NEW ISSUE – BOOK-ENTRY ONLY

Ratings: S & P "AAA"
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 2011A Bonds (other than any Series 2011A Bond owned by a "substantial user" of the project financed or refinanced with proceeds of the Series 2011A Bonds or a "related person," as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code")) is excludable from gross income for federal income tax purposes under Section 103(a) of the Code, but is an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2011A 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

$15,375,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2011A (AMT)

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 2011A 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 2011A 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 2011A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2011A Bonds will be made in book-entry form only, and beneficial owners of the Series 2011A 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 2011A Bonds.

The Series 2011A Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2011A Bonds accrues from the date of initial delivery of the Series 2011A Bonds and is payable on June 1 and December 1 of each year, commencing December 1, 2011. Principal of the Series 2011A 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 2011A are not subject to optional redemption prior to maturity; however, the Series 2011A Bonds are subject to extraordinary redemption prior to maturity.

Proceeds of the Series 2011A Bonds will be used by the NMFA for the purposes of (i) originating a loan to the City of Albuquerque that will be used to refinance a Project for the Albuquerque Airport, and (ii) paying costs incurred in connection with the issuance of the Series 2011A Bonds. The principal of and premium, if any, and interest on the Series 2011A 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 2011A 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 2011A 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 2011A 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 2011A 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 Series 2011A Bonds were sold pursuant to a competitive bidding held on April 28, 2011, to Piper Jaffray & Co.

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 2011A 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 2011A Bonds. It is expected that a single certificate for each maturity of each series of the Series 2011A Bonds will be delivered to DTC or its agent on or about May 19, 2011.

This Official Statement is dated April 28, 2011, and the information contained herein speaks only as of that date.

NEW MEXICO FINANCE AUTHORITY

$15,375,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2011A (AMT)

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2012	$2,890,000	2.00%	0.50%	64711NN U 5
2013	3,000,000	2.00	1.00	64711NN V 3
2014	3,060,000	3.00	1.47	64711NN W 1
2015	3,155,000	4.00	1.85	64711NN X 9
2016	3,270,000	4.00	2.15	64711NN Y 7

† 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 2011A Bonds. Neither the NMFA, the Trustee nor the Financial Advisor are responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2011A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2011A 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 Financial Advisor 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 2011A 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 2011A 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 2011A 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 2011A Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2011A 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 2011A Bonds.

THE SERIES 2011A 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 2011A 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[(1)]
William F. Fulginiti, Vice-Chairman
Paul Gutierrez, Secretary
Jon Barela[(2)]
John Bemis[(2)]
Blake Curtis
Lonnie Marquez
David Martin
Richard May
Steven K. Moise[(3)]
Terry White

Interim Chief Executive Officer
John T. Duff

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) The office of Chairman and one of the member positions are currently vacant.

(2) Messrs. Barela and Bemis are designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate. See "NEW MEXICO FINANCE AUTHORITY—Governing Body and Key Staff Members" for a discussion of the effect of senate confirmations on their respective terms.

(3) Appointed by the State Investment Council and serves at the pleasure of the State Investment Council. Pursuant to legislative action taken during the 2011 session of the New Mexico Legislature, the State Investment Officer will cease to be an ex officio member of the governing body of the NMFA on July 1, 2011.

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

$15,375,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2011A (AMT)

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 $15,375,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2011A (AMT) (the "Series 2011A Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2011A 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 Eightieth Supplemental Indenture of Trust, dated as of May 1, 2011 (the "Eightieth 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 "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, 2010 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 2011A 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 2011A Bonds will be used by the NMFA for the purposes of (i) originating a loan to the City of Albuquerque (the "2011A Governmental Unit") that will be used to refinance a Project for the airport system of the 2011A Governmental Unit (the "Albuquerque Airport"), and (ii) paying costs incurred in connection with the issuance of the Series 2011A Bonds. See "THE PLAN OF FINANCING" for more information with respect to the sources and uses of proceeds of the Series 2011A Bonds and "APPENDIX G" for a description of the Albuquerque Airport, the enterprise of the 2011A Governmental Unit that will provide the source of revenues to repay the Loan of the 2011A Governmental Unit.

Parity Obligations

Bonds with a lien on the Trust Estate on a parity with the lien of the Series 2011A 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 2011A Bonds

The Series 2011A Bonds will be dated the date of their initial delivery. Interest on the Series 2011A Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2011. The Series 2011A 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 2011A 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 2011A 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 2011A 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 2011A Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2011A 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 2011A 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 2011A Bonds are not subject to optional redemption prior to maturity; however, the Series 2011A Bonds are subject to extraordinary redemption prior to maturity. See "THE SERIES 2011A BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2011A 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 2011A 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 2011A 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.

Common Debt Service Reserve Fund. The NMFA has established a Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was funded on January 14, 2011 and as of April 28, 2011, the Common Debt Service Reserve Fund was funded in the amount of $23,202,560. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds—Common Debt Service Reserve Fund."

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 2011A 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 2011A Bond Owners that, so long as the Series 2011A 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 2011A Bonds (other than any Series 2011A Bond owned by a "substantial user" of the project financed or refinanced with proceeds of the Series 2011A Bonds or a "related person," as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code")) is excludable from gross income for federal income tax purposes under Section 103(a) of the Code, but is a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2011A 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 2011A 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 2011A Bonds. See "FINANCIAL ADVISOR."

The NMFA's audited financial statements for the fiscal year ended June 30, 2010, 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 2011A Bonds

The Series 2011A 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 2011A Bonds will be delivered to DTC or its agent on or about May 19, 2011. The Series 2011A Bonds were sold to Piper Jaffray & Co. pursuant to a competitive bidding process that was held on April 28, 2011.

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 2011A Bonds.

THE SERIES 2011A BONDS

General

The Series 2011A Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2011A 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, 2011. The Series 2011A 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 2011A 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 2011A 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 2011A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2011A Bonds will be made in book-entry only form, and beneficial owners of the Series 2011A 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 2011A Bonds. For a more complete description of the book-entry only system, see "APPENDIX E—BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

No Optional Redemption. The Series 2011A Bonds are not subject to optional redemption prior to maturity.

Extraordinary Redemption. The Series 2011A Bonds are subject to extraordinary redemption, in whole or in part, at any time, at a redemption price equal to one hundred percent (100%) of the principal amount (payable solely from insurance and eminent domain proceeds) of the Series 2011A Bonds to be redeemed plus accrued interest to the redemption date upon the occurrence of any of the following events under the following circumstances:

(1) If the Albuquerque Airport shall have been damaged or destroyed; or

(2) If title to, or the temporary use of, all or part of the Albuquerque Airport shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm, or corporation acting under governmental authority.

The Series 2011A Bonds shall be redeemed from proceeds of the prepayment of the Loan with the 2011A Governmental Unit, which amounts will come from insurance and eminent domain proceeds not used to replace, repair, rebuild and restore the Albuquerque Airport, only if (i) the Albuquerque Airport has been restored to substantially the same condition as prior to such damage, destruction or taking; or (ii) the 2011A Governmental Unit has determined that the portion of the Albuquerque Airport damaged, destroyed or taken is not necessary to the operation of the Albuquerque Airport and that the failure of the 2011A Governmental Unit to repair or restore the same will not impair or otherwise adversely affect the revenue-producing capability of the Albuquerque Airport; or (iii) a consultant to the Albuquerque Airport has been unable to make a statement to the effect that proceeds, together with other funds made available or to be made available by the 2011A Governmental Unit, are projected to be sufficient to pay the costs of the replacement, repair, rebuilding or restoration of the Albuquerque Airport.

Notice of Redemption. In the event any of the Series 2011A Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2011A 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 Series 2011A Bonds is to be given by the Trustee at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 2011A Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 2011A 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 Series 2011A 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 Series 2011A Bonds or portions thereof redeemed but who failed to deliver Series 2011A 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 Series 2011A Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 2011A Bonds.

Partially Redeemed Bonds. In case any Series 2011A Bond is redeemed in part, upon the presentation of such Series 2011A 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 Series 2011A Bond or Series 2011A Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2011A Bond. A portion of any Series 2011A 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 Series 2011A Bonds for redemption, the Trustee will treat each such Series 2011A Bond as representing that number of Series 2011A Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 2011A 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 2011A Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2011A 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 2011A 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 2011A 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. 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	$25,508,637	26.62%
Local Gross Receipts Tax	24,052,348	25.10
General Obligation (ad valorem taxes)	16,763,638	17.49
Local Special Tax	13,246,485	13.82
State Gross Receipts Tax	6,449,721	6.73
Fire Protection Funds	3,839,079	4.01
Special Assessments	2,890,002	3.02
Governmental Gross Receipts Tax	2,730,877	2.85
Law Enforcement Protection Funds	226,549	0.24
Mill Levy	117,046	0.12
Total	$95,824,382	100.00%

Note: Totals may not add due to rounding. Assumes that the Loan funded with proceeds of the Series 2011A Bonds is 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 44.46% 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	11.26%
General Services Department (State Gross Receipts Taxes)	6,409,464	6.69
New Mexico Spaceport Authority (Gross Receipts Tax)	4,692,268	4.90
City of Albuquerque (Enterprise System Revenues) [(2)]	4,331,122	4.52
Gadsden Independent Schools (Ad Valorem Property Tax)	3,898,939	4.07
State Parks and Recreation Department (Governmental Gross Receipts Tax)	2,730,877	2.85
City of Santa Fe (Gross Receipts Tax)	2,631,967	2.75
Department of Health (Cigarette Taxes)	2,478,621	2.59
New Mexico Highlands University (Enterprise System Revenues)[(3)]	2,352,930	2.46
Taos County (Gross Receipts Tax)	2,290,996	2.39
Total	$42,608,175	44.46%

(1) Reflects a percentage of total Agreement Revenues, and does not include the NMFA Portion of Governmental Gross Receipts Taxes.
(2) Assumes the Loan funded with the proceeds of the Series 2011A Bonds is executed and delivered.
(3) 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.
(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 Unit with the largest repayment obligations, See "APPENDIX F—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.

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	$30,375,481
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 2006-2007 through 2008-2009. 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 2006-2007 THROUGH 2008-2009

Entity	Fiscal Year 2006-2007 % of Total Net Receipts	Fiscal Year 2007-2008 % of Total Net Receipts	Fiscal Year 2008-2009 % of Total Net Receipts
Albuquerque Bernalillo County Water Utility Authority	18.68%	23.34%	24.24%
City of Albuquerque	8.28	8.48	8.61
City of Santa Fe	7.33	7.36	7.57
City of Las Cruces	5.03	4.92	5.21
University of New Mexico	4.47	4.14	4.22
City of Rio Rancho	4.17	4.50	4.76
City of Farmington	2.62	2.89	2.89
City of Roswell	2.06	1.99	1.98
County of Los Alamos	1.64	1.76	1.78
City of Carlsbad	1.71	1.62	1.62
Total	55.99%	61.00%	62.88%

(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), a Common Debt Service Reserve

Fund, 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: to 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: in the event the Common Debt Service Reserve Fund has been used to satisfy amounts due under a Loan Agreement or in relation to certain Securities, then to the extent Loan Payments are received as to that specific Loan Agreement or Securities, to the Common Debt Service Reserve Fund to the extent necessary to cause the payments to the Common Debt Service Reserve Fund to equal the amounts withdrawn from the Common Debt Service Reserve Fund to satisfy amounts due under the Loan Agreement or as to such Securities.

Fourth: 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 2011A 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.

On the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the next Business Day preceding such third day), if the amount on deposit in any Governmental Unit's account of the Debt Service Fund is insufficient, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, the Trustee shall transfer the amount of such deficiency from the Common Debt Service Reserve Fund. See "Common Debt Service Reserve Fund" below under this caption.

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 (5%) 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) and to make any deposits to the Common Debt Service Reserve Fund (as described 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.

Common Debt Service Reserve Fund. The NMFA has established the Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011 and, as of April 28, 2011, the Common Debt Service Reserve Fund was funded in the amount of $23,202,560.

The NMFA shall determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The NMFA shall deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the NMFA of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the NMFA by the trustee under the Subordinated Indenture on June 16.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit shall be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the NMFA, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the NMFA has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the NMFA shall not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount shall be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee shall transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

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 returned to the Governmental Unit or 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 2011A Bonds. The NMFA covenants pursuant to the Eightieth 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 2011A Bonds with debt service payable on the Series 2011A Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2011A 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 Series 2011A Bonds:

The NMFA must to the extent practicable, 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).

In the event the NMFA does not take the action described in the previous paragraph, it must defease Series 2011A Bonds in Authorized Denominations to their maturity 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 2011A 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 (including Prepayments under the Indenture as well as prepayments of obligations under the Subordinated Indenture) 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	23	6,945,375
2010-2011[1]	46	98,879,519

(1) Reflects prepayments received as of April 28, 2011, including Prepayments under the Indenture as well as prepayments under the Subordinated Indenture. The large amount of prepayments is attributable to a favorable interest rate climate that permitted governmental units to refinance their respective loans. As discussed above under "Covenants Applicable to the Series 2011A Bonds," the NMFA may originate additional Loans, redeem outstanding Bonds that related to the prepaid Loans, if such Bonds are subject to redemption, or defease outstanding Bonds that relate to the prepaid Loans. As of the date of this Official Statement, the NMFA has applied $72,428,693 of the proceeds of such prepayments to originate additional loans which, pursuant to a Pledge Notification, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The NMFA has also applied $1,535,093 of such prepayments to redeem obligations under the Indenture or the Subordinated Indenture. There remains $23,745,816 of prepayments and the NMFA is discussing its options with respect to such prepayments but has not made a final decision about what it will do with such prepayments.

(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 2011A 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 2011A 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 April 28, 2011:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of April 28, 2011[(2)]
2002A	$55,610,000	$12,370,000
2003A	39,945,000	17,310,000
2003B	25,370,000	14,865,000
2004A-1	28,410,000	9,580,000
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	8,895,000
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	28,275,000
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
2010B-1	38,610,000	38,610,000
2010B-2	17,600,000	17,600,000
2011A	15,375,000	15,375,000
Total	$1,089,105,000	$878,385,000

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(1) The official statements for the various Series of Outstanding Parity Bonds are available at the Internet site http://www.munios.com.

(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 2010-2011 and assuming no prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2010-2011.

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 April 28, 2011:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of April 28, 2011[(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 2011A 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 2011A Bonds will be used by the NMFA for the purpose of (i) originating a loan to the 2011A Governmental Unit that will be used to refinance a Project for the Albuquerque Airport, and (ii) paying costs incurred in connection with the issuance of the Series 2011A Bonds. See APPENDIX G for a description of the Albuquerque Airport.

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 2011A Bonds.

Sources of Funds

Principal Amount	$15,375,000.00
Net Reoffering Premium	792,743.70
NMFA Contribution	225,368.75
2011A Government Unit Contribution	75,000.00
Total Sources	**$16,468,112.45**

Uses of Funds

Deposit to Program Fund Account of the 2011A Governmental Unit[1]	$16,167,743.70
Costs of Issuance[2]	300,368.75
Total Uses	**$16,468,112.45**

(1) Amounts in the Program Fund Account will be used to fund the Loan to the 2011A Governmental Unit at or about the same time as the issuance of the Series 2011A Bonds.

