Assets
As of June 30

	FY 2009	FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Cash and cash equivalents	$ 99,584,576	$ 78,584,787	$ 20,999,789	26.7%	$ 62,173,143
Restricted	252,786,821	260,492,357	(7,705,536)	(3.0%)	146,572,672
Accounts receivable	16,111,757	21,930,398	(5,818,641)	(26.5%)	15,832,945
Loans receivable, net of allowance	1,050,541,321	1,000,026,726	50,514,595	5.1%	669,900,381
Intergovernmental receivables	127,848,087	122,760,000	5,088,087	4.1%	125,320,000
Other assets	10,992,276	11,095,194	(102,918)	-0.9%	9,522,247
Total assets	**$ 1,557,864,838**	**$ 1,494,889,462**	**$ 62,975,376**	**5.5%**	**$ 1,029,321,388**
Accounts payable and accrued liabilities	$ 4,678,201	$ 4,586,196	$ 92,005	2.0%	$ 3,469,291
Undisbursed loan proceeds	181,136,484	196,132,082	(14,995,598)	(7.6%)	74,268,789
Borrowers' debt service and reserve deposits	65,813,605	61,027,236	4,786,369	7.8%	43,293,816
Line of credit payable	-	-	-	0.0%	31,338,974
Bonds payable	54,343,000	57,957,000	(3,614,000)	-6.2%	31,018,000
Total current liabilities	305,971,290	319,702,514	(13,731,224)	-4.3%	183,388,870
Noncurrent liabilities					
Bonds payable, noncurrent, net	1,047,860,109	984,005,633	63,854,478	6.5%	647,530,090
Total liabilities	**1,353,831,399**	**1,303,708,147**	**50,123,254**	**3.8%**	**830,918,960**
Net assets					
Invested in capital assets	118,026	188,451	(70,425)	(37.4%)	202,551
Restricted for program funds	105,344,348	113,209,182	(7,864,834)	(6.9%)	137,381,159
Unrestricted	98,571,065	77,783,682	20,787,383	26.7%	60,818,718
Total net assets	**204,033,439**	**191,181,315**	**12,852,124**	**6.3%**	**198,402,428**
Total liabilities and net assets	**$ 1,557,864,838**	**$ 1,494,889,462**	**$ 62,975,378**	**2.5%**	**$ 1,029,321,388**

New Mexico Finance Authority
Public Projects Revolving Fund
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30

	FY 2009	FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Interest income					
Loans	$ 45,103,590	$ 38,683,071	$ 6,420,519	16.6%	$ 29,081,700
Investments	1,118,311	4,978,951	(3,860,640)	(77.5%)	4,256,980
Total interest income	**46,221,901**	**43,662,022**	**2,559,879**	**5.9%**	**33,338,680**
Interest expense					
Bonds	47,591,764	42,290,093	5,301,671	12.5%	28,889,309
Short-term borrowing	60,833	944,596	(883,763)	(93.6%)	-
Total interest expense	**47,652,597**	**43,234,689**	**4,417,908**	**10.2%**	**28,889,309**
Net interest income (expense)	(1,430,696)	427,333	(1,858,029)	(434.8%)	4,449,371
Less provision for loan losses	299,114	400,123	(101,009)	(25.2%)	185,427
Net interest income (expense) after provision for loan losses	**(1,729,810)**	**27,210**	**(1,757,020)**	**(6457.3%)**	**4,263,944**
Loan administration fees	4,689,716	2,786,246	1,903,470	68.3%	1,522,755
Appropriation revenues	25,645,568	27,341,776	(1,696,208)	(6.2%)	29,501,655
Total noninterest income	**30,335,284**	**30,128,022**	**207,262**	**0.7%**	**31,024,410**
Salaries and benefits	2,215,044	1,907,427	307,617	16.1%	1,667,377
Professional services	2,020,996	2,953,662	(932,666)	(31.6%)	1,719,541
Bond issuance costs	1,190,438	515,580	674,858	130.9%	423,016
Loss on investments	3,729,143	-	3,729,143	100.0%	-
Other	869,281	824,638	44,643	5.4%	889,292
Total noninterest expense	**10,024,902**	**6,201,307**	**3,823,595**	**61.7%**	**4,699,226**
Excess of revenue over expenses	**18,580,572**	**23,953,925**	**(5,373,353)**	**(22.4%)**	**30,589,128**
Transfers from (to) other funds or agencies	**(5,728,448)**	**(31,175,038)**	**25,446,590**	**(81.6%)**	**(100,765,291)**
Increase (decrease) in fund net assets	**12,852,124**	**(7,221,113)**	**20,073,237**	**(278.0%)**	**(70,176,163)**
Net assets, beginning of year	**191,181,315**	**198,402,428**	**(7,221,113)**	**(3.6%)**	**268,578,591**
Net assets, end of year	**$ 204,033,439**	**$ 191,181,315**	**$ 12,852,124**	**6.7%**	**$ 198,402,428**

Analysis of the PPRF's overall financial position and results of operations:

Loan volume:

	2009	2008	Since Inception
Amount of loans made	$121.6 million	$386.8 million	$1.849 billion
Number of loans made	82	90	789

Both average loan size and the number of loans made in 2009 declined from the previous year. Management believes that this was due to economic conditions in the state. Although New Mexico has been affected less severely than many states, there has been a decline in tax revenues collected by many cities and counties, leading local governments to become more cautious in their borrowing. The decline in loan volume is less dramatic than the above figures seem to suggest since fiscal 2008 includes one loan for $77 million. While the PPRF occasionally makes loans of this size, it does not do so regularly, and a loan of comparable size was not made in 2009.

Loans receivable:

There were no defaults on PPRF loans during 2009 and no delinquencies as of June 30, 2009.

Bond issuance:

During fiscal 2009, the PPRF issued 4 series of bonds, with a total par value of $114.3 million.

Net interest income:

As a not-for profit lender, the Authority attempts to pass on to its borrowers the same rates it pays on the bonds it issues to provide the funds it loans. In its planning and management processes, therefore, the Authority attempts to achieve zero net interest income in the PPRF. 1n 2008, the Authority met this goal, for practical purposes, with net interest income of only $27 thousand. In 2009, net interest income was negative $1.7 million. The loss resulted from the significant decline in interest rates experienced on the PPRF's investments during 2009.

Loss on Investments:

During 2009, the PPRF incurred a loss of $8.2 million due to losses suffered by a money market mutual fund in which the PPRF had invested. The circumstances of this loss are described in footnote 15.

Governmental Gross Receipts Tax:

The Governmental Gross Receipts Tax ("GGRT") is a tax imposed on the gross receipts of municipalities for services rendered to customers such as water, sewer, and solid waste collection. 75% of GGRT collections are appropriated to the PPRF. The Authority's share of GGRT collections was $21,494,438 in 2009, a $61,947 increase from the $21,431,491 received in 2008. The GGT funds are used:

1. as a credit enhancement for the PPRF bonds. In the event of defaults on loans, GGRT funds can be used to make up for any shortfall in funds available for bond payments.
2. to fund loans to borrowers, especially smaller loans which the Authority may choose to not reimburse in a bond issue.
3. To pay operating expenses of the PPRF.

Restatement of previously issued financial statements:

During 2009, the Authority restated its 2008 financial statements to recognize accounts receivable (intergovernmental receivables) from other governmental entities. The accounts receivable arose from transactions that occurred prior to 2008. A detailed explanation of the restatement is provided in footnote 12. The effect of the restatement was to increase the beginning net assets of the PPRF for fiscal year 2008 by $46 million.

Other Programs:

The PPRF accounts for a large portion of total Authority activity. At June 30, 2009 and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	$1.6 billion	$1.8 billion	87.0%
Net assets	$204.0 million	$394.1 million	51.8%
Revenues	$76.6 million	$147.0 million	52.1%

There are 14 other programs administered by the Authority, some of which are loan programs and some of which are grant programs. Loan and grant activity in these programs in 2009 and 2008 was as follows:

	FY 2009	FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Drinking Water Revolving Loan Fund	$ 22,139,294	$ 10,298,773	$ 11,840,521	115.0%	$ 6,138,562
Local Transportation Infrastructure Fund	969,542	181,475	788,067	434.3%	-
Water Projects Fund	22,728,950	19,338,532	3,390,418	17.5%	10,265,454
Economic Development Fund	222,447	202,796	19,651	9.7%	1,724,445
Local Government Transportation Fund	34,827,691	4,596,088	30,231,603	657.8%	-
Child Care Revolving Loan Fund	34,466	-	34,466	n/a	-
Behavioral Health Cigarette Tax Revenue Bond Fund	471,509	-	471,509	n/a	-
Water and Wastewater Project Grant Fund	3,210,290	2,164,356	1,045,934	48.3%	8,875,509
Local Governement Planning Grant Fund	268,240	205,625	62,615	30.5%	38,488
Total Assets	**$ 84,872,429**	**$ 36,987,645**	**$ 47,884,784**	**1313.0%**	**$ 27,042,458**

The increase in loan volume for the Drinking Water Revolving Loan Fund resulted from the Authority making a loan for approximately $15 million to the City of Santa Fe. This was an uncharacteristically large loan for this program.

The $30.2 million increase in grant volume for the Local Government Transportation Fund occurred because this is a new program for the Authority. The state legislature appropriated $87.8 million to the Authority in 2008 to provide grants to municipalities and counties for local transportation projects. The New Mexico Department of Transportation determines the priority of recipients of the grants. The Authority manages the funds received from the legislature and disburses the funds as directed by the Department of Transportation. In 2007, the program was in a start-up phase and relatively few grants were awarded. The program achieved its planned volume in 2008.