(2) Costs of issuance include legal fees, rating agency fees, Trustee fees, financial advisory fees, purchaser's discount, costs of the 2011A Governmental Unit and other costs and expenses related to the issuance of the Series 2011A Bonds and the origination of the Loan to the 2011A Governmental Unit.

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2011A 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	Series 2011A Bonds Principal	Series 2011A Bonds Interest	Outstanding Parity Bonds	Total Annual Debt Service
2011	–	–	$87,711,661	$87,711,661
2012	$2,890,000	$482,153	90,381,851	93,754,005
2013	3,000,000	408,800	89,461,737	92,870,537
2014	3,060,000	348,800	86,588,206	89,997,006
2015	3,155,000	257,000	84,832,698	88,244,698
2016	3,270,000	130,800	82,015,956	85,416,756
2017	–	–	70,484,070	70,484,070
2018	–	–	69,254,993	69,254,993
2019	–	–	66,747,690	66,747,690
2020	–	–	60,033,340	60,033,340
2021	–	–	57,653,461	57,653,461
2022	–	–	54,166,664	54,166,664
2023	–	–	49,698,506	49,698,506
2024	–	–	47,723,383	47,723,383
2025	–	–	42,209,762	42,209,762
2026	–	–	39,075,391	39,075,391
2027	–	–	37,765,869	37,765,869
2028	–	–	33,851,888	33,851,888
2029	–	–	29,311,108	29,311,108
2030	–	–	22,611,901	22,611,901
2031	–	–	20,753,200	20,753,200
2032	–	–	20,298,797	20,298,797
2033	–	–	18,226,849	18,226,849
2034	–	–	16,573,996	16,573,996
2035	–	–	14,953,391	14,953,391
2036	–	–	12,899,922	12,899,922
2037	–	–	3,474,415	3,474,415
2038	–	–	3,465,892	3,465,892
2039	–	–	454,148	454,148
Total	$15,375,000	$1,627,553	$1,312,680,748	$1,329,683,301

(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 2011A 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—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 "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.

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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[(2)]	Estimated Annual Coverage Ratios[(4)]
2011	$23,053,051	$95,824,382	$118,877,433	$87,711,661	1.36x
2012	23,053,051	104,749,318	127,802,369	93,754,005	1.36x
2013	23,053,051	103,258,860	126,311,911	92,870,537	1.36x
2014	23,053,051	98,509,684	121,562,735	89,997,006	1.35x
2015	23,053,051	96,434,554	119,487,605	88,244,698	1.35x
2016	23,053,051	93,521,636	116,574,687	85,416,756	1.36x
2017	23,053,051	76,641,936	99,694,987	70,484,070	1.41x
2018	23,053,051	74,853,330	97,906,381	69,254,993	1.41x
2019	23,053,051	70,652,815	93,705,866	66,747,690	1.40x
2020	23,053,051	64,320,608	87,373,659	60,033,340	1.46x
2021	23,053,051	61,007,858	84,060,909	57,653,461	1.46x
2022	23,053,051	56,930,988	79,984,039	54,166,664	1.48x
2023	23,053,051	50,933,437	73,986,488	49,698,506	1.49x
2024	23,053,051	48,715,249	71,768,300	47,723,383	1.50x
2025	23,053,051	45,620,108	68,673,159	42,209,762	1.63x
2026	23,053,051	40,088,842	63,141,893	39,075,391	1.62x
2027	23,053,051	38,612,023	61,665,074	37,765,869	1.63x
2028	23,053,051	35,993,709	59,046,760	33,851,888	1.74x
2029	23,053,051	37,562,227	60,615,278	29,311,108	2.07x
2030	23,053,051	21,981,743	45,034,794	22,611,901	1.99x
2031	23,053,051	19,479,552	42,532,603	20,753,200	2.05x
2032	23,053,051	19,005,410	42,058,461	20,298,797	2.07x
2033	23,053,051	18,784,076	41,837,127	18,226,849	2.30x
2034	23,053,051	17,116,358	40,169,409	16,573,996	2.42x
2035	23,053,051	15,491,443	38,544,494	14,953,391	2.58x
2036	23,053,051	13,420,947	36,473,998	12,899,922	2.83x
2037	23,053,051	3,992,949	27,046,000	3,474,415	7.78x
2038	23,053,051	3,513,480	26,566,531	3,465,892	7.67x
2039	23,053,051	511,021	23,564,072	454,148	51.89x

(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, including any Prepayments that have been received by the NMFA since April 28, 2011. As previously discussed, the NMFA has recently received prepayments of certain loans under the Indenture as well as under the Subordinated Indenture. Pursuant to the terms of the Indenture, the NMFA has the option to originate new Loans with debt service payments that approximate the debt service of the prepaid Loans or defease the Bonds that relate to such prepaid Loans. As of the date of this Official Statement, the NMFA has applied $72,428,693 of the proceeds of such prepayments to originate additional loans which, pursuant to Pledge Notifications, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The NMFA has also applied $1,535,093 of such prepayments to redeem obligations under the Indenture or the Subordinated Indenture. There remains $23,745,816 of prepayments and the NMFA is discussing those options and may pursue one or the other option or a combination thereof. The NMFA does not believe that selection of one option over the other will have a significant impact on the coverage ratio since the amount of any new Loan Payments will be substantially similar to the prepaid Loan Payments or alternatively, any defeasance will result in a corresponding reduction in debt service requirements. The amount of prepayments which have not yet been addressed and their corresponding cash flows are not included in this table.

(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

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[*] Pursuant to legislative action taken during the 2011 session of the New Mexico Legislature, the State Investment Officer will cease to be an ex officio member of the governing body of the NMFA on July 1, 2011.

(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. A quorum of the governing body exists when a majority of the members then serving are present. A majority vote of a quorum of the members present may transact any business of the NMFA. A vacancy in the membership of the governing body does not impact the ability of a quorum to exercise all rights and duties of the NMFA. 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 provides oversight and direction relating to the operations of the NMFA. Other committees include the Finance and Loan Committee, the Audit Committee, the Economic Development Committee, the Investment Committee, and the Contracts Committee. 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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* Pursuant to legislative action taken during the 2011 session of the New Mexico Legislature, the State Investment Officer will cease to be an ex officio member of the governing body of the NMFA on July 1, 2011.

Governing Body and Key Staff Members[1]

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

Name	Occupation	Term Expires
Jon Barela[2] [3] [4]	Secretary Designate, Economic Development Department, State of New Mexico	not applicable
John Bemis[2] [4]	Secretary Designate, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Blake Curtis[4]	Former State Legislator	01/01/12
William F. Fulginiti[2] (Vice-Chairman)	Executive Director, New Mexico Municipal League	not applicable
Paul Gutierrez[2] (Secretary)	Executive Director, New Mexico Association of Counties	not applicable
Lonnie Marquez[3] [4]	Vice President for Administration and Finance, New Mexico Institute of Mining and Technology	01/01/12
David Martin[2] [4]	Secretary, Environment Department, State of New Mexico	not applicable
Richard May[2] [4]	Secretary, Department of Finance and Administration, State of New Mexico	not applicable
Steven K. Moise[2] [5]	State Investment Officer, State Investment Council	not applicable
Terry White[4]	Chief Executive Officer of Sunwest Trust, Inc.	01/01/12

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(1) The office of Chairman and one of the member positions are currently vacant.

(2) *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.

(3) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate during the 2012 session of the New Mexico Legislature, and will continue to serve until the expiration of such session if no confirmation is received.

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

(5) Appointed by the State Investment Council and serves at the pleasure of the State Investment Council. Pursuant to legislative action taken during the 2011 session of the New Mexico Legislature, the State Investment Officer will cease to be an ex officio member of the governing body of the NMFA on July 1, 2011.

Presented below is certain information concerning key staff members of the NMFA involved in the issuance of the Series 2011A Bonds and the administration of the NMFA's financing programs.

<u>John T. Duff, Chief Financial Officer and Interim Chief Executive Officer</u>. 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 was appointed Interim Chief Executive Officer in March, 2011, when the prior Chief Executive Officer resigned. 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 and has handled complex litigation cases. 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 April 28, 2011, the NMFA had made 945 PPRF loans totaling approximately $1.88 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 2011A 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 April 28, 2011, the Contingent Liquidity Account was funded to an amount of approximately $19,836,626. 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 November 30, 2011. 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 April 28, 2011	Scheduled Final Maturity
Worker's Compensation	Administrative Building	$4,310,000	$1,830,000	9/1/2016
Cigarette Tax	University of New Mexico Health Sciences Building	39,035,000	15,055,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	1,875,000	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.)

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 2011A 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 2011A Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2011A 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 2011A Bonds. See APPENDIX F for information concerning pending litigation to which the NMFA and one of the Governmental Units are parties.

SALE OF SERIES 2011A BONDS

The Series 2011A Bonds were sold to Piper Jaffray & Co., as purchaser, at an aggregate purchase price of $16,142,374.95 (being the par amount of the Series 2011A Bonds plus an original issue premium of $792,743.70, and less a purchaser's discount of $25,368.75). The Series 2011A Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2011A 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 2011A 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 2011A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2011A Bonds. The NMFA and the 2011A Governmental Unit have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2011A 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 2011A Bonds (other than any Series 2011A Bond owned by a "substantial user" of the project financed or refinanced with proceeds of the Series 2011A Bonds or a "related person," as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code")) is excludable from gross income for federal income tax purposes under Section 103(a) of the Code, but interest on the Series 2011A Bonds will 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 2011A Governmental Unit. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the NMFA and the 2011A Governmental Unit. In addition, Bond Counsel has not been engaged, and will not undertake, to monitor the NMFA's and the 2011A Governmental Unit's 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 2011A Bonds may affect the federal tax-exempt status of the interest on the Series 2011A Bonds.

Bond Counsel is also of the opinion that the difference between the principal amount of the Series 2011A Bonds maturing on June 1 in the years 2012 through 2016, 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 2011A 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 2011A 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 2011A 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 2011A Bonds. Prospective purchasers of the Series 2011A 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 2011A Bonds may affect the tax status of interest on the Series 2011A 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 2011A 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 2011A Bonds, or the interest thereon, if any action is taken with respect to the Series 2011A 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 2011A Bonds is excluded from gross income for federal income tax purposes, a Series 2011A Bondholder's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2011A Bonds. The nature and extent of these other tax consequences will depend upon the Series 2011A Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2011A 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 2011A 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 2011A Bonds, (iii) interest on the Series 2011A 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 2011A 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 2011A 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 2011A Governmental Unit or the Series 2011A Bondholders regarding the tax-exempt status of the Series 2011A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the NMFA, the Governmental Unit and their respective appointed counsel, including the Series 2011A 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 2011A Governmental Unit legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A 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 2011A Bonds, and may cause the NMFA, the 2011A Governmental Unit or the Series 2011A Bondholders to incur significant expense.

Bond Counsel is of the opinion that interest on the Series 2011A 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 2011A 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.

Circular 230 Disclosure. The above discussion relating to the Series 2011A Bonds was written to support the promotion and marketing of the Series 2011A 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.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2011A 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 2011A 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, 2010, 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 February 18, 2011. 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

The NMFA will execute and deliver a Continuing Disclosure Undertaking in connection with the issuance of the Series 2011A 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 2011A 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, but not more than ten business days after the occurrence of the event, 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 2011A Bonds:

    1. principal and interest payment delinquencies;

    2. unscheduled draws on debt service reserves reflecting financial difficulties;

    3. unscheduled draws on credit enhancements reflecting financial difficulties;

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

    5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011A Bonds;

    6. defeasances;

    7. tender offers;

    8. bankruptcy, insolvency, receivership or similar proceedings; and

    9. rating changes.

- in a timely manner, but not more than ten business days after the occurrence of the event, 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 2011A Bonds, if material:

    1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

    2. appointment of a successor or additional trustee or the change of the name of a trustee;

    3. non-payment related defaults;

    4. modification of rights of owners of the Series 2011A Bonds;

    5. bond calls; and

    6. release, substitution, or sale of property securing repayment of the Series 2011A Bonds.

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 2011A 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 2011A 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 2011A 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 2011A 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") has assigned a rating of "AAA" to the Series 2011A Bonds and Moody's Investors Service ("Moody's") has assigned a rating of "Aa1" with respect to the Series 2011A 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 2011A 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 2011A Bonds may have an adverse effect on the market price of the Series 2011A Bonds. The Financial Advisor has not undertaken any responsibility to bring to the attention of the owners of the Series 2011A Bonds any proposed revision or withdrawal of the ratings on the Series 2011A 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 2011A 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 2011A 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 2011A Bonds.