The Child Care and Behavioral Health programs were funded by the legislature in 2006, and the Authority began making loans in 2009.

In 2008, the Authority was awarded a $110 million allocation of New Markets Tax Credits by the U.S. Treasury Department. Under this program, the Authority can provide federal income tax credits to incentivize businesses to create jobs and otherwise contribute to the economic development of the state. During fiscal 2009, the Authority made one award of tax credits for $15.5 million. Subsequent to June 30, 2009, the Authority has made $30.4 million in additional awards. The tax credits have no impact on the financial statements of the Authority beyond the expenses incurred to administer the program and the fees charged to applicants and recipients of the credits, which are minimal.

Budgetary Variations, capital and infrastructure assets:

The Authority does not have any legally adopted budgets, and, therefore, does not present any budgetary information. The Authority has an immaterial amount of capital assets, and owns no infrastructure assets.

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators, 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

Statements of Net Assets
June 30, 2009 and 2008

	2009	As Restated 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 111,877,869	$ 88,756,143
Restricted cash	373,898,180	411,190,481
Tax revenue receivable	2,080,571	8,067,919
Interest receivable	8,248,801	8,365,828
Grant and other receivable	5,910,474	7,205,952
Administrative fees receivable	405,245	708,726
Loans receivable, net of allowance	1,113,608,650	1,041,033,758
Intergovernmental receivables	154,793,087	161,605,000
Restricted asset - escrow	659,798	653,574
Other assets	59,029	51,441
Total current assets	1,771,541,704	1,727,638,822
NONCURRENT ASSETS		
Capital assets, net of depreciation	197,828	377,984
Deferred cost, net of accumulated amortization	10,960,349	11,420,462
Total noncurrent assets	11,158,177	11,798,446
TOTAL ASSETS	$ 1,782,699,881	$ 1,739,437,268
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,556,821	$ 1,579,139
Accrued payroll	169,996	111,861
Compensated absences	226,830	200,238
Undisbursed loan proceeds	182,920,935	197,721,699
Accrued interest	3,857,403	3,646,489
Due to other state agencies	800,000	1,075,831
Debt service payable	66,071,327	61,634,993
Bonds payable, current, net	57,878,000	62,119,000
Total current liabilities	313,481,312	328,089,250
NONCURRENT LIABILITIES		
Bonds payable, noncurrent, net	1,075,076,148	1,022,818,292
Total noncurrent liabilities	1,075,076,148	1,022,818,292
Total liabilities	1,388,557,460	1,350,907,542
NET ASSETS		
Invested in capital assets	197,828	377,984
Restricted for debt service	8,962,319	9,921,093
Restricted for program funds	274,378,249	289,676,812
Unrestricted	110,604,025	88,553,837
Total net assets	394,142,421	388,529,726
TOTAL LIABILITIES AND NET ASSETS	$ 1,782,699,881	$ 1,739,437,268

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

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008

	2009	As Restated 2008
OPERATING REVENUES		
Appropriation revenue	$ 52,379,731	$ 136,293,957
Grant revenue	36,494,181	27,209,672
Administrative fees	7,670,438	5,730,102
Interest on loans	47,590,234	41,142,152
Interest on investments	2,890,591	10,927,088
Total operating revenues	147,025,175	221,302,971
OPERATING EXPENSES		
Grant expense	59,785,212	26,380,010
Bond issuance costs	1,604,245	501,042
Administrative fee	241,866	310,190
Professional services	3,642,941	3,965,930
Salaries and fringe benefits	3,860,505	3,202,868
In-state travel	118,950	80,975
Out-of-state travel	57,960	51,564
Operating costs	958,017	1,015,651
Provision for loan losses	619,113	400,124
Interest expense	49,418,130	45,684,800
Total operating expenses	120,306,939	81,593,154
Operating income before depreciation	26,718,236	139,709,817
Depreciation	212,913	93,487
Total operating income	26,505,323	139,616,330
NON-OPERATING REVENUES (EXPENSES)		
Loss on investments	(8,205,430)	-
Income before transfers	18,299,893	139,616,330
TRANSFERS		
Transfers from (to) other state agencies	(12,687,198)	(37,328,353)
CHANGE IN NET ASSETS	5,612,695	102,287,977
TOTAL NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	388,529,726	286,241,749
TOTAL NET ASSETS, END OF YEAR	$ 394,142,421	$ 388,529,726

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

Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	As Restated 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for employee services	$ (3,775,777)	$ (3,161,959)
Cash paid to vendors for services	(4,280,350)	(5,909,350)
Bond issuance costs	(156,799)	(2,535,633)
Interest expense paid	(51,254,313)	(41,628,467)
Grants disbursed	(59,785,212)	(26,380,010)
Appropriation revenue	70,776,650	149,758,189
Cash received from federal government for revolving loans	21,221,852	13,856,874
Interest income received	46,147,529	49,232,249
Administrative fees received	7,913,572	4,847,590
Transfers from other funds	7,201,087	776,177
Net cash flows provided by operating activities	34,008,239	138,855,658
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash paid for services	(12,687,198)	(37,328,353)
Cash provided (used) by funds held for others	(14,800,764)	122,171,753
Net cash provided by (used in) noncapital financing activities	(27,487,962)	84,843,400
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Investment in partnership	(1,550)	-
Loans funded	(155,191,967)	(397,106,941)
Loan payments received	88,966,814	61,391,765
Bonds issued	115,463,896	398,350,842
Payment of bonds	(65,795,000)	(41,881,000)
Debt service	(4,100,287)	15,719,108
Line of credit payments	-	(31,338,974)
Capital asset purchase	(32,758)	(29,788)
Net cash provided by (used in) capital financing activities	(20,690,852)	5,105,011
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,170,575)	228,804,069
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	499,946,624	271,142,555
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 485,776,049	$ 499,946,624
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 26,505,323	$ 139,616,330
Adjustments to reconcile cash and cash equivalents provided by operating activities:		
Depreciation and amortization	794,940	60,230
(Increase) decrease in prepaids and receivables	6,447,984	(4,387,636)
Increase (decrease) in payables and other accrued liabilities	259,992	3,566,734
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 34,008,239	$ 138,855,658
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 49,418,130	$ 45,684,800

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

Agency Funds – Statement of Assets and Liabilities
Year Ended June 30, 2009

	Agency Funds
ASSETS:	
Cash at Trustee:	
Program funds	$ 118,830,704
Expense funds	1,931,751
Bond reserve funds	42,292,167
TOTAL ASSETS	$ 163,054,622
LIABILITIES:	
Accounts payable	$ 3,466,620
Debt service payable	49,454,819
Funds held for the NM Department of Transportation	110,133,182
TOTAL LIABILITIES	$ 163,054,622

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

Agency Funds – Statement of Changes in Assets and Liabilities
Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Department of Transportation Revenue Bonds, Series 2004				
Fund 315				
ASSETS				
Cash and investments	$ 144,490,815	$ 64,729,527	$ 126,681,479	$ 82,538,863
TOTAL ASSETS	$ 144,490,815	$ 64,729,527	$ 126,681,479	$ 82,538,863
LIABILITIES				
Deposit held in trust for others	$ 144,490,815	$ 64,729,527	$ 126,681,479	$ 82,538,863
TOTAL LIABILITIES	$ 144,490,815	$ 64,729,527	$ 126,681,479	$ 82,538,863
Department of Transportation Revenue Bonds, Series 2006				
Fund 322				
ASSETS				
Cash and investments	$ 232,347,119	$ 20,059,042	$ 175,547,038	$ 76,859,122
TOTAL ASSETS	$ 232,347,119	$ 20,059,042	$ 175,547,038	$ 76,859,122
LIABILITIES				
Deposit held in trust for others	$ 232,347,119	$ 20,059,042	$ 175,547,038	$ 76,859,122
TOTAL LIABILITIES	$ 232,347,119	$ 20,059,042	$ 175,547,038	$ 76,859,122
Department of Transportation Refunding Revenue Bonds, Series 2008				
Fund 326				
ASSETS				
Cash and investments	$ 3,334,907	$ 35,513,856	$ 35,192,127	$ 3,656,637
TOTAL ASSETS	$ 3,334,907	$ 35,513,856	$ 35,192,127	$ 3,656,637
LIABILITIES				
Deposit held in trust for others	$ 3,334,907	$ 35,513,856	$ 35,192,127	$ 3,656,637
TOTAL LIABILITIES	$ 3,334,907	$ 35,513,856	$ 35,192,127	$ 3,656,637

The accompanying notes are an integral part of the 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 the 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 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.

The Authority is a governmental entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39. 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 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 Standards 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.

- **Basis of Presentation**

The accounts of the Authority are organized on the basis of programs and activities, each of which is considered a separate accounting entity. The operations of each project are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, expenditures or expenses and other financing sources or uses.

All of the Authority's activities are reported as an enterprise fund as defined by GASB Statement No. 34. Enterprise funds are used for activities for which a fee is charged to external users for goods and services. Financial reporting for enterprise funds conforms to accounting principles generally applicable to the transactions of similar commercial enterprises and utilizes the full accrual method of accounting.

The following describes the nature of the projects and programs maintained by the Authority:

Public Project Revolving Fund – Accounts for the proceeds from bonds, the debt service requirements of the bonds, the related loans to public entities and the governmental gross receipts tax (GGRT) which is the primary funding source of this program.