NEW MEXICO FINANCE AUTHORITY

By /s/ William F. Fulginiti
William F. Fulginiti
Vice-Chairman

By /s/ John T. Duff
John T. Duff,
Interim Chief Executive Officer

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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NEW MEXICO FINANCE AUTHORITY
Santa Fe, New Mexico

Financial Statements
June 30, 2010 and 2009

NEW MEXICO FINANCE AUTHORITY

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NEW MEXICO FINANCE AUTHORITY

Official Roster

Year Ended June 30, 2010

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

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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 years ended June 30, 2010 and 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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, 2010 and 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, 2010 and 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2011, 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 presented on pages 41 to 53 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 as presented on page 15 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
February 18, 2011

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, 2010 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, 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 2010	As Restated FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Cash and cash equivalents:					
Unrestricted	$ 120,385,376	$ 111,877,869	$ 8,507,507	7.6%	$ 88,756,143
Restricted	268,285,157	373,898,180	(105,613,023)	(28.2%)	411,190,481
Loans receivable, net of allowance	1,252,122,229	1,113,608,650	138,513,579	12.4%	1,041,033,758
Intergovernmental receivables	147,842,525	154,793,087	(6,950,562)	(4.5%)	161,605,000
Other accounts receivable	14,730,931	16,645,091	(1,914,160)	(11.5%)	24,348,425
Capital assets	273,500	197,828	75,672	38.3%	377,984
Other assets	11,798,048	11,679,176	118,872	1.0%	12,125,477
Total assets	**$ 1,815,437,766**	**$ 1,782,699,881**	**$ 32,737,885**	**2.5%**	**$ 1,739,437,268**
Liabilities					
Bonds payable, net	$ 1,233,720,390	$ 1,132,954,148	$ 100,766,242	8.9%	$ 1,084,937,292
Undisbursed loan proceeds	116,283,533	182,920,935	(66,637,402)	(36.4%)	197,721,699
Borrowers' reserve deposits	72,521,339	66,071,327	6,450,012	9.8%	61,634,993
Accounts payable	2,787,600	1,556,822	1,230,778	79.1%	1,579,139
Other liabilities	4,775,269	5,054,228	(278,959)	(5.5%)	5,034,419
Total liabilities	**1,430,088,131**	**1,388,557,460**	**41,530,671**	**3.0%**	**1,350,907,542**
Net assets					
Invested in capital assets	273,500	197,828	75,672	38.3%	377,984
Restricted for debt service	8,996,558	8,962,319	34,239	0.4%	9,921,093
Restricted for program funds	256,256,427	274,378,249	(18,121,822)	(6.6%)	289,676,812
Unrestricted	119,823,150	110,604,025	9,219,125	8.3%	88,553,837
Total net assets	**385,349,635**	**394,142,421**	**(8,792,786)**	1.4%	**388,529,726**
Total liabilities and net assets	**$ 1,815,437,766**	**$ 1,782,699,881**	**$ 32,737,885**	**2.5%**	**$ 1,739,437,268**

New Mexico Finance Authority
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30

	FY 2010	As Restated FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Appropriation revenue	$ 11,722,377	$ 52,379,731	$ (40,657,354)	(77.6%)	$ 136,293,957
Grant revenue	42,184,646	36,494,181	5,690,465	15.6%	27,209,672
Administrative fees	8,621,728	7,670,438	951,290	12.4%	5,730,102
Interest on loans	56,663,765	47,590,234	9,073,531	19.1%	41,142,152
Interest on investments	1,343,523	2,890,591	(1,547,068)	(53.5%)	10,927,088
Operating revenue	**120,536,039**	**147,025,175**	**(26,489,136)**	**(84.1%)**	**221,302,971**
Grant expense	60,106,858	59,785,212	321,646	0.5%	26,380,010
Bond issuance costs	1,840,185	1,467,625	372,560	25.4%	637,662
Professional services	4,727,242	3,642,941	1,084,301	29.8%	3,965,930
Salaries and benefits	3,808,883	3,860,504	(51,621)	(1.3%)	3,202,869
Interest expense	55,622,227	49,554,750	6,067,477	12.2%	45,548,181
Other expense	1,911,215	2,208,820	(297,605)	(13.5%)	1,951,989
Expenses	**128,016,610**	**120,519,852**	**7,496,758**	**53.1%**	**81,686,641**
Operating income	(7,480,571)	26,505,323	(33,985,894)	13.8%	139,616,330
Gain (loss) on investments	6,758,315	(8,205,430)	14,963,745	0.0%	-
Income (loss) before transfers	**(722,256)**	**18,299,893**	**(19,022,149)**	**(103.9%)**	**139,616,330**
Transfers to other agencies	(8,070,530)	(12,687,198)	4,616,668	(36.4%)	37,328,353
Increase (decrease) in net assets	**(8,792,786)**	**5,612,695**	**(14,405,481)**	**(256.7%)**	**102,287,977**
Net assets, beginning of year (restated)	**394,142,421**	**388,529,726**	**5,612,695**	**1.4%**	**286,241,749**
Net assets, end of year	**$ 385,349,635**	**$ 394,142,421**	**$ (8,792,786)**	**(2.2%)**	**$ 388,529,726**

Analysis of the Authority's overall financial position and results of operations

- The Authority's unrestricted cash grew by $8.5 million in 2010 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 $105.6 million in 2010, primarily due to drawdowns of loans funded in the prior year and $27.1 million in grant program expenditures of funds appropriated by the legislature in previous years for local road construction projects (the "GRIP II" program).

- Loans receivable increased by $139.0 million in 2010 primarily as a result of new loans made during the year totaling $212.2 million less loan payments received of $73.2 million.

- Bonds payable increased by $100.8 million in 2010 resulting from the issuance of $172.3 million of new bonds, principal payments on outstanding bonds of $70.6 million, and amortization of bond premium of $0.9 million.

- The Authority's revenues decreased by $26.5 million in 2010 compared to 2009. The decline was principally due to a $40.7 million decrease in appropriation revenue amounts from the state legislature, which included the reversion to the state's general fund of $21 million of revenues appropriated to the Authority in previous years. Other components of revenues increased, including a $9.1 million increase in interest on loans, a $5.7 million increase in grant revenues, and a $957 thousand increase in administrative fee revenue. Interest earnings from investments decreased by $1.5 million resulting from market conditions in the fixed income markets.

- The Authority's net assets decreased by $8.8 million in 2010.

- During fiscal year 2010, the Authority invested, net of depreciation, a total of $273,500 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 2010, the total amount outstanding was $1.20 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 $172.3 million in PPRF debt, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Authority Programs

The Authority accounts for each of its programs as a separate fund, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund is highlighted in the following discussion 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 882 loans totaling $1.77 billion.

The PPRF makes loans of less than $5 million from its own funds on hand. It then replenishes 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 at the same time a reimbursement bond issue closes, thus ensuring a precise matching of loan and bond interest rates.

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 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Cash and cash equivalents	$ 104,334,458	$ 99,584,576	$ 4,749,882	4.8%	$ 78,584,787
Restricted	194,585,959	252,786,821	(58,200,862)	(23.0%)	260,492,357
Accounts receivable	15,355,772	16,111,757	(755,985)	(4.7%)	21,930,398
Loans receivable, net of allowance	1,175,365,082	1,050,541,321	124,823,761	11.9%	1,000,026,726
Intergovernmental receivables	124,242,525	127,848,087	(3,605,562)	(2.8%)	122,760,000
Capital assets	273,500	-	273,500	100.0%	-
Other assets	11,080,562	10,992,276	88,286	0.8%	11,095,194
Total assets	**$ 1,625,237,858**	**$ 1,557,864,838**	**$ 67,373,020**	**100.0%**	**$ 1,494,889,462**
Accounts payable and accrued liabilities	$ 5,511,698	$ 4,678,201	$ 833,497	17.8%	$ 4,586,196
Undisbursed loan proceeds	115,755,854	181,136,484	(65,380,630)	(36.1%)	196,132,082
Borrowers' debt service and reserve deposits	72,262,720	65,813,605	6,449,115	9.8%	61,027,236
Bonds payable, net	1,206,727,970	1,102,203,109	104,524,861	9.5%	1,041,962,633
Total liabilities	**1,400,258,242**	**1,353,831,399**	**46,426,843**	**3.4%**	**1,303,708,147**
Net assets					
Invested in capital assets	273,500	118,026	155,474	(37.4%)	188,451
Restricted for program funds	121,455,776	105,344,348	16,111,428	(6.9%)	113,209,182
Unrestricted	103,250,340	98,571,065	4,679,275	26.7%	77,783,682
Total net assets	**224,979,616**	**204,033,439**	**20,946,177**	6.3%	**191,181,315**
Total liabilities and net assets	**$ 1,625,237,858**	**$ 1,557,864,838**	**$ 67,373,020**	**2.5%**	**$ 1,494,889,462**

New Mexico Finance Authority
Public Projects Revolving Fund
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30

	FY 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Interest income					
Loans	$ 53,236,068	$ 45,103,592	$ 8,132,476	18.0%	$ 38,683,071
Investments	1,147,112	1,118,311	28,801	2.6%	4,978,951
Total interest income	**54,383,180**	**46,221,903**	**8,161,277**	**17.7%**	**43,662,022**
Interest expense					
Bonds	53,958,237	47,591,765	6,366,472	13.4%	42,290,093
Short-term borrowing	124,354	60,833	63,521	104.4%	944,596
Total interest expense	**54,082,591**	**47,652,598**	**6,429,993**	**13.5%**	**43,234,689**
Net interest income (expense)	300,589	(1,430,695)	1,731,284	(121.0%)	427,333
Less provision for loan losses	445,867	299,113	146,754	49.1%	400,123
Net interest income (expense) after provision for loan losses	**(145,278)**	**(1,729,808)**	**1,584,530**	**(91.6%)**	**27,210**
Loan administration fees	4,212,544	4,689,716	(477,172)	(10.2%)	2,786,246
Appropriation revenues	24,314,901	25,645,568	(1,330,667)	(5.2%)	27,341,776
Total noninterest income	**28,527,445**	**30,335,284**	**(1,807,839)**	**(6.0%)**	**30,128,022**
Salaries and benefits	2,169,436	2,215,043	(45,607)	(2.1%)	1,907,427
Professional services	2,423,425	2,020,995	402,430	19.9%	2,953,662
Bond issuance costs	1,752,742	1,190,439	562,303	47.2%	515,580
(Gain) loss on investments	(3,089,577)	3,729,142	(6,818,719)	100.0%	-
Other	846,619	869,286	(22,667)	(2.6%)	824,638
Total noninterest expense	**4,102,645**	**10,024,905**	**(5,922,260)**	**(59.1%)**	**6,201,307**
Excess of revenue over expenses	**24,279,522**	**18,580,571**	**5,698,951**	**30.7%**	**23,953,925**
Transfers from (to) other funds or agencies	**(3,333,344)**	**(5,728,447)**	**2,395,103**	**(41.8%)**	**(31,175,038)**
Increase (decrease) in fund net assets	**20,946,178**	**12,852,124**	**8,094,054**	**63.0%**	**(7,221,113)**
Net assets, beginning of year	**204,033,439**	**191,181,315**	**12,852,124**	**6.7%**	**198,402,428**
Net assets, end of year	**$ 224,979,617**	**$ 204,033,439**	**$ 20,946,178**	**10.3%**	**$ 191,181,315**

Analysis of the PPRF's overall financial position and results of operations:

Loan volume:

	2010	2009	Since Inception
Amount of loans made	$195.2 million	$121.6 million	$1.770 billion
Number of loans made	92	82	882
Average loan size	$2.1 million	$1.5 million	$2.0 million

Both average loan size and the number of loans made in 2010 increased from the previous year.

Loans receivable:

There were no defaults on PPRF loans during 2010 and no delinquencies as of June 30, 2010, or at the date of these financial statements.

Bond issuance:

During fiscal 2010, the PPRF issued 4 series of bonds, with a total par value of $172.3 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. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2010, the PPRF had net interest expense of $138 thousand, an improvement from $1.7 million in 2009.

Recovery of investment loss:

In 2009, management recorded an estimated loss of $3.7 million on a money market mutual fund in which the PPRF had invested. During 2010, the PPRF received liquidating distributions of $3 million, resulting in an overall actual, realized loss on this investment of approximately $700 thousand.

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 $23,053,051 in 2010, a $1,558,613 increase from the $21,494,438 received in 2009. The GGRT 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.

Other Programs:

The PPRF accounts for a large portion of total Authority activity. At June 30, 2010 and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	$1.6 billion	$1.8 billion	88.9%
Net assets	$225.0 million	$385.3 million	58.4%
Revenues	$82.9 million	$120.5 million	68.8%

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 2010 and 2009 was as follows:

	FY 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase /	FY 2008
Drinking Water Revolving Loan Fund	$ 13,319,573	$ 22,139,294	$ (8,819,721)	(39.8%)	$ 10,298,773
Local Transportation Infrastructure Fund	1,189,778	969,543	220,235	22.7%	181,475
Water Projects Fund	33,026,435	22,728,950	10,297,485	45.2%	19,338,532
Economic Development Fund	1,650,000	222,447	1,427,553	641.7%	202,796
Local Government Transportation Fund	27,011,683	34,827,691	(7,816,008)	(22.4%)	4,596,088
Child Care Revolving Loan Fund	6,938	36,466	(29,528)	(81.0%)	-
Behavioral Health Cigarette Tax Revenue Bond Fund	69,578	471,509	(401,931)	(85.2%)	-
Water and Wastewater Project Grant Fund	537,448	3,210,290	(2,672,842)	(83.3%)	2,164,356
Local Government Planning Grant Fund	207,842	268,420	(60,578)	(22.6%)	205,625
Total Assets	**$ 77,019,275**	**$ 84,874,610**	**$ (7,855,335)**	**(9.3%)**	**$ 36,987,645**

The decrease in loan volume for the Drinking Water Revolving Loan Fund resulted from the Authority's concentration of effort on the funds it received for the American Recovery and Reinvestment Act ("ARRA") under the federal government's economic stimulus program. The intensive effort required to quickly deploy the ARRA funds necessitated a slowdown in the activities of the regular Drink Water program.

The increased funding of Water Projects Fund projects resulted primarily from a policy change that requires, as a condition for approval, that a project be ready to begin construction immediately upon approval. This policy change significantly accelerated the funding process.

The decline in grant volume for the Local Government Transportation Fund occurred because most of the funds were appropriated to the Authority on a one-time basis. Most of the funds have been expended, and the program is in its final stages.

Similar to the Local Government Transportation Fund, the decrease in the Water and Wastewater Project Grant Fund grant activity reflects the fact that the program has expended the majority of the one-time appropriation received from the state legislature and is nearing the end of its program life.

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 its first award of tax credits for $15.5 million. During 2010, the Authority made two additional awards totaling $30.4 million. Subsequent to June 30, 2010, the Authority has made one additional award of $12.5 million. 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. Substantial additional information is available on the Authority's website at www.nmfa.net. 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

		2010		As Restated 2009
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	120,385,376	$	111,877,869
Restricted cash		268,285,157		373,898,180
Tax revenue receivable		-		2,080,571
Interest receivable		9,798,410		8,248,801
Grant and other receivable		4,371,646		5,910,474
Administrative fees receivable		560,875		405,245
Loans receivable, net of allowance		74,586,190		64,956,975
Intergovernmental receivables		147,842,525		154,793,087
Restricted asset - escrow		821,293		659,798
Other assets		57,442		59,029
Total current assets		626,708,914		722,890,029
NONCURRENT ASSETS				
Loans receivable, less current portion		1,177,536,039		1,048,651,675
Capital assets, net of depreciation		273,500		197,828
Deferred cost, net of accumulated amortization		10,919,313		10,960,349
Total noncurrent assets		1,188,728,852		1,059,809,852
TOTAL ASSETS	$	1,815,437,766	$	1,782,699,881
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	2,787,600	$	1,556,821
Accrued payroll		161,996		169,996
Compensated absences		210,339		226,830
Fund held for others		116,283,533		182,920,935
Accrued interest		4,402,934		3,857,403
Due to other state agencies		-		800,000
Debt service payable		72,521,339		66,071,327
Bonds payable, current, net		65,371,000		57,878,000
Total current liabilities		261,738,741		313,481,312
NONCURRENT LIABILITIES				
Bonds payable, noncurrent, net		1,168,349,390		1,075,076,148
Total noncurrent liabilities		1,168,349,390		1,075,076,148
Total liabilities		1,430,088,131		1,388,557,460
NET ASSETS				
Invested in capital assets		273,500		197,828
Restricted for debt service		8,996,558		8,962,319
Restricted for program funds		256,256,427		274,378,249
Unrestricted		119,823,150		110,604,025
Total net assets		385,349,635		394,142,421
TOTAL LIABILITIES AND NET ASSETS	$	1,815,437,766	$	1,782,699,881

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

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	As Restated 2009
OPERATING REVENUES		
Appropriation revenue	$ 11,722,377	$ 52,379,731
Grant revenue	42,184,646	36,494,181
Administrative fees	8,621,728	7,670,438
Interest on loans	56,663,765	47,590,234
Interest on investments	1,343,523	2,890,591
Total operating revenues	120,536,039	147,025,175
OPERATING EXPENSES		
Grant expense	60,106,858	59,785,212
Bond issuance costs	1,840,185	1,604,245
Administrative fee	217,298	241,866
Professional services	4,727,242	3,642,941
Salaries and fringe benefits	3,808,883	3,860,505
In-state travel	80,602	118,950
Out-of-state travel	37,399	57,960
Operating costs	932,221	958,017
Provision for loan losses	445,867	619,113
Interest expense	55,622,227	49,418,130
Total operating expenses	127,818,782	120,306,939
Operating income (loss) before depreciation	(7,282,743)	26,718,236
Depreciation	197,828	212,913
Total operating income (loss)	(7,480,571)	26,505,323
NON-OPERATING REVENUES (EXPENSES)		
Gain (loss) on investments	6,758,315	(8,205,430)
Income (loss) before transfers	(722,256)	18,299,893
TRANSFERS		
Transfers to other state agencies	(8,070,530)	(12,687,198)
CHANGE IN NET ASSETS	(8,792,786)	5,612,695
TOTAL NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	394,142,421	388,529,726
TOTAL NET ASSETS, END OF YEAR	$ 385,349,635	$ 394,142,421

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

Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	As Restated 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for employee services	$ (3,833,373)	$ (3,775,777)
Cash paid to vendors for services	(5,870,202)	(4,493,174)
Bond issuance costs	(1,631,038)	(970,680)
Interest expense paid	(56,075,453)	(49,730,361)
Grants disbursed	(60,086,913)	(59,773,985)
Appropriation revenue	43,877,271	74,008,121
Cash received from federal government for revolving loans	14,013,108	21,221,852
Interest income received	56,457,679	50,623,817
Administrative fees received	8,348,077	7,838,452
Transfers from other funds	-	24,029
Net cash flows provided by (used in) operating activities	(4,800,844)	34,972,294
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash paid for services	(8,070,533)	(12,687,198)
Cash provided (used) by funds held for others	(66,900,796)	(14,800,764)
Net cash used in noncapital financing activities	(74,971,329)	(27,487,962)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Investment in partnership	(99,010)	(1,550)
Loans funded	(212,138,492)	(155,191,967)
Loan payments received	80,129,608	88,809,874
Bonds issued	172,345,000	114,335,000
Payment of bonds	(70,580,000)	(65,795,000)
Debt service	6,524,733	4,426,927
Loss on investmetns	-	(8,205,430)
Recovery payments from loss on investments	6,758,315	-
Capital asset purchase	(273,500)	(32,758)
Net cash used in capital financing activities	(17,333,346)	(21,654,904)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(97,105,519)	(14,170,572)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	485,776,052	499,946,624
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 388,670,533	$ 485,776,052
CASH FLOWS FROM OPERATING ACTIVITIES		
Total operating income (loss)	$ (7,480,571)	$ 26,505,323
Adjustments to reconcile cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	(626,434)	144,857
Net transfers	-	-
(Increase) decrease in prepaids and receivables	907,916	5,640,416
Increase (decrease) in payables and other accrued liabilities	2,398,245	2,681,698
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (4,800,844)	$ 34,972,294

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

Agency Funds – Statement of Assets and Liabilities
Year Ended June 30, 2010

ASSETS	
Cash at Trustee:	
Program funds	$ 56,874,675
Expense funds	47,824
Bond reserve funds	42,204,406
TOTAL ASSETS	$ 99,126,905
LIABILITIES	
Accounts payable	$ 1,585,452
Debt service payable	49,575,286
Funds held for the NM Department of Transportation	47,966,167
TOTAL LIABILITIES	$ 99,126,905

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 (the Authority). The purpose of the New Mexico Authority Act (the 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 other 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 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 Authority is subject to the Open Meetings Act and the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Authority is exempt 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 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 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 record its assets, liabilities, net assets, revenues, expenditures or expenses and other financing transactions.

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 Program – 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 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 set 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 the 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 provide 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 – Provides 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.

- **Agency Funds**

Agency Funds are used to report resources held by the Authority in a purely custodial capacity. These funds result from transactions associated with the Authority acting as fiscal agent for the New Mexico Department of Transportation ("Department") on several of the Department's bond transactions. The amounts reflected as Agency Funds do not belong to the Authority and are held in separate accounts on the Authority's books in the name of the Department. Accordingly, all assets held and reported in the Agency Fund are offset by a liability to the Department on whose behalf the funds are being held.

- **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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

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

Expenditures 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.

- **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 based on factors including payment history and economic factors.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

- **Loans Receivable**

Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. 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, 2010 and 2009, the allowance for loan losses was $2,132,950 and $1,687,083, respectively.

- **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. No allowance has been established as all such receivables are considered collectable.

- **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 individually 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Compensated Absences**

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

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

- **Undisbursed Loan Proceeds**

Undisbursed loan proceeds represent loan proceeds held by the Trustee which are awaiting disbursement to the loan recipient. 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 loans of the PPRF program.

- **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 borrower. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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.

- **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 are reported 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 to the current year presentation.

- **New Accounting Pronouncements**

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* became 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. While the Authority has entered into interest rate exchange agreements in its role as agent for the Department of Transportation, the derivative instruments are not considered to be transactions of the Authority, are not reflected in the financial statements of the Authority, and are not, therefore subject to the requirements of GASB Statement No. 53.

The Authority also adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* GASB No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets and recognized in the statement of net assets only if considered identifiable. Existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. For fiscal year 2010 the Authority did not have any intangible assets subject to GASB Statement No. 51.

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.

	2010	2009
State Treasurer Local Government Investment Pool	$110,742,870	$139,875,817
The Primary Care Capital Fund held at the State Treasurer's Office	2,230,037	1,660,605
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts	71,585,834	98,589,410
Bank of Albuquerque trust accounts	645,733	236,140,975
Bank of New York Mellon	168,041,218	-
Reserve on Bond Payable held in Bank of America	-	279,359
Wells Fargo operating accounts	35,424,841	7,974,376
Cash held at The Reserve Primary money market fund	-	1,255,507
Total	$388,670,533	$485,776,049

Cash and cash equivalents are reflected in the Statements of Net Assets as follows:

	2010	2009
Cash and cash equivalents	$120,385,376	$111,877,869
Restricted cash	268,285,157	373,898,180
Total	$388,670,533	$485,776,049

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, 2010, are valued at $110,742,870 with a 50-day Weighted Average Maturity (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. There were no concentrations meeting this criteria at June 30, 2010.

2. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE (CONTINUED)

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 2009	Additions	Payments	2010
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,051,908,405	$ 195,206,131	$ 69,936,504	$ 1,177,178,032
Drinking Water State Revolving Loans	1 to 30	0% to 4%	51,848,151	10,384,433	2,002,402	60,230,182
Drinking Water State Revolving Loans - ARRA	1 to 20	1%	-	149,250	-	149,250
Primary Care Capital Fund Loans	10 to 20	3%	6,094,410	-	530,824	5,563,586
Water Projects Fund Loan Grants	10 to 20	0%	2,270,908	4,672,162	441,904	6,501,166
Smart Money Participation Loans	3 to 20	2% to 5%	1,979,429	1,650,000	82,205	3,547,224
Behavioral Health Care Loan	15	3%	337,455	-	33,207	304,248
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	471,509	100,000	30,422	541,087
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	349,000	-	152,000	197,000
Child Care Revolving Loans	8	3%	36,466	12,155	5,217	43,404
		Subtotals	1,115,295,733	212,174,131	73,214,685	1,254,255,179
		Less: Allowance for loan losses	(1,687,083)	(445,867)	-	(2,132,950)
		Totals	$ 1,113,608,650	$ 211,728,264	$ 73,214,685	$ 1,252,122,229

3. LOANS RECEIVABLE (CONTINUED)

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

The following is a summary of the future loan payments to be collected on the loan repayment schedules as of June 30, 2010.

Totals – Loans Receivable, Net of Allowance

	Principal	Interest	Total
Fiscal year ending June 30:			
2011	$ 74,586,190	$ 48,935,486	$ 123,521,676
2012	78,507,411	46,562,518	125,069,929
2013	81,316,645	44,091,016	125,407,661
2014	80,120,182	41,380,786	121,500,968
2015	80,005,507	38,634,535	118,640,042
2016 - 2020	361,038,692	151,129,570	512,168,262
2021 - 2025	265,113,570	87,549,431	352,663,001
2026 - 2030	142,029,480	39,944,203	181,973,683
2031 - 2035	73,532,842	15,160,783	88,693,625
2036 - 2040	18,004,660	1,598,680	19,603,340
Subtotals	1,254,255,179	$ 514,987,008	$ 1,769,242,187
Less: Allowance for loan losses	(2,132,950)		
Loans receivable, net	$ 1,252,122,229		

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.

At June 30, 2010, the intergovernmental receivables are comprised of the following:
The intergovernmental receivables activity for the year ending June 30, 2010 was as follows:

State Entity	Revenue Pledge	Rates	Terms	As Restated 2009	Payments	2010	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.0%	06/01/25	$ 49,030,000	$ 2,080,000	$ 46,950,000	$ 2,180,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.875% to 5.0%	06/01/25	23,630,000	-	23,630,000	-
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.0%	06/01/36	47,430,000	715,000	46,715,000	745,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.0%	04/01/19	19,855,000	2,450,000	17,405,000	2,350,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	04/01/19	7,758,087	810,562	6,947,525	796,285
Workers' Compensation Adminstration	Workers' Compensation administrative fee	5.35% to 5.60%	09/01/16	2,315,000	235,000	2,080,000	250,000
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	3.875% to 5.0%	06/01/25	4,775,000	660,000	4,115,000	710,000
			Totals	$ 154,793,087	$ 6,950,562	$ 147,842,525	$ 7,031,285

The following is a summary of the future loan payments to be collected on the intergovernmental receivables as of June 30, 2010.

	Principal	Interest	Total
Fiscal year ending June 30:			
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	7,656,438	5,820,394	13,476,832
2016 - 2020	37,401,777	23,787,679	61,189,456
2021 - 2025	44,395,000	14,111,813	58,506,813
2026 - 2030	11,505,000	6,290,750	17,795,750
2031 - 2035	14,755,000	3,142,500	17,897,500
2036 - 2040	3,420,000	171,000	3,591,000
Intergovernmental receivables	$ 147,842,525	$ 80,133,485	$ 227,976,010

5. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2009	Additions	Adjustments/ Deletion	Balance June 30, 2010
Depreciable assets:				
Furniture and fixtures	$ 198,802	$ 5,518	$ -	$ 204,320
Computer hardware and software	566,294	267,982	-	834,276
Machinery and equipment	49,117	-	-	49,117
Leasehold improvement	48,490	-	-	48,490
	862,703	273,500	-	1,136,203
Accumulated depreciation:				
Furniture and fixtures	(159,733)	(39,070)	-	(198,803)
Computer hardware and software	(426,720)	(139,573)	-	(566,293)
Machinery and equipment	(39,464)	(9,653)	-	(49,117)
Leasehold improvement	(38,958)	(9,532)	-	(48,490)
	(664,875)	(197,828)	-	(862,703)
Net total	$ 197,828	$ 75,672	$ -	$ 273,500

	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	49,117	-	-	49,117
Leasehold improvement	48,490	-	-	48,490
	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

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, Workers' Compensation Fees and Income from Land Grant Permanent Fund.

6. BONDS PAYABLE (CONTINUED)

Bonds payable consist of the following at June 30:

Bond Series	Rate	Maturities	2010	2009
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
1999 B	4.60% to 5.00%	June 1, 2010 to June 1, 2018	-	945,000
1999 C	6.05% to 6.60%	June 1, 2010 to June 1, 2018	-	420,000
1999 D	6.25% to 6.80%	June 1, 2010 to June 1, 2018	-	1,740,000
2002 A	4.30% to 5.00%	June 1, 2010 to June 1, 2023	14,610,000	16,345,000
2003 A	3.40% to 4.75%	June 1, 2010 to June 1, 2032	18,808,000	20,326,000
2003 B	4.25% to 5.00%	June 1, 2010 to June 1, 2021	14,865,000	17,145,000
2004 A-1	2.80% to 4.63%	June 1, 2010 to June 1, 2031	14,350,000	17,090,000
2004 A-2	4.40% to 5.88%	June 1, 2010 to June 1, 2027	12,045,000	12,485,000
2004 B-1	4.00% to 5.38%	June 1, 2010 to June 1, 2033	30,505,000	33,345,000
2004 B-2	5.63% to 6.00%	June 1, 2010 to June 1, 2018	1,020,000	1,020,000
2004 C	3.25% to 5.25%	June 1, 2010 to June 1, 2024	128,895,000	139,140,000
2005 A	4.00% to 4.25%	June 1, 2010 to June 1, 2025	12,045,000	13,505,000
2005 B	3.50% to 4.25%	June 1, 2010 to June 1, 2020	10,375,000	12,145,000
2006 B	4.00% to 5.00%	June 1, 2010 to June 1, 2036	33,635,000	35,050,000
2006 D	4.25% to 5.00%	June 1, 2010 to June 1, 2036	49,965,000	50,885,000
2007 E	4.00% to 5.00%	June 1, 2010 to June 1, 2032	53,005,000	56,395,000
2008 A	3.00% to 5.00%	June 1, 2010 to June 1, 2038	149,240,000	153,720,000
2008 B	4.00% to 5.25%	June 1, 2010 to June 1, 2035	32,745,000	34,535,000
2008 C	3.25% to 6.00%	June 1, 2010 to June 1, 2033	27,575,000	28,620,000
2009 A	2.00% to 5.00%	June 1, 2010 to June 1, 2038	17,685,000	18,435,000
2009 B	2.50% to 5.50%	June 1, 2010 to June 1, 2039	30,115,000	30,225,000
2009 C	2.5% to 5.25%	June 1, 2011 to June 1, 2029	53,785,000	-
2009 D-1	3.0% to 4.5%	June 1, 2011 to June 1, 2030	13,215,000	-
2009 D-2	1.81% to 6.07%	June 1, 2011 to June 1, 2036	38,845,000	-
2009 E	3.0% to 4.5%	June 1, 2011 to June 1, 2019	32,425,000	-
2010 A-1	2.0% to 4.5%	June 1, 2011 to June 1, 2034	15,170,000	-
2010 A-2	3.777% to 6.406%	June 1, 2011 to June 1, 2027	13,795,000	-
			818,718,000	698,991,000
Public Project Revolving Fund Revenue Bonds – Subordinate Lien				
2005 C	3.625% to 5.00%	June 15, 2010 to June 15, 2025	46,950,000	49,030,000
2005 E	3.88% to 5.00%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	4.00% to 5.00%	June 15, 2010 to June 15, 2025	19,640,000	20,095,000
2006 A	4.00% to 5.00%	June 15, 2010 to June 15, 2035	47,240,000	48,180,000
2006 C	4.00% to 5.00%	June 15, 2010 to June 15, 2026	34,295,000	35,760,000
2007 A	4.00% to 5.00%	June 15, 2010 to June 15, 2027	27,930,000	30,440,000
2007 B	4.25% to 5.00%	June 15, 2010 to June 15, 2034	32,140,000	34,175,000
2007 C	4.25% to 5.25%	June 15, 2010 to June 15, 2027	120,190,000	125,045,000
			352,015,000	366,355,000
	Subtotals – PPRF Bonds		1,170,733,000	1,065,346