Drinking Water State Revolving Loan Program – Accounts for activities of a loan program which provides low cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and public health. This program is primarily funded through a federal capitalization grant which the State of New Mexico is required to match the federal grant by 20%.

Water Projects Program – Accounts for the activities related to administration of a financing program to provide for water use efficiency, resource conservation and protection and fair distribution and allocation of water. The Program provides grant and interest free loans to support the water projects.

Local Government Transportation Program – Accounts for activities to provide funding for 116 legislatively authorized local government transportation projects. The funding for this Program is made up of a $25 million appropriation from the State's General Fund and up to $150 million in proceeds realized from the issuance and sale of severance tax bonds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Basis of Presentation** (continued)

Local Transportation Infrastructure Program – Accounts for activities for local government road and transportation projects which are not eligible for federal funding and funding for which have not been bet by the existing Local Government Road Fund. The Program provides for grants and low-cost financial assistance for these local governments transportation projects.

Economic Development Program – Accounts for activities for the Statewide Economic Development Finance Act (SWEDFA). This program provides comprehensive financing tools to stimulate economic development projects statewide.

New Markets Tax Credit Program – Accounts for the activities of the Authority as the managing partner in Finance New Mexico LLC, a subsidiary for-profit company which received an allocation of federal tax credits under the New Markets Tax Credit Program. This Program was created to account for costs associated with the application process and other start-up costs as well as management activities undertaken by the Authority, as managing partner of this for-profit company.

Child Care Revolving Loan Program – Partners the Authority with Children, Youth and Families Department to provide low cost financing to licensed child care providers to fund improvements to their facilities.

Behavioral Health Cigarette Tax Revenue Bond Program – Provides low cost capital to behavioral health clinics in rural and underserved areas of the state. The Program provides low cost funding through a revolving loan to non-profit behavioral health care providers.

Primary Care Capital Program – A revolving fund which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provides for a 20 percent annual loan forgiveness if the borrower agrees to a contract-for-services to provide medical care free or at reduced prices to sick and indigent clients.

Water and Wastewater Project Grant Program – Accounts for activities for providing grant funding for water and wastewater system projects authorized by legislation.

Local Government Planning Grant Program – program to make grants to qualified entities on a per project basis for water and wastewater related studies, long term water management plans and economic development plans.

State Office Building Financing Program – Provides for the financing of state office building projects consisting of acquisition, construction, equipping and otherwise improving land and buildings for the General Services Department of the State of New Mexico. The funding for this program is provided by $6.36 million annual appropriation from the State Gross Receipts Tax.

State Capital Improvement Financing Program – Accounts for the issuance of revenue bonds the proceeds of which were used to finance capital improvements to a state facility located adjacent to the State Capitol. The financing is secured by distributions by the State Treasurer of income from the land grant fund to the capitol buildings improvement repair fund.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

- **Basis of Presentation - Fund Accounting** (continued)

UNM Health Sciences Program – Accounts for the financing of several capital projects for UNM Health Sciences Center. The Authority issued bonds, secured by authorized distributions of cigarette excise taxes, 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.

Workers Compensation Financing Program – Accounts for the issuance of revenue bonds used to finance the planning, designing, constructing, equipping and furnishing of a state office building for the Workers' Compensation Administration. The bonds are secured by the first 10% of workers' compensation fee assessments received by the State. Any excess revenues received after all current obligations and sinking fund requirements are transferred to Workers' Compensation Administration.

Equipment Loan Program – Accounts for the Pooled Equipment Certificates of Participation issued by the Authority to assist local government entities in the financing and purchase of equipment. The loans for these financings are the only sources of repayments for these Certificates of Participation ("COPS") and are secured by various local government revenues which are directly intercepted from the State of New Mexico.

- **Basis of Accounting and Measurement Focus**

The basis of accounting for the programs administered by the Authority is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Authority's funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these programs are included in the Statements of Net Assets.

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 programs. 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 program. All other revenues are recognized when received as they 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.

- **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

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 Sheets because their use is limited by applicable bond covenants or legislation.

- **Cash and Cash Equivalents and Restricted Cash**

Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, Wells Fargo Bank and with the Bank of New York Mellon acting as bond trustee. Cash in the various programs on deposit with the State Treasurer is invested by the New Mexico State Treasurer in a pooled investment program which is a AAA-rated money market mutual fund.

Deposits with Wells Fargo Bank are collateralized at 50% with U.S. Treasury or "full faith and credit" U.S. Agency securities as required New Mexico law.

The restricted cash includes the following: Debt service and bond reserve accounts are used to report resources held by trustee and set aside for future debt service payments. A 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.

For purposes of the Statements of Cash Flows, the Authority considers all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

- **Accounts Receivable**

Accounts receivable consists of payments due from the governments, administrative fees due from projects, and other miscellaneous receivables arising from the normal course of operations. A reserve for uncollectible accounts is established based on management's estimates.

- **Loans Receivable**

Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. As of June 30, 2009, there were no reserves for loan losses. Loans that become past due as to principal and interest are evaluated for collectability. Generally, loans are not placed on non-accrual status because they are insured or otherwise guaranteed.

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, 2009 and 2008, the allowance for loan losses was \$1,687,083 and \$1,067,970, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Intergovernmental Receivables**

Intergovernmental receivables consist of amounts due from the state based on legislated appropriation of specified taxes for repayment of certain bonds issued by the Authority on behalf of state entities. The related statute directs the Authority to issue bonds and make proceeds available to specified state entities to fund various projects. The statute appropriates a portion of existing taxes or fees to fund the payment of the related bonds.

- **Capital Assets**

Capital assets are recorded at historical cost and depreciated over their estimated useful lives. 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.

- **Bond Discounts, Premiums, Issuance Costs, and Deferred Costs**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs.

- **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)

- **Undisbursed Loan Proceeds**

Undisbursed loan proceeds represent loan proceeds held by the Trustee which are awaiting disbursement to the loan applicant. Funds are not automatically disbursed in their entirety when a loan closes. Proceeds are disbursed as the related project costs are incurred. The accounts, in the majority, represent the loans against the PPRF program and funds held by the Trustee.

- **Debt Service Payable**

Debt service amounts payable represent the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loan payments semi-annually; therefore, any payments received prior to being applied to the loan are held in an account which earns interest and the interest is credited to the entity. These funds are held by the Trustee, and in accounts at the State Treasurer's office.

- **Net Assets**

The 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 assets not otherwise classified as invested in capital assets or restricted assets.

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

- **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)

- **Interprogram and Interagency Transactions**

Interprogram and interagency transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a program for expenses initially incurred by it that are properly applicable to another program are recorded as expenses in the reimbursing program and as reductions of expenses in the program that is reimbursed. All other interprogram transactions are reported as transfers. Non-recurring or non-routine transfers of net assets as restricted net asset transfers. All other transfers are recorded as operating transfers to other state agency under the other financial services category.

- **Reclassifications**

Certain reclassifications have been made to the prior year's financial statements to conform with the current year presentation.

- **New Accounting Pronouncements**

The Authority has adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49). The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Once any one of five specified obligating events occurs, a government is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

Obligating events include: 1) the government is compelled to take pollution remediation action because of imminent endangerment; 2) the government violates a pollution prevention-related permit or license; 3) the government is named or will be named as a responsibility party for remediation or for sharing costs; 4) the government is named or will be named in a lawsuit to compel participating in pollution remediation; and 5) the government commences or legally obligates itself to commence pollution remediation.

For fiscal year 2009, the Authority has not encountered any obligating events which would result in an accrued liability or capitalized asset.

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

The following is a reconciliation of cash and cash equivalents to the financial statements.

	2009	2008
State Treasurer Local Government Investment Pool	$139,875,817	$147,117,448
The Primary Care Capital Fund held at the State Treasurer's Office	1,660,605	545,566
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts	98,589,410	21,600,027
Bank of Albuquerque trust accounts	236,140,975	246,849,598
Reserve on Bond Payable held in Bank of America	279,359	279,359
Wells Fargo operating accounts	7,974,376	1,100,832
Cash held at The Reserve Primary money market fund	1,255,507	82,453,794
Total	$485,776,049	$499,946,624

Cash and cash equivalents are reflected in the Statement of Net Assets as follows:

	2009	2008
Cash and cash equivalents	$111,877,869	$ 88,756,143
Restricted cash	373,898,180	411,190,481
Total	$485,776,049	$499,946,624

The Authority's State Treasurer funds are contained in the New Mexico*GROW* Local Government Investment Pool, a Securities and Exchange Commission registered money market fund rated AAAm by Standard & Poor's, and at June 30, 2009, are valued at $139,875,817 with a 43-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. All are fully collateralized and the collateral is held in the Authority's name.

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.

2. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE (CONTINUED)

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.

3. LOANS RECEIVABLE

Loans receivable balances consist of the following at June 30:

Program	Length of Loan (Years)	Rates	As Restated 2008	Additions	Payments	2009
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,001,094,696	$ 121,621,170	$ 70,807,461	$ 1,051,908,405
Drinking Water State Revolving Loans	5 to 30	0% to 3%	30,907,764	22,139,294	1,198,908	51,848,151
Primary Care Capital Fund Loans	10 to 20	3%	7,176,671	-	1,082,260	6,094,411
Water Projects Fund Loan Grants	10 to 20	0%	316,651	2,230,910	276,653	2,270,908
Smart Money Participation Loans	3 to 20	2% to 5%	1,825,254	222,447	68,272	1,979,429
Behavioral Health Care Loan	15	3%	369,692	-	32,237	337,455
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	-	480,000	8,491	471,509
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	411,000	-	62,000	349,000
Child Care Revolving Loans	15	3%	-	36,466	-	36,466
		Subtotals	1,042,101,728	146,730,287	73,536,282	1,115,295,733
		Less: Allowance for loan losses	(1,067,970)	(619,113)	-	(1,687,083)
		Totals	$ 1,041,033,758	$ 146,111,174	$ 73,536,282	$ 1,113,608,650

3. LOANS RECEIVABLE (CONTINUED)

The following is a summary of the future loan payments to be collected on the loan repayment schedules as of June 30, 2009.

Totals – Loans Receivable, Net of Allowance

Fiscal year ending June 30:	Principal	Interest	Total
2010	$ 64,956,975	$ 43,178,849	$ 108,135,824
2011	64,722,920	41,372,393	106,095,313
2012	68,553,397	39,194,305	107,747,701
2013	70,690,235	36,901,922	107,592,156
2014	68,659,368	34,421,506	103,080,875
2015 - 2019	318,381,024	134,671,432	453,052,456
2020 - 2024	243,121,069	77,730,493	320,851,562
2025 - 2029	128,514,983	35,381,667	163,896,651
2030 - 2034	62,570,310	14,884,810	77,455,120
2035 - 2039	25,125,451	2,677,015	27,802,466
Subtotals	1,115,295,733	$ 460,414,392	$ 1,575,710,126
Less: Allowance for loan losses	(1,687,083)		
Loans receivable, net	$ 1,113,608,650		

4. INTERGOVERNMENTAL RECEIVABLES

The Authority has agreements with various state entities relating to the issuance of bonds. Pursuant to the underlying legislation and resolutions, the bond proceeds financed various State projects. Pursuant to the legislation, the debt service on these bonds is payable solely from revenues from the State and State entities. Intergovernmental receivables represent amounts due to the Authority under these agreements.

4. INTERGOVERNMENTAL RECEIVABLES (CONTINUED)

At June 30, 2009, the intergovernmental receivables are comprised of the following:

State Entity	Revenue Pledge	Rates	Terms	2009	As Restated 2008
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.0%	June 1, 2025	$ 49,030,000	$ 51,015,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.875% to 5.0%	June 1, 2025	23,630,000	23,630,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.0%	June 1, 2036	47,430,000	48,115,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.0%	April 1, 2019	19,855,000	22,460,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	April 1, 2019	7,758,087	8,460,000
Worker's Compensation Adminstration	Worker's Compensation administrative fee	5.35% to 5.60%	September 1, 2016	2,315,000	2,540,000
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	3.875% to 5.0%	June 1, 2025	4,775,000	5,385,000
				$ 154,793,087	$ 161,605,000

The following is a summary of the future loan payments to be collected on the intergovernmental receivables as of June 30, 2009.

Fiscal year ending June 30:	Principal	Interest	Total
2010	$ 6,950,562	$ 7,497,080	$ 14,447,642
2011	7,031,285	7,190,853	14,222,138
2012	7,065,435	6,875,931	13,941,366
2013	7,191,962	6,550,955	13,742,917
2014	7,420,628	6,191,610	13,612,238
2015 - 2019	37,223,215	25,554,111	62,777,326
2020 - 2024	42,425,000	16,227,813	58,652,813
2025 - 2029	18,780,000	7,193,463	25,973,463
2030 - 2034	14,030,000	3,844,000	17,874,000
2035 - 2036	6,675,000	504,750	7,179,750
Intergovernmental receivables	$ 154,793,087	$ 87,630,564	$ 242,423,651

5. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2008	Additions	Adjustments/ Deletion	Balance June 30, 2009
Depreciable assets:				
Furniture and fixtures	$ 198,802	$ -	$ -	$ 198,802
Computer hardware and software	533,537	32,757	-	566,294
Machinery and equipment	48,490	-	-	48,490
Leasehold improvement	49,117	-	-	49,117
	829,946	32,757	-	862,703
Accumulated depreciation:				
Furniture and fixtures	(108,581)	(51,152)	-	(159,733)
Computer hardware and software	(290,073)	(136,647)	-	(426,720)
Machinery and equipment	(26,826)	(12,638)	-	(39,464)
Leasehold improvement	(26,482)	(12,476)	-	(38,958)
	(451,962)	(212,913)	-	(664,875)
Net total	$ 377,984	$ (180,156)	$ -	$ 197,828

	Balance June 30, 2007	Additions	Adjustments/ Deletion	Balance June 30, 2008
Depreciable assets:				
Furniture and fixtures	$ 198,802	$ -	$ -	$ 198,802
Computer hardware and software	508,076	25,461	-	533,537
Machinery and equipment	40,250	8,240	-	48,490
Leasehold improvement	49,117	-	-	49,117
	796,245	33,701	-	829,946
Accumulated depreciation:				
Furniture and fixtures	(84,643)	(23,938)	-	(108,581)
Computer hardware and software	(231,796)	(58,277)	-	(290,073)
Machinery and equipment	(20,933)	(5,893)	-	(26,826)
Leasehold improvement	(21,103)	(5,379)	-	(26,482)
	(358,475)	(93,487)	-	(451,962)
Net total	$ 437,770	$ (59,786)	$ -	$ 377,984

6. BONDS PAYABLE

Bonds have been issued to provide financing for various Authority programs and are collateralized as follows:

- 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 Authority.
- Amounts held in the Agreement Reserve Accounts.
- Additional pledged loans.
- Revenues received by the Authority from the allocation of the Authority's portion of the Governmental Gross Receipts tax.
- Revenues pledged through legislation as security for the payment of principal and interest on bonds. These revenues include Cigarette Excise Tax, State Gross Receipts Tax, Worker's Compensation Fees and Income from Land Grant Permanent Fund.

Bonds payable consist of the following at June 30:

Bond Series	Rate	Maturities	2009	2008
Public Project Revolving Fund Revenue Bonds – Senior Lien				
1999 A	4.45% to 4.75%	June 1, 2010 to June 1, 2018	$ 5,475,000	$ 6,255,000
1999 B	4.60% to 5.00%	June 1, 2010 to June 1, 2018	945,000	1,075,000
1999 C	6.05% to 6.60%	June 1, 2010 to June 1, 2018	420,000	550,000
1999 D	6.25% to 6.80%	June 1, 2010 to June 1, 2018	1,740,000	1,880,000
2000 A	4.20% to 5.00%	(matured in August 2008)	-	200,000
2000 B	4.20% to 5.00%	(matured in June 2009)	-	360,000
2000 C	4.20% to 5.00%	(matured in June 2009)	-	835,000
2002 A	4.20% to 5.00%	June 1, 2010 to June 1, 2023	16,345,000	19,975,000
2003A	3.20% to 4.75%	June 1, 2010 to June 1, 2032	20,326,000	21,959,000
2003 B	4.25% to 5.00%	June 1, 2010 to June 1, 2021	17,145,000	19,340,000
2004 A-1	2.60% to 4.63%	June 1, 2010 to June 1, 2031	17,090,000	19,360,000
2004 A-2	4.13% to 5.88%	June 1, 2010 to June 1, 2027	12,485,000	12,905,000
2004 B-1	5.00% to 5.38%	June 1, 2010 to June 1, 2033	33,345,000	36,770,000
2004 B-2	4.57% to 6.00%	June 1, 2010 to June 1, 2018	1,020,000	1,105,000
2004 C	3.25% to 5.25%	June 1, 2010 to June 1, 2024	139,140,000	146,170,000
2005 A	4.00% to 4.25%	June 1, 2010 to June 1, 2025	13,505,000	15,145,000
2005 B	3.25% to 4.25%	June 1, 2010 to June 1, 2020	12,145,000	12,665,000
2006 B	4.00% to 5.00%	June 1, 2010 to June 1, 2036	35,050,000	36,410,000
2006 D	4.25% to 5.00%	June 1, 2010 to June 1, 2036	50,885,000	51,785,000
2007 E	4.00% to 5.00%	June 1, 2010 to June 1, 2032	56,395,000	60,960,000
2008 A	3.00% to 5.00%	June 1, 2010 to June 1, 2038	153,720,000	157,615,000
2008 B	4.00% to 5.25%	June 1, 2010 to June 1, 2035	34,535,000	-
2008 C	3.25% to 6.00%	June 1, 2010 to June 1, 2033	28,620,000	-
2009 A	2.00% to 5.00%	June 1, 2010 to June 1, 2038	18,435,000	-
2009 B	2.50% to 5.50%	June 1, 2010 to June 1, 2039	30,225,000	-
			698,991,100	623,319,000