6. BONDS PAYABLE (CONTINUED)

Bond Series	Rate	Maturities	2010	2009
Pooled Equipment Certificates of Participation (COPS)				
1995 A	6.30% to 6.30%	Oct. 1, 2010 to Oct. 1 , 2015	$ 152,000	$ 172,000
1996 A	5.80% to 5.80%	April 1, 2010 to April 1, 2016	45,000	51,000
1996 B	5.90% to 5.90%	April 1, 2010 to April 1, 2012	-	126,000
		Subtotals	197,000	349,000
Worker's Compensation Administration Building Revenue Bonds				
1996	5.45% to 5.60%	Sept. 1, 2010 to Sept. 1, 2016	2,080,000	2,315,000
State Capitol Building Improvement Revenue Bonds				
1999	7.00%	Sept. 15, 2009 to Mar 15, 2015	4,115,000	4,775,000
Cigarette Tax Revenue Bonds – UNM Health Sciences Center Project				
2004 A	3.00% to 5.00%	April 1, 2010 to April 1, 2019	17,405,000	19,855,000
Cigarette Tax Revenue Bonds – Behavioral Health Projects				
2006	5.51%	May 1, 2010 to May 1, 2026	2,000,000	2,125,000
	Total bonds outstanding		1,196,530,000	1,094,765,000
	Add: Net unamortized premium		38,811,216	39,917,386
	Less: Deferred charge on refundings		(1,620,826)	(1,728,238)
	Total bonds payable, net		1,233,720,390	1,132,954,148
	Less: Current portion of bonds payable		(65,371,000)	(57,878,000)
	Noncurrent portion of bonds payable		$ 1,168,349,390	$ 1,075,076,148

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2011	$ 65,371,000	$ 57,291,212	$ 122,662,212
2012	69,605,000	54,546,433	124,151,433
2013	72,107,000	51,575,248	123,682,248
2014	71,744,000	48,365,689	120,109,689
2015	73,350,000	45,103,237	118,453,237
2016 - 2020	335,443,000	176,152,918	511,595,918
2021 - 2025	274,880,000	100,492,377	375,372,377
2026 - 2030	130,260,000	44,900,485	175,160,485
2031 - 2035	83,685,000	17,994,424	101,679,424
2036 - 2039	20,085,000	1,853,953	21,938,953
	1,196,530,000	$ 598,275,976	$ 1,794,805,976
Add: Unamortized premium	38,811,216		
Less: Deferred charge on refunding	(1,620,826)		
Bonds payable, net	$ 1,233,720,390		

6. BONDS PAYABLE (CONTINUED)

The bonds payable activity for the years ending June 30, 2010 and 2009 was as follows:

2010	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$1,094,765,000	$172,345,000	$ (70,580,000)	$1,196,530,000	$ 65,371,000
Add: Unamortized premium	39,917,386	1,245,562	(2,351,732)	38,811,216	-
Less: Deferred charge on refunding	(1,728,238)	-	107,412	(1,620,826)	-
Total	$1,132,954,148	$173,590,562	$ (72,824,320)	$1,233,720,390	$ 65,371,000

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

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 a 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 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 borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. Debt service payable was $72,521,339 and $66,071,327 at June 30, 2010 and 2009, 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 LIBOR rate at June 30, 2010 and 2009 were .348448 and .308758, respectively. 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, 2010 and 2009.

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, 2010 and 2009 were $379,044 and $330,506, respectively.

Future minimum lease payments for these leases are as follows:

Years ending June 30:	
2011	$ 389,595
2012	384,135
2013	384,135
2014	384,135
2015	266,727
Total	$ 1,808,727

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 $435,373 and $417,088 for the years ended June 30, 2010 and 2009, 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, 2010 and 2009 were $38,135 and $43,823, respectively.

11. COMPENSATED ABSENCES

The following changes occurred in the compensated absences liabilities:

Balance, June 30, 2008	$ 200,238
Additions	219,655
Deletions	(193,063)
Balance June 30, 2009	226,830
Additions	222,400
Deletions	(238,891)
Balance June 30, 2010	$ 210,339

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 through June 30, 2009, a loss of $8.2 million, the entire unrecovered balance, was recorded in the Statement of Revenues, Expenses, and Changes in Net Assets. In fiscal year 2010, the Authority received funds from the liquidation process totaling $6.8 million, leaving a maximum potential loss of $1.4 million.

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.

Loan Prepayment and Bond Call Provisions

Certain loans included in loans receivable contain provisions that allow for prepayment of the loan after one year whereas the related bond used to fund the loan cannot be called for up to 10 years. In the event of a loan prepayment prior to the tenth year, the Authority's bond indenture requires the substitution of a loan with similar cash flow characteristics or the defeasance of the related bond. If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow with respect to the prepayment transaction. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. This variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately $593 million and the related bonds total approximately $473 million at June 30, 2010. Loans totaling approximately $82 million have exercised this call provision subsequent to year end.

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.

14. CONTINGENCIES (CONTINUED)

During the year, there were no significant reductions in commercial insurance coverage. For the past five years, no insurance settlements exceeded commercial insurance coverage.

Obligating Events

For fiscal year 2010, the Authority has not committed or been the subject of any obligating events which would result in an accrued liability or capitalized asset, including environmental remediation.

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 $171,901,266.

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.

In revising the financial statements, certain errors were noted that have also been corrected in this restatement. These errors included reporting of escrows for defeased bonds, intergovernmental receivables not recorded, and defeased bonds recorded in error. The net change in net assets was an increase of $162,373,702 as a result of this restatement.

17. SUBSEQUENT EVENTS

The following is a summary of loans and bonds that have closed since the Statement of Net Assets date as of June 30, 2010:

- Closed 50 loans totaling $115,370,742 in the Public Project Revolving Fund program.
- Issued one Public Project Revolving Fund Revenue Bond totaling $56,210,000.
- Closed three loans for the Drinking Water State Revolving Fund totaling $2,045,145.
- Closed 23 loan/grant projects totaling $19,677,476 out of the Water Projects Fund.

18. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will become effective for the Authority in fiscal 2011. 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. The Authority is in the process of assessing the impact of the Statement on its financial reporting practices.

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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 2011A Bonds, copies of the Indenture will be available at the principal office of the Financial Advisor. Subsequent to the offering of the Series 2011A 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.

"Annual Common Debt Service Reserve Deposit Amount" means the lesser of (a) the positive difference, if any, between the Required Common Debt Service Reserve Funding Level and the amount then on deposit in the Common Debt Service Reserve (and if there is no positive difference, then the amount under this clause (a) shall be deemed to be zero), and (b) twenty-five percent (25%) of the remaining NMFA Portion of the Governmental Gross Receipts Tax for a given Bond Fund Year that was distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture, through the process described in the Indenture.

"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 2011A Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Eightieth 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 2011A Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2011A Bonds and otherwise exercise ownership rights with respect to Series 2011A 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 2011A Bonds.

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

“Common Debt Service Reserve Fund” means the fund by that name which is created and established by the Indenture.

“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 2011A 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 Fund and the Accounts created in therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, the Bond Fund, and the Common Debt Service Reserve 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 2011A Bonds, each June 1 and December 1, commencing December 1, 2011.

“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.

"Maximum Debt Service Year" means the Bond Fund Year in which the aggregate annual Principal Component and Interest Component due in relation to all Loans is at its greatest, less any reserves, sinking fund redemption deposits or other funds deposited with the Trustee to the extent such reserves, sinking fund redemption deposits or funds may be used as a matter of right for such payments (as opposed to other reserves that are available for the payment of debt service solely in the event of non-performance of a party), for the payment of the Principal Component and Interest Component due, provided, however, amounts within the Agreement Reserve Fund shall in no event be accounted for in any calculation of the Maximum Debt Service Year.

"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 2011A 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 2011A Bonds as Securities Depository.

"Paying Agent," when used with respect to the Series 2011A Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2011A 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 Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund, the Rebate Fund, and the Common Debt Service Reserve 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) U.S. 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(f)(2) of the Code and defined as "Rebate Amount"

in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 2011A 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.

"Required Common Debt Service Reserve Funding Level" means an amount (unless amended pursuant to the provisions of this definition of Required Common Debt Service Reserve Funding Level), rounded up to the nearest thousand dollars, equal to the sum of:

(i) 0% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans secured by revenue pledges classified by the NMFA as fire protection fund, law enforcement protection fund, governmental gross receipts tax, or state gross receipts tax (collectively, "Risk Group One");

(ii) 20% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as general obligation, limited mill levy (limited general obligation), or gross receipts tax (other than governmental gross receipts tax, or state gross receipts tax) (collectively, "Risk Group Two");

(iii) 35% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as enterprise system revenues, special assessments or a local special tax such as a lodgers' tax, cigarette tax, gasoline tax, special fuel excise tax, pari-mutuel tax, or court facilities fees (collectively, "Risk Group Three," and together with Risk Group One and Risk Group Two, "Risk Groups").

Pursuant to the following provisions, the NMFA may revise the method of calculating the Required Common Debt Service Reserve Funding Level. The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, add or revise revenue pledge categories in addition to those included above. New revenue pledge categories either may be included in one of the three Risk Groups identified above or included in a new Risk Group established using a different Risk Group calculation percentage (a "Factor"). The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, adjust the funding percentages of the Risk Group Factors, adjust the Risk Group in which a revenue pledge is categorized and add or revise revenue pledge categories within Risk Groups as to any future Bond issuances. As to any Bonds outstanding at the time a supplemental indenture as described above is entered into, the Risk Groups and Risk Group Factors as they existed prior to the supplemental indenture shall continue to be applied to such Bonds. In the event of any adjustment pursuant to a supplemental indenture whereby the Required Common Debt Service Reserve Level is decreased over time below the amount that is currently on deposit in the Common Debt Service Reserve Fund, then as provided in the Indenture, the excess amount shall remain on deposit in the Common Debt Service Reserve Fund unless used for shortfalls in any Governmental Unit's Account of the Debt Service Fund, or to redeem or defease Bonds. The NMFA's and the Trustee's ability to enter into supplemental indentures for the foregoing purposes without the consent of the Owners is an integral term and condition of subjecting the Common Debt Service Reserve Fund to the Indenture, and the Trustee is authorized to execute any such supplemental indentures, and the provisions of Article XIII of the Indenture shall not apply to such supplemental indentures as long as such supplemental indentures comply with the terms of this definition of

“Required Common Debt Service Reserve Funding Level.” In conjunction with executing such supplemental indentures, the Trustee shall not be required to make any determination as to whether such a supplemental indenture is materially adverse to the interests of the Owners or any other party; whether such a supplemental indenture otherwise is permitted pursuant to Article XIII of the Indenture; or any other determination.

“Revenue Fund” means the Governmental Gross Receipts Tax, Additional Pledged Loan Revenue 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, (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), and (v) all 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 643I(b) of the Code in relation to ‘build America bonds’ (as such term is defined in such section of the Code).

“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 2011A 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 2011A Bonds” means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2011A (AMT), in an initial aggregate principal amount of $15,375,000.

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

“Subordinated Indenture” means that certain Subordinated General Indenture of Trust and Pledge between the NMFA and The Bank of New York Mellon Trust Company, N.A., as successor trustee to the Bank of Albuquerque, N.A., dated as of March 1, 2005, and all supplemental indentures supplementing or amending such Subordinated Indenture.

“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.

“Underwriter” means, with respect to the Series 2011A Bonds, Piper Jaffray & 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 portion of the interest rate, if any, retained by the NMFA in lieu of an upfront payment as an administrative fee for the payment of Program Costs. The administrative fee is calculated as .015% of the loan amount, capped at $75,000, or the NPV equivalent of .015% if the administrative fee is included in the interest rate) 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 Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

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

(e) an Expense Fund;

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

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

(h) a Common Debt Service Reserve Fund.

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

Flow of Funds

All Funds 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, except that Accounts may be consolidated within one or more special trust accounts within funds. Any amount deposited pursuant to a consolidation shall remain traceable and sufficiently distinguishable in relation to each Agreement and Governmental Unit to permit any applicable arbitrage, yield restriction or similar calculations to be made. 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." The following paragraphs supplement that discussion.

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 (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 related Loan Agreement, Grant Agreement or Securities; and (b) any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the relevant Outstanding Series of 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.

Common Debt Service Reserve Fund

Pursuant to a Supplemental Indenture, the NMFA has established the Common Debt Service Reserve Fund, which is currently funded in the amount of $23,202,560 (as of April 28, 2011). The NMFA will determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The NMFA will deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the NMFA of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture. The disbursement of the NMFA Portion of the Governmental Gross Receipts Tax becomes available to the NMFA pursuant to the following process: (i) at the end of each Bond Fund Year, amounts remaining in the Revenue Fund are disbursed to the NMFA pursuant to the Indenture, (ii) pursuant to the Subordinated Indenture, the NMFA is obligated to transfer such amounts to the trustee under the Subordinated Indenture on June 1 of each year, (iii) the trustee under the Subordinated Indenture applies such amounts as required under the Subordinated Indenture, and (iv) the trustee under the Subordinated Indenture transfers the remaining balance of the revenue fund under the Subordinated Indenture to the NMFA on June 16 of each year.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit will be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the NMFA, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the NMFA has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the NMFA will not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount will be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee will transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

If all of the following are true: (i) amounts in the Common Debt Service Reserve Fund have been disbursed to pay Principal Component or and Interest Component due under a Loan Agreement or in relation to Securities, (ii) at a Bond Fund Year end following such disbursement, a portion of the Annual Common Debt Service Reserve Deposit Amount that was funded into the Common Debt Service Reserve Fund was attributable to disbursements that should have been restored by a Governmental Unit prior to such Bond Fund Year end (a "CDSR Restorative Funding"), (iii) the relevant Governmental Unit later came into compliance as to certain delinquent payments that had been covered by Common Debt Service Reserve Fund disbursements (a "CDSR Compliance Restoration"), and (iv) the amount in the Common Debt Service Reserve Fund exceeds the Required Common Debt Service Reserve Funding Level; then no more frequently than every three months, the Trustee, upon the written request of the NMFA (which written request will also certify that the foregoing conditions have been satisfied) will disburse to the NMFA the amount by which aggregate CDSR Compliance Restoration amounts exceed the aggregate CDSR Restorative Funding amounts.

If no Bonds remain outstanding (or all Bonds have been defeased), then upon the request of the NMFA, any amount remaining in the Common Debt Service Reserve Fund will be disbursed by the Trustee to the NMFA, and the disbursed amounts may be used by the NMFA for any purpose described in the Indenture.

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, the Bond Fund or the Common Debt Service Reserve 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 2011A 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 2010 United States Census was 2,059,179. From 2000 to 2010, the State's population grew 13.2 percent, while the national population grew 9.7 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
2001	1,828,437	285,049,647	0.4%	1.0%
2002	1,849,187	287,745,630	1.1	0.9
2003	1,868,121	290,242,027	1.0	0.9
2004	1,890,215	292,936,109	1.2	0.9
2005	1,914,699	295,618,454	1.3	0.9
2006	1,940,631	298,431,771	1.4	1.0
2007	1,966,357	301,393,632	1.3	1.0
2008	1,984,179	304,177,401	0.9	0.9
2009	2,007,315	306,656,290	1.2	0.8
2010	2,033,875	309,050,816	1.3	0.8

(Source: U.S. Census Bureau, Population Division; last updated February 2011.)

Major industries in the State 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 2000-2009.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Growth 2008-2009	Growth 2000-2009
Total employment	964,673	968,929	979,946	999,286	1,023,303	1,046,746	1,076,098	1,100,324	1,104,723	1,075,339	(2.7)%	11.5%
Wage and salary employment	781,167	791,927	800,588	812,914	829,861	845,127	868,119	878,173	881,755	848,557	(3.8)	8.6
Proprietors employment	183,506	177,002	179,358	186,372	193,442	201,619	207,979	222,151	222,968	226,782	1.7	23.6
Farm proprietors employment	15,227	17,825	14,530	16,045	15,632	15,588	15,255	18,193	17,745	17,659	(0.5)	16.0
Nonfarm proprietors employment	168,279	159,177	164,828	170,327	177,810	186,031	192,724	203,958	205,223	209,123	1.9	24.3
Farm employment	21,910	24,355	20,845	22,838	22,619	23,262	22,829	25,804	24,407	24,760	1.4	13.0
Nonfarm employment	942,763	944,574	959,101	976,448	1,000,684	1,023,484	1,053,269	1,074,520	1,080,316	1,050,579	(2.8)	11.4
Private employment	740,439	739,416	750,194	762,831	783,120	804,832	838,993	864,654	867,090	834,627	(3.7)	16.7
Forestry, fishing, related activities[(1)]	5,489	5,163	5,096	4,979	5,181	5,239	5,136	5,158	5,308	5,216	(1.7)	(5.0)
Mining[(2)]	19,015	19,612	17,957	18,576	19,245	21,171	23,726	24,875	28,406	27,909	(1.7)	46.8
Utilities	4,303	4,249	4,078	4,114	4,040	4,075	4,121	4,450	4,550	4,883	7.3	13.5
Construction[(3)]	60,690	63,293	61,864	64,135	68,382	73,978	79,826	80,588	78,054	67,755	(13.2)	11.6
Manufacturing	46,979	45,621	43,908	41,544	40,542	41,106	42,710	42,734	40,703	35,544	(12.7)	(24.3)
Durable goods manufacturing[(4)]	33,699	32,327	30,838	28,715	27,857	28,451	29,821	29,710	28,036	23,681	(15.6)	(29.7)
Nondurable goods manufacturing[(5)]	13,280	13,294	13,070	12,829	12,685	12,655	12,889	13,024	12,667	11,863	(6.3)	(10.7)
Wholesale trade	28,525	27,801	27,232	26,633	27,285	28,377	29,288	29,122	29,034	26,591	(8.4)	(6.8)
Retail trade[(6)]	113,080	110,010	111,167	112,445	114,169	116,097	116,750	118,944	118,144	112,194	(5.0)	(0.8)
Transportation and warehousing[(7)]	24,905	23,977	24,229	24,158	24,961	25,321	25,953	27,447	26,805	24,378	(9.1)	(2.1)
Information[(8)]	18,033	19,438	18,578	17,927	17,163	17,299	18,445	18,870	18,898	17,757	(6.0)	(1.5)
Finance and insurance[(9)]	31,613	30,848	31,251	31,544	31,769	32,039	32,172	33,565	35,006	36,959	5.6	16.9
Real estate and rental and leasing[(10)]	29,636	29,363	30,229	31,922	34,715	38,209	40,313	42,302	41,904	40,831	(2.6)	37.8
Professional, scientific and technical services	59,258	59,391	59,834	62,534	65,461	66,337	73,827	81,473	82,311	81,917	(0.5)	38.2
Management of companies and enterprises	5,810	6,049	6,129	5,440	5,354	6,354	6,425	6,084	5,688	5,457	(4.1)	(6.1)
Administrative and waste services[(11)]	51,414	53,226	54,229	53,292	54,598	55,224	58,489	60,292	59,859	55,049	(8.0)	7.1
Educational services	11,703	11,853	12,765	13,932	14,888	15,384	15,919	15,759	16,349	16,222	(0.8)	38.6
Health care and social assistance[(12)]	88,903	87,694	94,469	99,899	103,691	105,151	108,016	111,645	114,832	118,379	3.1	33.2
Arts, entertainment and recreation[(13)]	19,383	18,646	19,994	20,376	20,987	21,463	21,795	22,873	23,451	23,999	2.3	23.8
Accommodation and food services[(14)]	73,897	76,263	77,972	79,682	80,465	81,343	84,403	85,213	84,134	81,865	(2.7)	10.8
Other services, except public administration[(15)]	47,803	46,919	49,213	49,699	50,224	50,665	51,679	53,260	53,654	51,722	(3.6)	8.2
Government and government enterprises[(16)]	202,324	205,158	208,907	213,617	217,564	218,652	214,276	209,866	213,226	215,952	1.3	6.7

(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 September, 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	853	142,583	811	136,488	4.9%	4.0%	123%
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. Figures rounded to nearest thousand.
(Source: Bureau of Business and Economic Research, University of New Mexico; last revised September 7, 2010.)

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	45,335,681	8,878,830,000	9.4	3.8
2002	46,340,515	9,054,702,000	2.2	2.0
2003	48,139,404	9,369,072,000	3.9	3.5
2004	51,578,691	9,928,790,000	7.1	6.0
2005	55,341,826	10,476,669,000	7.3	5.5
2006	59,274,367	11,256,516,000	7.1	7.4
2007	63,043,607	11,899,853,000	6.4	5.7
2008	66,724,334	12,379,745,000	5.8	4.0
2009	66,744,715	12,165,474,000	0.0	(1.7)

(Source: U.S. Department of Commerce and Bureau of Business and Economic Research, University of New Mexico; last revised December 23, 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.	New Mexico.	United States
2000	22,751	30,318	75%	6.0%	7.0%
2001	24,790	31,145	80	9.0	2.7
2002	25,048	31,461	80	1.0	1.0
2003	25,747	32,271	80	2.8	2.6
2004	27,264	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	32,022	39,458	81	4.9	4.7
2008	33,584	40,673	83	4.9	3.1
2009	33,212	39,626	84	(1.1)	(2.6)

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of Business and Economic Research, University of New Mexico; last revised December 23, 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, Series 2011A (AMT)

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 2011A (AMT) in the aggregate principal amount of $15,375,000 (the "Series 2011A Bonds"). The Series 2011A Bonds are being issued for the purpose of (i) originating a loan to a governmental unit (the "Governmental Unit") that will be used to refinance a Project for such Governmental Unit (the "Loan"); and (ii) paying costs incurred in connection with the issuance of the Series 2011A 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 2011A 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 an Eightieth Supplemental Indenture of Trust dated as of May 1, 2011 (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 2011A 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 2011A 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 2011A 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 2011A Bonds (other than any Series 2011A Bond owned by a "substantial user" of the project financed or refinanced with proceeds of the Series 2011A Bonds or a "related person," as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code")) is excludable from gross income for federal income tax purposes under Section 103(a) of the Code, but is 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 2011A Bonds.

5. The interest on the Series 2011A 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 2011A 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 2011A Bonds or any other offering material relating to the Series 2011A 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 Financial Advisor believe to be reliable, but the NMFA and the Financial Advisor 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 2011A Bonds, payment of principal, premium, if any, interest on the Series 2011A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2011A 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 2011A Bonds. The Series 2011A 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 2011A Bond certificate will be issued for each maturity of the Series 2011A 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 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011A 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 2011A 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 2011A Bonds, except in the event that use of the book-entry system for the Series 2011A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A 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 2011A 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 2011A Bonds; DTC's records reflect only the identity of

the Direct Participants to whose accounts such Series 2011A 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 2011A 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 2011A 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 2011A 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 2011A 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 2011A 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 2011A Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2011A 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 2011A Bonds.

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

APPENDIX F

LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS

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 has previously issued a series of bonds and has applied certain Prepayments of Loans 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 Regional Spaceport District from gross receipts taxes imposed by Dona Aña and Sierra Counties which are pledged by the Regional Spaceport District and the Spaceport Authority to pay the Spaceport Authority Securities. The Spaceport Authority Securities are currently outstanding in the aggregate principal amount of $74,345,000 and are scheduled to mature on June 1, 2029.

City of Albuquerque. The NMFA has entered into various obligations with the City of Albuquerque (the "Albuquerque Obligations") in which enterprise system revenues of the City are used to secure the debt obligations. The proceeds of the Albuquerque Obligations were used to finance various projects including the refinancing of approximately $49,855,000 in debt obligations issued to fund projects for improvement to the Albuquerque Airport. These obligations are payable from and secured by the net operating revenues of the Albuquerque Airport and have a current outstanding principal of $46,795,806. The last of the Albuquerque Obligations is scheduled to mature on July 1, 2019.

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 $34,375,981. The last of the Santa Fe Obligations is scheduled to expire on June 1, 2036.

Special Consideration Concerning an Action Involving Previously Executed Loan Agreements

The NMFA has 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 with completion expected in September 2011. The Angel Fire Loans are outstanding in the aggregate principal amount of $24.25 million and are 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.

APPENDIX G

INFORMATION REGARDING THE ALBUQUERQUE AIRPORT

General

The information contained in this Appendix G has been obtained from the City of Albuquerque and the sources listed in the tables set forth herein. The NMFA has not verified, makes no representation with respect to and does not guaranty the accuracy, completeness or materiality of any such information.

The Albuquerque International Sunport (herein referred to as "Sunport International") is the principal air carrier airport serving the Albuquerque Metropolitan Area and the state of New Mexico, and provides the only major air carrier service to the State. Sunport International is owned by the City of Albuquerque (the "City") and operated by the City's Aviation Department.

Sunport International is classified as a "medium hub" airport by the FAA. In Fiscal Year 2010, origination and destination passengers comprised an estimated 88.7% of passengers enplaned at Sunport International. In addition to Sunport International, the City also owns and operates Double Eagle II Airport ("Double Eagle II" and together with Sunport International and any future airport facilities, the "Albuquerque Airport"), a general aviation reliever airport. Sunport International has two principal runways for air carrier use and a 543,000 square-foot main terminal complex (the "Terminal Building") with 22 aircraft gates, one commuter gate, and three aircraft parking positions. The Terminal Complex area includes a two-level terminal loop roadway system, a 3,400 space automobile parking structure, and a 534 space surface parking lot.

The Terminal Building was built in 1965 and was expanded in 1987 to add a new concourse, security office, passenger screening area, baggage claim area, and additional restrooms. The City is undertaking certain projects to rehabilitate and modernize the Terminal Building and expects Phase One to be completed by September 2011 and Phase Two to begin in September 2012. (See following section "Airport System Capital Program.")

Project Refinanced with Loan

Proceeds of the Loan from the NMFA to the City will be used to currently refund the City's Airport Revenue Refunding Bonds, Series 2001 (AMT) (the "Refunded Bonds"). The Refunded Bonds were issued to refinance the costs of certain improvements to the taxiways and runways at Sunport International and the expansion of the Terminal at Sunport International. Such Project was completed in 1998.

Agreement with the United States Air Force

Runways, taxiways, land and facilities at Sunport International (the "Airfield") were deeded to the City by the United States Air Force (the "USAF") in 1962. The USAF currently shares the use of the Airfield with the City under a lease agreement obligating the USAF to make an annual rental payment of $50,000. The deed contains a reversion clause, which becomes effective if the City does not continue to use the Airfield as an airport. Further, the U.S. Government has a right of re-entry if the City does not comply with the covenants and restrictions in the deed and the lease agreement. The agreement also requires the USAF to provide aircraft rescue and fire fighting services at Sunport International.

Airport Service Area

The Sunport International Service Area includes the Albuquerque MSA (Bernalillo, Sandoval, Valencia and Torrance Counties) and the Santa Fe MSA (Santa Fe and Los Alamos Counties). The Sunport International also serves a secondary area consisting of the remainder of the State.

Airlines Serving Albuquerque

Sunport International is served by seven mainline airlines (the "Signatory Airlines") as well as regional and commuter airlines. Continental Airlines and United Airlines have merged; however, they will continue to operate separately at Sunport International until receiving a single operating certificate from the Federal Aviation Administration, which the airlines expect by the end of Calendar Year 2011. The Signatory Airlines are as follows:

American Airlines	Southwest Airlines
Continental Airlines	United Airlines
Delta Air Lines	US Airways
Frontier Airlines	

Each of the Signatory Airlines listed above has entered into a five-year Scheduled Airline Operating Agreement and Terminal Building Lease with the City with an effective date of July 1, 2006 (the "Airline Agreements"). Sunport International is currently in negotiations for new Airline Agreements with the Signatory Airlines which will be effective July 1, 2011; the City expects to have substantially the same provisions as the current airline agreements. Collectively, the Signatory Airlines lease approximately 85% of the available exclusive and preferential use space in the Terminal Building.

In addition to these major national airlines and their affiliate regional carriers, Great Lakes Aviation and Pacific Wings d/b/a New Mexico Airlines provide commuter flights throughout New Mexico. Two cargo airlines, Fed Ex and UPS (the "Air Cargo Airlines"), provide air cargo service at Sunport International. The Air Cargo Airlines have both entered into a Scheduled Air Cargo Airline Operating Agreement and Air Cargo Building Lease with the City (the "Air Cargo Airline Agreements") and both operate as signatory Air Cargo Airlines.

Additional Baggage Screening Requirements

Under the Aviation and Transportation Security Act ("ATSA"), all checked baggage must be screened for explosives by the Transportation Security Administration ("TSA"). At Sunport International, the screening of bags is performed using a combination of explosive detection system ("EDS") and explosive trace detection equipment.

Even though the City is in compliance with the ATSA requirements for baggage screening, it has installed an in-line EDS for Southwest, which has been the largest carrier at Sunport International as measured by enplaned passengers for over fifteen fiscal years. The in-line baggage system for Southwest was necessary to mitigate existing operational inefficiencies in the processing of checked baggage. The installation provides additional space and equipment to meet estimated future demand. The TSA operates non-in-line EDS and explosive trace detection equipment to screen checked baggage for other airlines in their baggage make-up areas on the west side of the Terminal Building. The City believes that these installations are adequate to meet existing and estimated future demand. The City has performed various studies on integrating an in-line EDS on the west side of the Terminal Building which may be needed in the future, if justified by demand and substantial grant funding is received.