6. BONDS PAYABLE (CONTINUED)

Bond Series	Rate	Maturities	2009	2008
Public Project Revolving Fund Revenue Bonds – Subordinate Lien				
2005 C	3.50% to 5.00%	June 15, 2010 to June 15, 2025	$ 49,030,000	$ 50,395,000
2005 D	4.38%	(matured in June 2009)	-	620,000
2005 E	3.88% to 5.00%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	3.75% to 5.00%	June 15, 2010 to June 15, 2025	20,095,000	21,035,000
2006 A	4.00% to 5.00%	June 15, 2010 to June 15, 2035	48,180,000	49,090,000
2006 C	4.00% to 5.00%	June 15, 2010 to June 15, 2026	35,760,000	37,485,000
2007 A	4.00% to 5.00%	June 15, 2010 to June 15, 2027	30,440,000	32,295,000
2007 B	4.00% to 5.00%	June 15, 2010 to June 15, 2034	34,175,000	37,490,000
2007 C	4.25% to 5.25%	June 15, 2010 to June 15, 2027	125,045,000	129,360,000
			366,355,000	361,400,000
	Subtotals – PPRF Bonds		1,065,346,000	1,004,719,000
Pooled Equipment Certificates of Participation (COPS)				
1995 A	6.30% to 6.30%	Oct. 1, 2010 to Oct. 1 , 2015	172,000	191,000
1996 A	5.80% to 5.80%	April 1, 2010 to April 1, 2016	51,000	57,000
1996 B	5.90% to 5.90%	April 1, 2010 to April 1, 2012	126,000	163,000
		Subtotals	349,000	411,000
Worker's Compensation Administration Building Revenue Bonds				
1996	5.45% to 5.60%	Sept. 1, 2010 to Sept. 1, 2016	2,315,000	2,540,000
State Capitol Building Improvement Revenue Bonds				
1999	7.00%	Sept. 15, 2009 to Mar 15, 2015	4,775,000	5,385,000
Cigarette Tax Revenue Bonds – UNM Health Sciences Center Project				
2004 A	3.00% to 5.00%	April 1, 2010 to April 1, 2019	19,855,000	22,460,000
Cigarette Tax Revenue Bonds – UNM Health Sciences Center Project				
2004 B	Variable Rate	(Matured in November 2008)	-	8,460,000
Cigarette Tax Revenue Bonds – Behavioral Health Projects				
2006	5.51%	May 1, 2010 to May 1, 2026	2,125,000	2,250,000
	Total bonds outstanding		1,094,765,000	1,046,225,000
	Add: Net unamortized premium		39,917,386	41,039,870
	Less: Deferred charge on refundings		(1,728,238)	(2,327,578)
	Total bonds payable, net		1,132,954,148	1,084,937,292
	Less: Current portion of bonds payable		(57,878,000)	(62,119,000)
	Noncurrent portion of bonds payable		$ 1,075,076,148	$ 1,022,818,292

6. BONDS PAYABLE (CONTINUED)

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2010	$ 57,878,000	$ 52,447,922	$ 110,325,922
2011	57,458,000	50,174,558	107,632,558
2012	62,635,000	47,669,720	110,304,720
2013	64,997,000	44,885,305	109,882,305
2014	63,944,000	41,882,714	105,826,714
2015 – 2019	304,800,000	164,502,534	469,302,534
2020 – 2024	251,801,000	95,164,226	346,965,226
2025 – 2029	129,012,000	41,911,718	170,923,718
2030 – 2034	72,375,000	18,395,493	90,770,494
2035 – 2039	29,865,000	3,220,375	33,085,375
	1,094,765,000	$ 560,254,565	$1,655,019,566
Add: Unamortized premium	39,917,386		
Less: Deferred charge on refunding	(1,728,238)		
Bonds payable, net	$ 1,132,954,148		

The bonds payable activity for the years ending June 30, 2009 and 2008 was as follows:

	2009				
	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$1,046,225,000	$114,335,000	$ (65,795,000)	$1,094,765,000	$ 57,870,000
Add: Unamortized premium	41,039,870	1,128,896	(2,251,380)	39,917,386	-
Less: Deferred charge on refunding	(2,327,578)	-	599,340	(1,728,238)	-
Total	$1,084,937,292	$115,463,896	$ (67,447,040)	$1,132,954,148	$ 57,878,000

	2008			
	Beginning Balance	Additions	Decreases	Ending Balance
Bonds payable	$ 696,861,000	$ 391,245,000	$ (41,881,000)	$1,046,225,000
Add: Unamortized premium	32,085,054	11,027,107	(2,072,291)	41,039,870
Less: Deferred charge on refunding	(3,065,686)	-	738,108	(2,327,578)
Total	$ 725,880,368	$ 402,272,107	$ (43,215,183)	$1,084,937,292

6. BONDS PAYABLE (CONTINUED)

The Authority enters into swap agreements as agent for the state agencies to which the bonds relate. In all swap agreements, the Authority receives a variable interest rate payment based on an index, and makes a fixed rate payment. This arrangement has the effect of converting the variable rate bonds to fixed rate. As agent, no amounts with respect to swap transactions are included in the Authority's financial statements.

7. DEBT SERVICE PAYABLE

Debt service payable represents the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loans payments semi-annually, therefore, any payments received prior to being applied to the loan is held in an account which earns interest and the interest is credited to the entity. These funds are held by the trustee, and in accounts at the State Treasurer's office. The balance of debt service payable was $66,071,327 and $61,634,993 at June 30, 2009 and 2008, respectively.

8. LINE OF CREDIT

The Authority maintains a credit facility with the Bank of America for the PPRF which provides for a borrowing limit of up to $75,000,000. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issue. Interest is due monthly on the outstanding balance, and accrues at 65% of U.S. dollar monthly LIBOR plus 90 basis points. The Authority pays a 20 basis point fee on the unused portion of the facility. No balances were outstanding under the line of credit at June 30, 2009 and 2008.

9. OPERATING LEASE COMMITMENT

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are considered to be operating leases. Lease expenditures for the years ended June 30, 2009 and 2008 were $330,506 and $316,000, respectively.

Future minimum lease payments for these leases are as follows:

Years ending June 30:	
2010	$ 460,218
2011	377,480
2012	378,055
2013	368,897
2014	376,274
2015	254,172
Total	$ 1,832,986

10. RETIREMENT PLANS

The Authority's 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 an additional, 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 over five years. The contributions are invested in various mutual funds selected by the employee. The Authority's contributions for this retirement plan were $417,088 and $361,328 for the years ended June 30, 2009 and 2008, respectively. Substantially all full time employees participate in this plan.

The Authority maintains 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 years ended June 30, 2009 and 2008 were $43,823 and $14,106, respectively.

11. COMPENSATED ABSENCES

The following changes occurred in the compensated absences liabilities:

Balance July 1, 2007	$ 192,088
Additions	214,584
Deletions	(206,434)
Balance, June 30, 2008	200,238
Additions	219,655
Deletions	(193,063)
Balance June 30, 2009	$ 226,830

The portion of compensated absences due after one year is not material and, therefore, not presented separately

12. AGENCY TRANSACTIONS

The Authority was authorized in 2003 to issue $1.585 billion of bonds as agent for the New Mexico Department of Transportation (NMDOT). To date, $1.150 billion has been issued. Of the total issued to date, $420 million is variable rate debt with associated interest rate exchange agreements. The remainder is fixed-rate debt.

Debt service for the bonds is payable solely from certain revenues of the Department of Transportation. In the opinion of legal counsel, there is no claim that could be asserted against the Authority's assets for payment of debt service on the bonds. These bonds are not reflected in the Authority's financial statements. The Authority receives an annual fee from the Department of Transportation of 12.5 basis points of the outstanding bonds for management of the bond issues. The bonds were issued by the Authority as agent for the NMDOT. The bonds are liabilities of NMDOT, not the Authority.

13. LOSS ON INVESTMENTS

During fiscal 2009, the Authority invested a portion of its cash in the Reserve Primary Fund, a money market mutual fund. In September 2009, the fund disclosed that it anticipated that shareholders would experience a loss on their investment resulting from the bankruptcy filing of Lehman Bros. in whose bonds the fund had invested a portion of its cash. On the date of the Lehman Bros. bankruptcy filing, the Authority had an investment balance of $71.2 million in the fund. The Authority also had an investment totaling $27.9 million in a money market mutual fund managed by the New Mexico State Treasurer that also had an investment in the Reserve Primary fund.

The fund is still in the liquidation process and it is not certain how much the Authority will ultimately recover. Based on distributions from the fund received thorough June 30, 2009, a loss of $8.2 million was recorded in the Statement of Revenues, Expenses, and Changes in Net Assets.

14. CONTINGENCIES

Litigation

As a result of the normal course of operations, the Authority currently is involved in certain litigation and arbitration. This litigation involves former employee complaints, union matters, tenant matters and subcontractor claims. Management and legal counsel believe the outcome of any current litigation will not have a materially adverse impact on the financial position of the Authority.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the State of New Mexico self-insurance program (Risk Management Program). Under this program, the Authority pays an annual premium to the State for the following types of insurance coverage:

- Workers Compensation insurance
- General Liability insurance
- Civil Rights
- Blanket Property insurance
- Boiler and Machinery insurance
- Auto physical Damage insurance
- Crime insurance

The Authority also carries a commercial insurance policy to cover losses to which it may be exposed as it related to the office lease property.

During the year, there were no significant reductions in commercial insurance coverage. For the past five years, no insurance settlements exceeded commercial insurance coverage.

15. RELATED PARTY

The Authority has issued bonds or purchased securities for several other state entities to finance the construction of certain capital projects. Representatives of two of these entities (the Secretary of the Department of Finance and Administration and the Secretary of the Department of Energy, Minerals and Natural Resources) are members of the Authority's board of directors. To date, these transactions have totaled $171,058,619.

16. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT OF 2008 FINANCIAL STATEMENTS

Prior to the fiscal year ended June 30, 2009, the Authority classified its various programs as either governmental or enterprise funds. During fiscal 2009, management determined that none of the funds previously classified as governmental were consistent with the GASB 34 definition of governmental funds, but were, in fact, enterprise funds. The primary factors considered in reaching this judgment were:

- None of the funds account for any tax revenues, as the Authority has no taxing authority. Governmental funds are used to account for tax supported (governmental) activities.
- All of the Authority's funds charge fees to other parties for services rendered by the respective programs, the primary distinguishing characteristic of "enterprise" funds.
- The "Funds" are actually various projects and as such can be treated under one fund.