Historical Aircraft Operations and Enplaned Passengers

During Fiscal Year 2010, there were 151,134 aircraft operations (landings and takeoffs) at Sunport International, a decrease of 10.6% from 175,670 in Fiscal Year 2009. In Fiscal Year 2010, 2,933,346 passengers enplaned at Sunport International, a decrease of 2.7% from 3,014,347 in Fiscal Year 2009. The decrease in airline traffic is attributable primarily to the national economic recession. The following table presents the number of airline enplaned passengers for major national, affiliate regional and commuter airlines at Sunport International from Fiscal Year 2001 through Fiscal Year 2010.

HISTORICAL AIRLINE TRAFFIC ACTIVITY SUNPORT INTERNATIONAL
ENPLANED PASSENGERS

Fiscal Year	Number	Percent Increase (Decrease)
2001	3,151,608	(0.3)%
2002	3,043,775	(3.4)
2003	3,010,471	(1.1)
2004	3,121,162	3.7
2005	3,191,906	2.3
2006	3,299,021	3.4
2007	3,263,210	(1.1)
2008	3,417,525	4.7
2009	3,014,347	(11.8)
2010	2,933,346	(2.7)

(Source: City of Albuquerque, Department of Aviation.)

The total number of enplaned passengers at Sunport International decreased at an average annual rate of 0.79% per year between Fiscal Years 2001 and 2010. For the nation as a whole, the number of enplaned passengers was virtually the same in Fiscal Year 2010 as it was in Fiscal Year 2001.

As the financial crisis and economic recession deepened in the second half of 2008, airlines reduced departing seat capacity at airports including Sunport International. Southwest's strategy to reallocate departing seat capacity to large-hub airports disproportionately affected medium-hub airports such as Sunport International. The economic downturn started later in the City than most U.S. cities; it depressed consumer spending and resulted in reduced demand for air travel. Combined, these factors resulted in an 11.8% reduction in enplaned passenger traffic in Fiscal Year 2009. Throughout Fiscal Year 2010, airlines continued reducing seats at Sunport International although the rate of decrease slowed. The end result was a 2.7% decline in enplaned passengers in Fiscal Year 2010.

Airline Market Shares of Enplaned Passengers

During Fiscal Years 2006 through 2010, Southwest Airlines and American Airlines held the greatest percentage of market share. In Fiscal Year 2010, Southwest's market share in Albuquerque was 55.5% and American's was 12.5%. Combined, the two airlines accounted for at least 68% of enplanements at Sunport International during Fiscal Year 2010.

The following table presents the market shares of enplaned passengers by airline for Fiscal Years 2006 through 2010:

	FY2006 % Share Enplaned Passengers	FY2007 % Share Enplaned Passengers	FY2008 % Share Enplaned Passengers	FY2009 % Share Enplaned Passengers	FY2010 % Share Enplaned Passengers
Major/National:					
Southwest Airlines	51.4	51.6	50.6	54.4	55.5
American Airlines	12.3	12.0	11.1	11.9	12.5
Delta Air Lines	7.4	6.3	5.8	5.1	4.7
US Airways (America West)	6.4	6.3	5.5	5.3	5.2
United Airlines	4.3	4.3	4.9	3.7	2.5
Continental Airlines	5.1	5.6	4.0	2.2	1.3
ExpressJet[(1)]	–	0.3	3.4	0.7	.0
Northwest Airlines[(2)]	2.6	2.5	2.5	2.9	2.8
Frontier Airlines[(3)]	1.8	1.6	2.3	3.9	3.8
Subtotal	91.3	90.5	90.1	90.1	88.3
Regional and Commuter:					
Mesa Airlines	0.9	0.6	0.2	.0	–
SkyWest	5.5	6.1	4.9	5.8	7.0
Other	2.3	2.8	4.8	4.1	4.7
Subtotal	8.7	9.5	9.9	9.9	11.7
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

(1) ExpressJet ceased operations as a Signatory Airline at Sunport International as of September 2, 2008.
(2) Delta and Northwest merged in 2008 and now operate under Delta's name and operating certificate.
(3) Filed for bankruptcy protection (Chapter 11) on April 10, 2008. Frontier successfully emerged from Chapter 11 bankruptcy on October 1, 2009.

Note: Columns may not add to totals shown because of rounding.
(Source: City of Albuquerque, Aviation Department.)

Airport Financial Information; Airport Fund

General. The Airport Fund is a separately maintained enterprise fund of the City. The general policy of the City has been to impose charges at Sunport International for services that can be measured and that benefit specific persons, including users of the Albuquerque Airport. The charges are designed to pay for the cost of the service.

Historical Financial Results. The following tables compare historical financial results of the Albuquerque Airport.

HISTORICAL AIRPORT REVENUES
(FISCAL YEARS 2006-2010)
($000)

	—2006—		—2007—		—2008—		—2009—		—2010[1]—	
Airline Revenues	$29,303	44.1%	$26,352	38.6%	$28,887	38.3%	$26,654	37.8%	$27,385	38.9%
Nonairline Revenues:										
Terminal Building	11,855	19.1	13,771	20.2	15,337	20.4	12,909	18.3	13,946	19.8
PFCs	8,230	12.3	8,303	12.1	8,559	11.4	7,380	10.4	7,444	10.6
CFCs	4,354	6.5	5,375	7.9	6,308	8.4	7,145	10.1	6,680	9.5
Parking Area	7,694	11.6	7,997	11.7	8,272	11.0	7,423	10.5	7,130	10.1
Passengers Miscellaneous	5,106	6.4	6,399	9.5	7,994	10.5	9,135	12.9	7,803	11.1
TOTAL	$66,542	100.0%	$68,197	100.0%	$75,357	100.0%	$70,646	100.0%	$70,388	100.0%

(1) The financial statements for Fiscal Year 2010 are not completed and will be provided upon their completion and approval of the State Auditor.

Source: City of Albuquerque General Ledgers (unaudited)

Airline Revenues. Airline revenues include revenues from the Signatory Airlines, Affiliate Airlines, Commuter Airlines, Air Cargo Airlines and Non-Signatory Airlines. Components of airline revenues include Terminal Building space rentals, loading bridge fees, baggage claim device charges, landing fees, cargo building rentals, and cargo apron rentals. See "Agreements with the Airlines" under this caption.

Amounts to be paid by the Signatory/Affiliate Airlines pursuant to the Airline Agreements constitute a major source of revenues to Sunport International. As a whole, the Signatory Airlines represented approximately 88.4% of commercial enplaned passengers at Sunport International in Fiscal Year 2010. Airline revenues constituted 38.9% of Gross Airport Revenues in Fiscal Year 2010 (unaudited).

Passenger Facility Charge (PFC). In March 1996, the FAA approved the City's application to collect a total of $49,638,000 over a period of approximately six years by imposing a $3.00 PFC on each enplaning revenue passenger at ABQ. The closeout amendment for this application increased the collection authority by $135,870. In June 2002, the FAA approved the City's second PFC application which allows the City to impose a $3.00 PFC at Sunport International for a total collection amount of $44,483,079. A closeout amendment to this application was approved by the FAA in April 2008. The total collection amount was amended to $41,844,636 to reflect actual collections and uses of PFC revenues. The FAA approved a third PFC application in the amount of $66,066,726. PFCs collected under the third application are being used to fund certain Terminal Building modernization and roadway projects. In October 2009, the City submitted an amendment to the third PFC which requested an increase by $2,819,173. The amendment identified an increase to projects such as terminal rehabilitation, upgrades to flight and baggage information systems, and mechanical/electrical/fire safety upgrades. The amendment also identified a decrease to projects such as the communication center upgrade, the federal inspection station, and passenger checkpoint. In November 2009, the FAA approved and amended the third PFC in the amount of $68,885,899 with an expiration date of July 2016.

PFC revenues are available to pay obligations of the Albuquerque Airport issued to finance eligible projects and have been and will be used to reimburse the City for investments made by the City in eligible projects. PFC revenues are included by the City as part of Gross Airport Revenues to the extent available to pay obligations of the Albuquerque Airport, as directed by a designated officer of the City.

The following table sets forth the annual collections of PFCs from Fiscal Year 2006 through Fiscal Year 2010.

PFC REVENUES
($000S)

Fiscal Year	PFCs Collected[1]
2006	$8,230
2007	8,303
2008	8,559
2009	7,380
2010	7,444

(1) PFCs received by the City net of collection and handling fees retained by airlines. The airlines are permitted to retain a portion of each PFC collected (currently $0.11 of each PFC collected) as compensation for collecting and handling PFCs.

(Source: City of Albuquerque, Aviation Department.)

Nonairline Revenues. Non-airline revenues include the rental car facility fees and concessions, nonairline terminal building space rentals, terminal food and beverage concessions, terminal news and gift stores, advertising program, and other miscellaneous agreements. The largest component of nonairline revenues in Fiscal Year 2010 was the rental car privilege fees.

Rental Car Facility Revenues. In connection with the March 2001 opening of the Rental Car Facility, eight on-airport rental car companies entered into five-year lease agreements with the City, which have been extended an additional five years, for the use and lease of counter space at the customer service building and parking spaces in the ready/return parking area. The City successfully renegotiated these agreements for an additional five-year term (effective July 1, 2011), with an option for the City to extend the agreements an additional five years. Pursuant to these agreements, the City receives: (a) privilege fees in the amount of 10% of gross revenues against a minimum annual guarantee; (b) a monthly fee for use of ready/return parking spaces; and (c) reimbursement for any Sunport International operating expenses allocated to the Rental Car Facility. In addition, the City has executed 20-year leases with the on-airport rental car companies for use and lease of the service center facilities and vehicle storage areas. Under the agreements, the on-airport rental car companies are required to collect a Customer Facility Charge ("CFC") per rental car contract day to be used for the operation of the rental car shuttle bus system and to pay debt allocated to the Rental Car Facility and associated roadways. CFC revenues and all rentals, fees and charges imposed by the City and collected from the rental car companies accounted for approximately 24.8% of Gross Airport Revenues in Fiscal Year 2010. (See following section "Customer Facility Charges").

Terminal Building Concession Revenues. Non-airline Terminal Building concession revenues are generated under agreements with Fresquez Concessions, Inc., and Black Mesa Coffee Company to provide food and beverage services within the Terminal Building. In addition, there are five retail concession operators including Avila Retail Development & Management, El Mercado del Sol, Inc., Page Industries, Hudson-Garza, and Sweet Tooth, LLC. These five retail concession operators offer a variety of retail merchandise including newspapers, magazines, books, Native American art and jewelry, southwest apparel and New Mexico souvenirs. Under the terms of the agreements, each operator is required to pay the City the greater of (i) a percentage of gross revenues or (ii) a minimum annual guarantee ("MAG") amount. The MAG amount is to be adjusted each year to equal 85% of each company's prior year's percentage of gross revenues paid to the City, but the MAG amount in any year will not be less than the first full contract year.

Parking Area Revenues. Public parking facilities include a garage with 3,400 spaces for short-term parking and a surface lot north of the parking garage with 534 spaces for long-term parking. The City anticipates opening an additional parking lot in the third quarter of Calendar Year 2011 with approximately 400 parking spaces. Other parking facilities at Sunport International include three employee lots, which together provide approximately 600 spaces.

Public parking rates in the short-term lot are $1.00 for the first half-hour, increasing to a maximum rate of $10.00 per day. Rates in the long-term lot are $1.00 for the first half hour and thereafter a maximum of $7.00 per day. The public parking facilities generated revenues totaling $7,211,551 ($7,129,703 in public parking revenues plus $81,848 in employee parking revenues), in Fiscal Year 2010. Public parking revenues decreased by 4.7% from Fiscal Year 2009 to Fiscal Year 2010 as a result of decreased passenger traffic. The City also receives revenues from commercial vehicle lane fees and taxicab permits.

Revenues from Other Areas. Revenues from other areas at Sunport International principally include land and building rentals. Included are other governmental agency facilities, aircraft hangers, manufacturing and production facilities and various other property leases. Major sources of leased site rental revenues include the Sheraton Albuquerque Airport Hotel, general aviation fixed base operators and air cargo building rentals. The Sheraton pays a percentage of gross revenues for food, alcoholic beverages, room rentals and other miscellaneous categories against minimum annual guarantees.

Double Eagle II Airport Revenues. The City has two agreements with a fixed base operator to provide services to general aviation operators at Double Eagle II Airport. The City also maintains various land and building leases, including a lease for a 15,000 square foot hangar facility owned by the City.

Federal Grants. The City receives annual federal grant moneys from the FAA through the Airport Improvement Program ("AIP"). These funds are not included in the calculation of Gross Airport Revenues. AIP grants received by the City are either entitlement (determined by formula) or discretionary (determined the prioritization by FAA of projects across the nation as a whole). Between Fiscal Year 1996 and Fiscal Year 2009, the City received a total of $73,153,599 in AIP grants and entitlement/discretionary funds. In Fiscal Year 2009, the City received $5.5 million for the rehabilitation of Taxiway E and $9.4 million for Terminal Apron–Phase 2/Taxiway E Centerline Lights at Sunport International and $5.5 million for Runway 4-22 reconstruction at Double Eagle II Airport, $2.9 million of which was from the American Recovery and Reinvestment Act. In addition, a $12.1 million project to reconstruct and widen the highway from 2 lanes to 4 lanes from Interstate 40 to Double Eagle II Airport is currently underway. The road project is funded primarily by Federal Highway Administration grants.

There can be no assurance as to the amount of such funding the Sunport International will receive in future years. The City's financial plan for funding its Capital Program assumes that the City will receive AIP grants to fund the eligible portions of certain projects. In the event that AIP grants are not available, the City would either elect to delay or cancel certain projects or seek to fund the project with other sources, possibly including additional debt.

Airline Agreements

Signatory Airline Agreements. The Signatory Passenger Airlines have each entered into Amended and Restated Scheduled Airline Operating Agreement and Terminal Building Leases ("Signatory Passenger Airline Agreements") with the City for the use and lease of certain facilities at Sunport International. The following is only a brief summary of certain provisions of the Signatory Passenger Airline Agreements.

Signatory Passenger Airlines and Signatory Cargo Airlines pay the City landing fees per 1,000-pound unit of maximum certified gross landing weight for the use of Sunport International. The landing fee rate is calculated according to a cost center residual methodology, whereby the City recovers 100% of the costs allocable to the Airfield.

Under the Signatory Passenger Airline Agreements, Terminal Building rental rates are calculated according to a commercial compensatory method based on rentable space and include a credit of certain concession revenues generated in the Terminal Building. Ticket counter, airline operations, and certain other space is leased on a per square foot basis. Holdrooms are leased on a per holdroom basis. The baggage claim area and the passenger circulation area are leased jointly, with allocable rentals recovered by formula. The credit is also distributed among the Signatory Passenger Airlines by formula. Loading bridge charges are calculated using a modified residual methodology and consist of a combination of a fixed fee charged per loading bridge to recover allocable capital costs and an operating fee charged per departing flight to recover allocable operating costs.