Based on this determination, the accompanying financial statements, including the previously issued fiscal 2008 statements, have been prepared to reflect all of the Authority's programs as an enterprise fund. The current year presentation is comparable to the entity-wide financial statements as originally issued as of and for the year ended June 30, 2008.

In revising the financial statements, certain errors were noted that have also been corrected in this restatement. The table below reflects the corrections made and the basis for the presentation in the 2009 financial statements:

	Increase (Decrease) Net Assets
Disposition of refunding escrow balances related to defeased bonds reported as assets in error	$ (82,337,416)
Intergovernmental receivables not previously recorded	168,165,000
Defeased bonds payable and related accrued interest recorded as liabilities in error	84,345,119
Write-off of unamortized deferred issuance costs related to defeased bonds	(1,264,976)
Increase as of July 1, 2007	168,907,727
FY 2008 revenues originally reported as appropriation revenue restated as reductions to intergovernmental receivables	(6,560,000)
FY 2008 other revenues and expenses removed to reflect defeased bonds payable	25,975
Net change at June 30, 2008	$ 162,373,702

17. SUBSEQUENT EVENTS

The following is summary of loans and bonds that have closed since the Statement of Net Assets date as of June 30, 2009:

- Closed 65 loans totaling $176,841,281 in the Public Project Revolving Fund program.
- Issued three Public Project Revolving Fund Revenue Bonds totaling $143,380,000.
- Closed on two loans for the Drinking Water State Revolving Fund totaling $1,151,400.
- Closed 18 additional loans for Drinking Water State Revolving Fund under the American Reinvestment and Recovery Act of 2009 totaling $16,949,682.
- Closed 14 loan/grant projects totaling $16,661,012 out of the Water Projects Fund.
- Closed one loan for the Smart Money loan participation program totaling $1,650,000.
- Closed one loan for $100,000 for the Behavioral Health Capital Fund program.

18. NEW ACCOUNTING PRONOUNCEMENTS

The Authority is in the process of assessing the impact on its financial position or results of operations of implementing GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 54., *Fund Balance Reporting and Governmental Fund Type Definitions*. Both statements will be effective for the Authority in fiscal year 2010. GASB No. 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental 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 Series 2010B Bonds, copies of the Indenture will be available at the principal office of the Representative. Subsequent to the offering of the Series 2010B 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 2010B Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Seventy-Seventh 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 2010B Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2010B Bonds and otherwise exercise ownership rights with respect to Series 2010B 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 Series 2010B 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 2010B 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 Pledged 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 2010B Bonds, each June 1 and December 1, commencing December 1, 2010.

"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 2010B 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 2010B 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 2010B Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2010B 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.

“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 2010B 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, Additional Pledged Loan and Tax Subsidy 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 2010B 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 2010B Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2010B-1, in an initial aggregate principal amount of $38,610,000 and Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2010B-2, in an initial aggregate principal amount of $17,600,000.

"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 The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, 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, Additional Pledged Loan and Tax Subsidy 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."

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.

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.

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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 2010B 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 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 22 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 2000 United States Census was 1,819,046. In the 1990's the State was the 12th fastest growing state in the nation, as the population increased 20.1 percent from 1990 to 1,820,704 in 2004. Over the same period of time the national population grew 13.2 percent. From 2000 to 2008, the State's population grew 9 percent to 1,984,356, while the national population grew 7.8 percent over the same period.

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, Santa Fe, Valencia, and San Juan. The following table sets forth information on population growth in New Mexico and nationally.

POPULATION
NEW MEXICO AND THE UNITED STATES
2000-2009

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2000	1,820,813	282,171,957	0.7%	1.1%
2001	1,828,809	285,081,556	0.4	1.0
2002	1,850,035	287,803,914	1.2	1.0
2003	1,869,683	290,326,418	1.1	0.9
2004	1,891,829	293,045,739	1.2	1.3
2005	1,916,538	295,753,151	1.3	0.9
2006	1,942,608	298,593,212	1.4	1.0
2007	1,968,731	301,579,895	1.3	1.0
2008	1,986,763	304,374,846	1.0	0.9
2009	2,009,671	307,006,550	1.2	0.9

(Source: U.S. Census Bureau, Population Estimates Program; last updated May 2010.)

Major industries in the State are include oil and natural gas production, manufacturing, tourism, services, arts and crafts, 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 1999-2008.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Growth 2007-2008	Growth 1999-2008
Total employment	942,689	964,673	968,929	979,946	999,286	1,023,303	1,046,746	1,076,098	1,100,456	1,117,433	1.54%	18.54%
Wage and salary employment	765,161	781,167	791,927	800,588	812,914	829,861	845,127	868,119	878,315	881,422	0.35	15.19
Proprietors employment	177,528	183,506	177,002	179,358	186,372	193,442	201,619	207,979	222,141	236,011	6.24	32.94
Farm proprietors employment	15,428	15,227	17,825	14,530	16,045	15,632	15,588	15,255	18,183	17,855	(1.80)	15.73
Nonfarm proprietors employment	162,100	168,279	159,277	164,828	170,327	177,810	186,031	192,724	203,958	218,156	6.96	34.58
Farm employment	22,120	21,910	24,355	20,845	22,838	22,619	23,262	22,829	25,794	24,532	(4.89)	10.90
Nonfarm employment	920,569	942,763	944,574	959,101	976,448	1,000,684	1,023,484	1,053,269	1,074,662	1,092,901	1.70	18.72
Private employment	721,909	740,439	739,416	750,194	762,831	783,120	804,332	838,993	864,806	880,216	1.78	21.93
Forestry, fishing, related activities[1]	5,900	5,489	5,163	5,096	4,979	5,181	5,239	5,136	5,167	5,410	4.70	(8.31)
Mining[2]	17,252	19,016	19,612	17,957	18,576	19,245	21,171	23,726	24,865	27,555	10.82	59.72
Utilities	4,224	4,303	4,249	4,078	4,114	4,040	4,075	4,121	4,450	4,532	1.84	7.29
Construction[3]	59,814	60,690	63,293	61,864	64,135	68,382	73,978	79,826	80,573	79,641	(1.16)	33.15
Manufacturing	46,176	46,979	45,621	43,908	41,544	40,542	41,106	42,710	42,732	41,611	2.62	(9.89)
Durable goods manufacturing[4]	33,799	33,699	32,327	30,838	28,715	27,857	28,451	29,821	29,714	28,521	(4.01)	(15.16)
Nondurable goods manufacturing[5]	12,917	13,280	13,294	13,070	12,829	12,685	12,655	12,889	13,018	13,090	0.55	1.34
Wholesale trade	27,390	28,526	27,801	27,232	26,633	27,285	28,377	29,288	29,116	29,399	0.97	7.33
Retail trade[6]	112,089	113,080	110,010	111,167	112,445	114,169	116,097	116,750	118,932	119,843	0.77	6.92
Transportation and warehousing[7]	24,282	24,905	23,977	24,229	24,158	24,961	25,321	25,953	27,443	27,691	0.90	14.04
Information[8]	17,276	18,033	19,438	18,578	17,927	17,163	17,299	18,445	18,863	18,936	0.39	9.61
Finance and insurance[9]	32,034	31,613	30,848	31,251	31,544	31,769	32,039	32,172	33,567	34,575	3.00	7.93
Real estate and rental and leasing[10]	27,951	29,635	29,363	30,229	31,922	34,715	38,209	40,313	42,303	45,629	7.86	63.25
Professional, scientific and technical services	57,079	59,258	59,391	59,834	62,534	65,461	66,337	73,827	81,492	83,672	2.68	46.59
Management of companies and enterprises	5,906	5,810	6,049	6,129	5,440	5,354	6,354	6,425	6,084	5,663	(6.92)	(4.11)
Administrative and waste services[11]	47,958	51,414	53,226	54,229	53,292	54,598	55,224	58,489	60,352	60,954	1.00	27.10
Educational services	11,083	11,703	11,853	12,765	13,932	14,888	15,384	15,919	16,072	16,762	4.29	51.24
Health care and social assistance[12]	84,849	88,903	87,694	94,469	99,899	103,691	105,151	108,016	111,576	115,883	3.86	36.58
Arts, entertainment and recreation[13]	19,125	19,382	18,646	19,994	20,376	20,987	21,463	21,795	22,867	23,887	4.46	24.90
Accommodation and food services[14]	72,511	73,897	76,263	77,972	79,682	80,465	81,343	84,403	85,211	84,138	(1.26)	16.03
Other services, except public administration[15]	48,370	47,803	46,919	49,213	49,699	50,224	50,665	51,679	53,141	54,435	2.44	12.54
Government and government enterprises[16]	198,660	202,324	205,158	208,907	213,617	217,564	218,652	214,276	209,856	212,685	1.35	7.06

(1) The "Forestry, fishing, related activities, and other" category includes: forestry and logging; fishing, hunting and trapping; agriculture and other forestry support activities.
(2) The "Mining" category includes: oil and gas extraction; mining (except oil and gas); and support activities for mining.
(3) The "Construction" category includes: construction of buildings; heavy and civil engineering construction; and specialty trade contractors.
(4) The "Durable good manufacturing" category includes: wood product manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment and appliance manufacturing; motor vehicles, bodies and trailers, and parts manufacturing; other transportation equipment manufacturing; furniture and related product manufacturing; and miscellaneous manufacturing.
(5) The "Nondurable goods manufacturing" category includes: food manufacturing; beverage and tobacco product manufacturing; textile mills; textile product mills; apparel manufacturing; leather and allied product manufacturing; paper manufacturing; printing and related support activities; petroleum and coal products manufacturing; chemical manufacturing; and plastics and rubber products manufacturing.
(6) The "Retail trade" category includes: motor vehicle and parts dealers; furniture and home furnishings stores; electronics and appliance stores; building material and garden supply stores; food and beverage stores; health and personal care stores; gasoline stations; clothing and clothing accessories stores; sporting goods, hobby, book and music stores; general merchandise stores; miscellaneous store retailers; and nonstore retailers.
(7) The "Transportation and warehousing" category includes: air transportation; rail transportation; water transportation; truck transportation; transit and ground passenger transportation; pipeline transportation; scenic and sightseeing transportation; support activities for transportation; couriers and messengers; and warehousing and storage.
(8) The "Information" category includes: publishing industries, except Internet; motion picture and sound recording industries; broadcasting, except Internet; Internet publishing and broadcasting; telecommunications; ISPs, search portals and data processing; and other information services.
(9) The "Finance and insurance" category includes: monetary authorities-central bank; credit intermediation and related activities; securities, commodity contracts, investments; insurance carriers and related activities; and funds, trusts and other financial vehicles.
(10) The "Real estate and rental and leasing" category includes: real estate; rental and leasing services; and lessors of nonfinancial intangible assets.
(11) The "Administrative and waste services" category includes: administrative and support services; and waste management and remediation services.
(12) The "Health care and social assistance" category includes: ambulatory health care services; hospitals; nursing and residential care facilities; and social assistance.
(13) The "Arts, entertainment and recreation" category includes: performing arts and spectator sports; museums, historical sites, zoos and parks; and amusement, gambling and recreation.
(14) The "Accommodation and food services" category includes: accommodation; and food services and drinking places.
(15) The "Other services, except public administration" category includes: repair and maintenance; personal and laundry services; membership associations and organizations; and private households.
(16) The "Government and government enterprises" category includes: federal, civilian; military; state and local; and state government and local government.

(Source: U.S. Department of Commerce, Regional Economic Information System, Bureau of Economic Analysis; last updated March 25, 2010.)

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
2000-2009

	Civilian Labor Force (Thousands)		Number of Employed (Thousands)		Unemployment Rate		
Year	New Mexico(1)(2)	United States(1)(2)	New Mexico(1)(2)	United States(1)(2)	New Mexico(1)(2)	United States(1)(2)	N.M. as % of U.S. Rate
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	888	146,510	836	137,736	5.9	6.0	98
2004	902	147,401	850	139,252	5.8	5.5	105
2005	913	149,320	866	141,730	5.2	5.1	102
2006	931	151,428	892	144,427	4.1	4.6	89
2007	942	153,124	909	146,047	3.5	4.6	76
2008	961	154,287	918	145,362	4.5	5.8	78
2009	956	151,142	887	139,877	7.2	9.3	77

(1) Annual Averages. Estimates made in accordance with the U.S. Department of Labor.
(2) Details may not add to total because of rounding.
(Source: New Mexico Department of Workforce Solutions, Economic Research and Analysis Bureau. Last revised March 20, 2010, for New Mexico figures and April 20, 2010, for U.S. figures.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2000-2009

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2000	41,425,052	8,554,866,000	6.8%	8.2%
2001	45,335,831	8,878,830,000	9.4	3.8
2002	46,341,507	9,054,781,000	2.2	2.0
2003	48,141,274	9,369,072,000	3.9	3.5
2004	51,576,450	9,928,790,000	7.1	6.0
2005	55,342,340	10,476,669,000	7.3	5.5
2006	59,274,213	11,256,516,000	7.1	7.4
2007	63,182,025	11,879,836,000	6.6	5.5
2008	63,679,909	12,225,589,576	5.0	2.9
2009	66,304,015	12,015,534,968	0.0	(1.9)

(Source: U.S. Department of Commerce, Bureau of Economic Analysis; last revised March 2010. Bureau of Business and Economic Research, University of New Mexico; last revised April 2010.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2000-2009

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	N.M.	U.S.
2000	$22,751	$30,318	75%	6.0%	7.0%
2001	24,790	31,145	80	9.0	2.7
2002	25,049	31,462	80	1.0	1.0
2003	25,748	32,271	80	2.8	2.6
2004	27,263	33,881	80	5.9	5.0
2005	28,876	35,424	82	5.9	4.6
2006	30,513	37,698	81	5.7	6.4
2007	32,093	39,392	81	5.2	4.5
2008	33,389	40,166	83	4.0	2.0
2009	32,992	39,138	84	(1.2)	(2.6)

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis, December 2009; Bureau of Business and Economic Research, University of New Mexico; last revised April 2010.)

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WAGES AND SALARIES BY INDUSTRY SECTOR

2001-2008

NAICS Earnings by Place of Work[1] Applicable to 2001-2008	New Mexico (Dollars in Thousands)				United States (Dollars in Millions)				Average Annual Percent Change 2001 - 2008		Distribution of 2008 Wages & Salaries	
	2008	2006	2004	2001	2008	2006	2004	2001	N.M.	U.S.	N.M.	U.S.
Farm Wage and Salary	208,698	219,765	189,172	176,815	20,721	20,005	19,109	17,926	18.00%	15.60%	0.20%	0.10%
Non-farm Wage and Salary	33,715,775	30,600,701	26,823,358	23,103,525	6,517,283	6,040,256	5,400,450	4,930,431	45.90	82.20	36.50	35.30
Private Wage and Salary	24,772,013	22,112,414	18,663,773	16,369,207	5,390,379	5,019,888	4,461,334	4,118,734	51.30	30.90	26.80	29.20
Forestry, Fishing, related activities, and other	59,740	58,724	53,726	48,420	12,923	11,993	10,812	9,711	23.40	33.10	0.10	0.10
Mining	1,434,355	1,147,049	787,524	737,368	62,230	47,867	34,856	32,011	94.50	94.40	1.60	0.30
Utilities	312,639	252,398	230,790	231,264	47,830	43,604	40,997	39,738	35.10	20.40	0.30	0.30
Construction	2,445,910	2,177,434	1,675,345	1,491,651	367,928	356,600	297,819	272,368	64.00	35.10	2.60	2.00
Manufacturing	1,708,923	1,688,940	1,476,915	1,576,829	741,831	738,484	693,091	712,816	8.40	4.10	1.80	4.00
Wholesale Trade	1,168,804	1,065,049	912,422	844,202	376,738	349,619	307,255	284,855	38.50	32.30	1.30	2.00
Retail Trade	2,501,968	2,359,401	2,176,025	1,928,437	417,338	408,360	380,491	354,110	29.70	17.90	2.70	2.30
Transportation and Warehousing	920,813	848,719	765,595	651,117	206,312	194,358	176,600	167,414	41.40	23.20	1.00	1.10
Information	681,221	619,675	534,061	573,774	215,134	204,231	192,338	209,312	18.70	2.80	0.70	1.20
Finance and Insurance	1,136,957	1,092,655	973,134	838,215	518,740	491,249	423,149	375,169	35.60	38.30	1.20	2.80
Real Estate and Rental and Leasing	367,554	354,529	294,687	245,480	95,738	95,016	81,648	70,280	49.70	36.20	0.40	0.50
Professional, Scientific, and Technical Services	3,805,813	3,135,727	2,386,588	1,987,406	595,728	519,853	437,091	412,697	91.50	43.40	4.10	3.20
Management of Companies and Enterprises	301,575	306,808	247,768	247,738	182,857	163,809	140,555	119,725	21.70	52.70	0.30	1.00
Administrative and Waste Services	1,460,751	1,326,078	1,147,985	1,002,275	266,043	248,521	217,562	192,949	45.70	37.90	1.60	1.40
Educational Services	322,727	272,132	247,916	185,864	109,293	94,694	84,982	69,003	73.60	58.40	0.30	0.60
Health Care and Social Assistance	3,629,952	3,165,313	2,757,001	2,073,310	677,182	598,933	531,725	438,217	75.10	54.50	3.90	3.70
Arts, Entertainment, and Recreation	196,907	172,465	152,909	132,041	71,203	65,582	57,472	50,672	49.10	40.50	0.20	0.40
Accommodations and Food Services	1,305,144	1,181,837	1,050,152	907,708	218,869	199,725	178,357	157,160	43.80	39.30	1.40	1.20
Other Services, Except Public Administration	1,010,260	887,481	802,190	666,108	206,462	187,390	174,534	150,572	51.70	37.10	1.10	1.10
Government and Government Enterprises	8,943,762	8,488,287	8,168,625	6,734,318	1,126,904	1,020,368	939,116	811,697	32.80	38.80	9.70	6.10
Total	92,412,261	83,533,581	72,517,661	62,753,072	18,445,666	17,120,405	15,281,343	13,997,567			10.000%	100.00%

(1) The estimates of wage and salary disbursements for 2001-2006 are based on the 2002 North American Industry Classification System (NAICS). The estimates for 2007 forward are based on the 2007 NAICS.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, December 2009 (Table SA079).)

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

The New York Mellon Trust Company, N.A.
Global Corporate Trust
1775 Sherman Street, Suite 2775
Denver, Colorado 80203

Re: New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2010B-1 and Taxable Series 2010B-2

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, Tax-Exempt Series 2010B-1 in the aggregate principal amount of $__________ (the "Series 2010B-1 Bonds") and its Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2010B-2 (the "Series 2010B-2 Bonds" and together with the Series 2010B-1 Bonds, the "Series 2010B Bonds") in the aggregate principal amount of $___________. The Series 2010B Bonds are being issued for the purpose of (i) originating loans to or purchasing securities from or reimbursing the NMFA for moneys used to originate loans to or purchase securities from certain governmental units ("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 2010B 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 2010B 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"), by and between Sunwest Bank, National Association, Albuquerque, New Mexico, as the predecessor Trustee, and as further supplemented by a Seventy-Seventh Supplemental Indenture of Trust dated as of August 1, 2010 (together with the General Indenture, the "Indenture"), by and between the NMFA and The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as trustee (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 of New Mexico (the "State"), duly organized and validly existing under the laws of the State, and has lawful authority to issue the Series 2010B 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 2010B 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 2010B 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 2010B-1 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. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on or ownership of the Series 2010B-1 Bonds.

5. The interest on the Series 2010B-2 Bonds is not excludable from gross income for federal income tax purposes under Section 103(a) of the Code. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest or ownership of the Series 2010B-2 Bonds.

6. The interest on the Series 2010B Bonds is exempt from State personal income taxes.

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

(a) the rights of the holders of the Series 2010B 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 2010B Bonds or any other offering material relating to the Series 2010B 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 and they should not 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 and the Underwriters believe to be reliable, but the NMFA and the Underwriters take 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 2010B Bonds, payment of principal, premium, if any, interest on the Series 2010B Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2010B 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 2010B Bonds. The Series 2010B 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 2010B Bond certificate will be issued for each maturity of the Series 2010B 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 2010B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010B 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 2010B 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 2010B Bonds, except in the event that use of the book-entry system for the Series 2010B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010B 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 2010B 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 2010B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2010B 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 2010B Bonds.

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

APPENDIX F

2010B GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS

2010B Governmental Units

As previously stated, a portion of the proceeds of the Series 2010B Bonds is being used to originate Loans to be made to the 2010B Governmental Units or to reimburse the NMFA for Loans made to 2010B Governmental Units. The 2010B 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
Carrizozo Municipal Schools	$345,000	–	8/1/2020
Kewa Pueblo	1,100,000	$109,981	5/1/2014
Tucumcari Municipal Schools	1,635,000	–	8/1/2022
Fort Sumner Municipal Schools	880,000	–	8/1/2019
Curry County	823,731	61,558	5/1/2030
Questa Village	313,534	–	5/1/2024
Gallup-McKinley County Public Schools	4,750,000	–	2/1/2024
Town of Red River	197,686	19,765	5/1/2031
Hidalgo County	1,868,247	112,744	5/1/2035
City of Rio Rancho	3,942,260	339,000	5/1/2025
Town of Springer	267,960	–	5/1/2026
City of Rio Rancho	967,515	–	6/1/2015
Kewa Pueblo	5,825,000	474,490	5/1/2030
Los Alamos County[(2)]	13,085,000	–	5/1/2030
Pueblo of Isleta[(2)]	20,810,000	1,565,805	5/1/3035
TOTAL	$56,810,993		

(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) Represent Loans that the respective 2010B Governmental Units expect to be treated as Interest Subsidy Loans (as defined below). See "Special Consideration Relating to Loans Designated as "Build America Bonds" or "Recovery Zone Economic Development Bonds" below.

(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, 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 current outstanding principal amount of the ABCWUA Loan Agreements is $93,995,000.

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 $93,093,115 and are scheduled to mature on June 1, 2038.

New Mexico Spaceport Authority. The NMFA issued a series of bonds for the purpose of purchasing securities from the New Mexico Spaceport Authority (the "Spaceport Authority Securities"), the proceeds from which are being used to finance the costs of planning, designing, engineering and constructing a regional spaceport. The Spaceport Authority Securities are payable from and secured by a portion of the county regional spaceport gross receipts tax revenues received by the New Mexico Spaceport Regional District from gross receipts taxes imposed by Dona Aña and Sierra Counties which are pledged by the Spaceport Authority to pay the Spaceport Authority Securities. The Spaceport Authority Securities are currently outstanding in the aggregate principal amount of $53,785,000 and are scheduled to mature on June 1, 2029.

City of Santa Fe. The NMFA has entered into various obligations with the City of Santa Fe (the "Santa Fe Obligations"). The proceeds of the Santa Fe Obligations were used to finance the costs of various projects in the City of Santa Fe including infrastructure improvements for Santa Fe's Railyard Redevelopment Project and the Santa Fe Community Convention Center and the acquisition of the College of Santa Fe. The Santa Fe Obligations are payable from and secured by a portion of the gross receipts tax revenues received by Santa Fe. The outstanding balance of the Santa Fe Obligations totals $38,868,983. The last of the Santa Fe Obligations is scheduled to expire on June 1, 2037.

New Mexico Highlands University. The NMFA has made two loans to the New Mexico Highlands University (the "NM Highlands Loans") to finance the construction of a residence hall as well as a new student services center. The NM Highlands Loans are secured by the gross income and revenues derived from the operation of the New Mexico Highlands University including all student tuition and fees. The current aggregate outstanding principal amount of the NM Highlands Loans totals $33,047,918. The last scheduled maturity of the NM Highlands Loans is scheduled to occur on June 1, 2035.

Special Consideration Concerning an Action Involving Previously Executed Loan Agreements

The NMFA has partially funded two loans (the "Angel Fire Loans") to the Angel Fire Public Improvement District (the "Angel Fire District"). Proceeds from the Angel Fire Loans are being applied to finance infrastructure improvements within the Angel Fire District. If the Angel Fire Loans are entirely funded, the Angel Fire Loans will be outstanding in the aggregate principal amount of $26.25 million and will be scheduled to mature in August 2038.

An action was filed against the Angel Fire District, and others, including the NMFA, which challenged the creation of the Angel Fire District (the "Angel Fire Litigation"). If the Angel Fire Litigation is decided in favor of the petitioners, the Angel Fire District would not be considered to be properly created and any actions taken by the Angel Fire District, including the Angel Fire Loans, could be declared void and unenforceable. A declaration that the Angel Fire Loans are void and unenforceable could mean that the NMFA would lose a source of Agreement Pledged Revenues that are pledged to the payment of the Bonds. The amount of Agreement Pledged Revenues expected to be received pursuant to the Angel Fire Loans averages approximately $1,740,000 per year. See

"ESTIMATED REVENUES, ANNUAL DEBT SERVICE REQUIREMENTS, AND PROJECTED COVERAGE RATIOS," herein to gain an understanding of the impact of such revenue stream on the estimated coverage ratios.

Special Considerations Relating to Loans Designated as "Build America Bonds" or "Recovery Zone Economic Development Bonds"

The NMFA has previously used proceeds from Bonds previously issued and plans to use a portion of the proceeds from the sale of the Series 2010B Bonds to fund Loans to certain Governmental Units that have elected or will elect to treat a portion of their Loans as "Qualified Build America Bonds" (the "BAB Loans"). Such Governmental Units (the "BAB Governmental Units") intend to apply for interest subsidy payments from the Secretary of the U.S. Treasury under the "Build America Program" pursuant to Section 6431 of the Tax Code (the "BAB Interest Subsidy Payments"). Such Interest Subsidy Payments, if received by such BAB Governmental Units, may be used by them for any purpose, including payment of the debt service on their respective BAB Loans.

One of the Series 2010B Governmental Units (the "RZED Governmental Unit" and together with the BAB Governmental Units, the "Interest Subsidy Governmental Units") intends to elect to treat a portion of its Loan as "Recovery Zone Economic Development Bonds" (the "RZED Loan" and collectively with the BAB Loans, the "Interest Subsidy Loans") and apply for interest subsidy payments from the Secretary of the U.S. Treasury under Section 1400U-2 of the Code (the "RZED Interest Subsidy Payments" and together with the BAB Interest Subsidy Payments, the "Interest Subsidy Payments"). RZED Loans receive tax treatment similar to BAB Loans and are subject to requirements similar to those applicable to BAB Loans under the Code.

As a result of those elections, interest on certain Series of Bonds of the NMFA, including the Series 2010B-2 Bonds, will be includable in gross income of the holders thereof for federal income tax purposes and the holders of the Series 2010B-2 Bonds will not be entitled to any tax credits as a result of ownership of the Series 2010B-2 Bonds.

No assurances are provided that any such Interest Subsidy Governmental Units will receive any Interest Subsidy Payments. The amount of any Interest Subsidy Payment is subject to legislative changes by the United States Congress. Interest Subsidy Payments will only be paid if the Interest Subsidy Loans qualify as such. For the Interest Subsidy Loans to be and remain Interest Subsidy Loans, the Interest Subsidy Governmental Units must comply with certain covenants and the Interest Subsidy Governmental Units must establish certain facts and expectations with respect to their Interest Subsidy Loans, the use and investment of proceeds thereof and the use of property financed thereby. There are currently no procedures for requesting an Interest Subsidy Payment after the 45th day prior to an interest payment date; therefore, if the Interest Subsidy Governmental Units fail to file the necessary tax return in a timely fashion, it is possible that the Interest Subsidy Governmental Units will never receive such Interest Subsidy Payment. Also, Interest Subsidy Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the Interest Subsidy Governmental Units to an agency of the United States of America.

The NMFA has not taken into account the receipt of such Interest Subsidy Payments by the Interest Subsidy Governmental Units in its forecast of revenues of the Interest Subsidy Governmental Units that will be used to pay the Interest Subsidy Loans or in its evaluation of the ability of the Interest Subsidy Governmental Units to repay the Interest Subsidy Loans.

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New Mexico FINANCE AUTHORITY

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