Each Signatory Airline has priority in using gates assigned to it on a preferential basis to accommodate its scheduled flights. However, the City may assign a preferential gate for use by others in periods when not in use by the renting Signatory Airline. The City has the right, but not the obligation, to reassign a Signatory Airline's preferentially assigned gate to another Signatory Airline, if the renting Signatory Airline's average scheduled gate utilization falls below four flights per gate per day, and the City determines that there is a reasonable need for the preferential use of such gate by another Signatory Airline.

Signatory Cargo Airline Agreements. The Signatory Cargo Airlines have each entered into a Signatory Cargo Airline Agreement with the City concerning their use of the air cargo facilities at Sunport International. Under the current Air Cargo Airline Agreements, each of the Signatory Cargo Airlines leases exclusive-use space in Sunport International's air cargo building and preferential-use apron parking spaces at the air cargo apron. Rates and charges for these facilities are calculated under a modified commercial compensatory approach, whereby the Signatory Cargo Airlines pay a rate calculated using a market-value approach.

Affiliate Airline Operating Agreements. The City maintains Affiliate Airline Operating Agreements with passenger airlines operating as regional affiliates of Signatory Passenger Airlines. The Affiliate Airline Operating Agreements are on a month-to-month basis. Service provided by these airlines is marketed and sold by Signatory Passenger Airlines under capacity purchase agreements and not by the Affiliate Airline itself

Under the terms of the Affiliate Airline Agreements, Affiliate Airlines pay the same landing fee rate as the Signatory Passenger Airlines and participate in the year-end recalculation of airline rates and charges. Other rentals and fees for the use of Terminal Building are paid by the Signatory Passenger Airline on behalf of the Affiliate Airline.

Commuter Airline Agreements. The City maintains Commuter Airline Leases and Operating Agreements with airlines providing commuter service throughout New Mexico. The Commuter Airline Operating Agreements are on a month-to-month basis. Under the terms of the Commuter Airline Agreements, commuter airlines pay the same landing fee rate as the Signatory Passenger Airlines, but do not participate in the year-end recalculation of airline rates and charges. The agreements also allow the commuter airlines to pay fixed rates to rent space in the Terminal Building.

Non-Signatory Airline Agreements. The City maintains Non-Signatory Airline Operating Agreements with certain airlines providing service at Sunport International on both a scheduled and non-scheduled basis. These agreements allow airlines to occupy space in the Terminal Building or cargo buildings on a month-to-month basis. Additionally the Non-Signatory Airline Agreements specify the fees to be paid for the use of Airport facilities, generally calculated to simulate 115% of the applicable Signatory Airline rate. Non-Signatory Airlines do not participate in the year-end recalculation of airline rates and charges.

The current airline agreements expire on June 30, 2011. The City is currently in negotiations with the airlines and expects the future agreements to have substantially the same terms and conditions.

Customer Facility Charges

The Rental Car Facility is located on approximately 76 acres on the west side of Sunport International. Eight rental car companies operated from the Rental Car Facility as of September 2009 ("On-Airport Rental Car Companies"). All rental car companies serving Sunport International are required to transport their customers between the Terminal Building and the Rental Car Facility on a common rental car shuttle bus system. There are 1,239 ready/return spaces at the Rental Car Facility.

Customer Facility Charges ("CFC") are calculated to recover: (i) the costs of providing, operating and maintaining the common rental car shuttle bus system, which transports rental car customers to and from the Terminal Building and Rental Car Facility; (ii) debt service requirements on Airport Obligations issued to finance the Rental Car Facility and which may be issued in the future for the Rental Car Facility; and (iii) other allocable costs associated with common areas in the customer service building and access roadways. The City may recalculate the fee at least annually based on these costs and the projected number of rental car transaction days. The CFC is currently $4.00 per contract day.

In the event that the projected CFC revenues in any year are less than the costs described above, the On-Airport Rental Car Companies are required to pay the City additional rent equal to the shortfall in CFC revenues. Excess revenues from the CFC in any year may be used in any year to pre-pay debt service requirements or Airport Obligations issued to finance the Rental Car Facility, to pay any allowable Airport cost, or to reduce the CFC rate for the following year.

Airport System Capital Program

The City is adopting a five-year Capital Improvement Program (CIP) for Fiscal Years 2012 through 2016, totaling $127.7 million. As part of the negotiations producing a successor Airline Operating Agreement and Terminal Building Lease (for the same time period of the CIP), the City is adopting a CIP pre-approved by the Signatory Airlines.

Of the $127.7 million CIP, $95.4 million would improve Sunport International, and $12.8 million the Double Eagle II Airport. The remaining $19.5 million would go towards projects that would not affect airline rates and charges.

The funding plan for the CIP is a mixture of grants, "pay-as-you-go" Passenger Facility Charges (PFCs), and Airport equity. The City plans to issue no new debt to help finance projects through Fiscal Year 2016.

Most CIP projects are for the renewal or replacement of aging elements of airport infrastructure. The CIP reflects the lack of a need for significant expansion of airfield or terminal capacity. Preeminent projects renovate Taxiways A, B and E; close Taxiway C and Runway 17-35 at Sunport International; upgrade mechanical and electric systems in the Terminal Building; and, convert Runway 17-35 at the Double Eagle II Airport into the primary runway.

Outstanding Airport Revenue Bonds as of January 1, 2011

Issue	Original Principal Amount	Outstanding Principal Amount
Airport Refunding Revenue Bonds, Series 1997	$33,310,000	$3,740,000
Airport Revenue Bonds, Series 2001	42,550,000	19,010,000
Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A[(1)]	20,610,000	14,115,000
Senior Lien Airport Improvement Revenue Bonds, Series 2004B	30,000,000	23,320,000
Airport Revenue Refunding Bonds, Series 2008A	13,640,000	12,990,000
Airport Revenue Refunding Bonds, Series 2008B-C	21,290,000	15,875,000
Subordinate Lien Airport Refunding Revenue Bonds, Series 2008E	26,680,000	24,375,000
Airport Refunding Revenue Bonds, Series 2009A	26,080,000	24,379,167
Commercial Paper Note	14,960,000	5,983,000
Total Airport Revenue Bonds		$143,787,167

(1) These bonds are payable from net revenues of the Sunport International on a subordinate lien basis to the other outstanding Albuquerque Airport revenue bonds.

(Source: City of Albuquerque, Aviation Department.)

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NEW MEXICO FINANCE AUTHORITY • SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2011A (AMT)

New Mexico FINANCE AUTHORITY

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NEW ISSUE – BOOK-ENTRY ONLY **Ratings: S & P "AAA"**
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 2011B-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 2011B-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 2011B 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

$42,735,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS,
TAX-EXEMPT SERIES 2011B-1

$14,545,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS,
TAXABLE SERIES 2011B-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 2011B-1 (the "Series 2011B-1 Bonds") and Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2011B-2 (the "Series 2011B-2 Bonds" and together with the Series 2011B-1 Bonds, the "Series 2011B 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 2011B 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 2011B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2011B Bonds will be made in book-entry form only, and beneficial owners of the Series 2011B 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 2011B Bonds.

The Series 2011B Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2011B Bonds accrues from the date of initial delivery of the Series 2011B Bonds and is payable on June 1 and December 1 of each year, commencing December 1, 2011. Principal of the Series 2011B Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedules on the inside front cover.

SEE MATURITY SCHEDULES ON INSIDE FRONT COVER

The Series 2011B Bonds are subject to optional and mandatory sinking fund redemption prior to maturity.

Proceeds of the Series 2011B 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 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 2011B Bonds. The principal of and premium, if any, and interest on the Series 2011B 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 2011B 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 2011B 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 2011B 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 2011B 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 Series 2011B-1 Bonds and the Series 2011B-2 Bonds were sold pursuant to a competitive bidding process held on August 11, 2011, to R.W. Baird & Co., Incorporated and Morgan Keegan & Company, Inc., respectively.

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 2011B 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 2011B Bonds. It is expected that a single certificate for each maturity of each series of the Series 2011B Bonds will be delivered to DTC or its agent on or about September 1, 2011.

This Official Statement is dated August 11, 2011, and the information contained herein speaks only as of that date.

NEW MEXICO FINANCE AUTHORITY

$42,735,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, TAX-EXEMPT SERIES 2011B-1

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†	Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2012	$3,015,000	2.00%	0.22%	64711N NZ4	2021	$2,130,000	4.000%	2.36%	64711N PJ8
2013	3,605,000	2.00	0.35	64711N PA7	2022	1,590,000	4.000	2.64 (c)	64711N PK5
2014	3,615,000	2.00	0.45	64711N PB5	2025	1,700,000	3.125	3.20	64711N PM1
2015	3,650,000	4.00	0.70	64711N PC3	2026	1,525,000	3.250	3.30	64711N PN9
2016	2,945,000	4.00	1.00	64711N PD1	2027	1,555,000	3.375	3.40	64711N PP4
2017	2,840,000	4.00	1.30	64711N PE9	2028	1,605,000	4.000	3.50 (c)	64711N PQ2
2018	2,900,000	2.00	1.65	64711N PF6	2029	470,000	4.000	3.60 (c)	64711N PR0
2019	2,340,000	2.00	1.95	64711N PG4	2030	490,000	4.000	3.70 (c)	64711N PS8
2020	2,250,000	2.50	2.20	64711N PH2	2031	510,000	4.000	3.80 (c)	64711N PT6

$3,265,000 3.00% Term Bonds Due June 1, 2024; Price 100.00%; CUSIP 64711N PL3

$735,000 4.00% Term Bonds Due June 1, 2036; Price 99.00%; CUSIP 64711N PU3

$14,545,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, TAXABLE SERIES 2011B-2

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†	Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2012	$790,000	2.000%	0.50%	64711N PV1	2020	$905,000	3.600%	3.60%	64711N QD0
2013	760,000	2.000	0.65	64711N PW9	2021	935,000	3.800	3.80	64711N QE8
2014	770,000	2.000	1.00	64711N PX7	2022	975,000	4.000	4.00	64711N QF5
2015	790,000	2.500	1.45	64711N PY5	2023	1,010,000	4.125	4.15	64711N QG3
2016	805,000	2.500	2.00	64711N PZ2	2024	1,055,000	4.250	4.30	64711N QH1
2017	830,000	2.750	2.40	64711N QA6	2025	1,095,000	4.375	4.40	64711N QJ7
2018	850,000	3.000	2.70	64711N QB4	2026	1,145,000	4.450	4.50	64711N QK4
2019	875,000	3.100	3.10	64711N QC2					

$355,000 4.70% Term Bonds Due June 1, 2028; Price 99.419%; CUSIP 64711N QL2

$600,000 4.95% Term Bonds Due June 1, 2031; Price 99.369%; CUSIP 64711N QM0

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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 2011B Bonds. Neither the NMFA, the Trustee nor the Financial Advisor are responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2011B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2011B 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, 2021.

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 Financial Advisor 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 2011B 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 2011B 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 2011B 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 2011B Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2011B 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 2011B Bonds.

THE SERIES 2011B 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 2011B 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
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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

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(1) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate. See "NEW MEXICO FINANCE AUTHORITY—Governing Body and Key Staff Members" for a discussion of the effect of senate confirmations on their respective terms.

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

$42,735,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, TAX-EXEMPT SERIES 2011B-1	**$14,545,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, TAXABLE SERIES 2011B-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 $42,735,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2011B-1 (the "Series 2011B-1 Bonds") and the $14,545,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2011B-2 (the "Series 2011B-2 Bonds" and together with the Series 2011B-1 Bonds, the "Series 2011B Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2011B 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 Eighty-First Supplemental Indenture of Trust, dated as of August 1, 2011 (the "Eighty-First 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 "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, 2010 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 2011B 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 2011B 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 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 2011B Bonds. See "THE PLAN OF FINANCING" for more information with respect to the sources and uses of proceeds of the Series 2011B 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 2011B Bonds. Such Governmental Units whose Loans are being financed with proceeds of the Series 2011B Bonds are sometimes referred to herein as the "2011B Governmental Units."

Parity Obligations

Bonds with a lien on the Trust Estate on a parity with the lien of the Series 2011B 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 2011B Bonds

The Series 2011B Bonds will be dated the date of their initial delivery. Interest on the Series 2011B Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2011. The Series 2011B 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 2011B 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 2011B 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 2011B 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 2011B Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2011B 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 2011B 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 2011B Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "THE SERIES 2011B BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2011B 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 2011B 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 2011B 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.

Common Debt Service Reserve Fund. The NMFA has established a Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011 and as of August 1, 2011, the Common Debt Service Reserve Fund was funded in the amount of $25,478,483. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds—Common Debt Service Reserve Fund."

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 2011B 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 2011B Bond Owners that, so long as the Series 2011B 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 2011B-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 2011B-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 2011B 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 2011B 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 2011B Bonds. See "FINANCIAL ADVISOR."

The NMFA's audited financial statements for the fiscal year ended June 30, 2010, 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 2011B Bonds

The Series 2011B 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 2011B Bonds will be delivered to DTC or its agent on or about September 1, 2011. The Series 2011B-1 Bonds were sold to R.W. Baird & Co., Incorporated and the Series 2011B-2 Bonds were sold to Morgan Keegan & Company, Inc., respectively the successful bidder for each series, pursuant to a competitive bidding process held on August 11, 2011.

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 2011B Bonds.

THE SERIES 2011B BONDS

General

The Series 2011B Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2011B 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, 2011. The Series 2011B 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 2011B 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 2011B 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 2011B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2011B Bonds will be made in book-entry only form, and beneficial owners of the Series 2011B 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 2011B 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 2011B Bonds maturing on and after June 1, 2022 are subject to optional redemption at any time on and after June 1, 2021, 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 2011B Bonds to be redeemed, but without premium.

Mandatory Sinking Fund Redemption – Series 2011B-1 Bonds. The Series 2011B-1 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 2011B-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
2023	$1,530,000
2024†	1,735,000

† Final Maturity

The Series 2011B-1 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 2011B-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
2032	$220,000
2033	135,000
2034	140,000
2035	145,000
2036†	95,000

† Final Maturity

If less than all of the Series 2011B-1 Bonds maturing on June 1, 2024 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 2011B-1 Bonds, in such order as may be directed by the NMFA.

Mandatory Sinking Fund Redemption – Series 2011B-2 Bonds. The Series 2011B-2 Bonds maturing on June 1, 2028 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 2011B-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
2027	$175,000
2028†	180,000

† Final Maturity

The Series 2011B-2 Bonds maturing on June 1, 2031 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 2011B-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
2029	$190,000
2030	200,000
2031†	210,000

† Final Maturity

If less than all of the Series 2011B-2 Bonds maturing on June 1, 2028 or June 1, 2031 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 2011B-2 Bonds, in such order as may be directed by the NMFA.

Notice of Redemption. In the event any of the Series 2011B Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2011B 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 Series 2011B Bonds is to be given by the Trustee at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 2011B Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 2011B 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 Series 2011B 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 Series 2011B Bonds or portions thereof redeemed but who failed to deliver Series 2011B 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 Series 2011B Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 2011B Bonds.

Partially Redeemed Bonds. In case any Series 2011B Bond is redeemed in part, upon the presentation of such Series 2011B 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 Series 2011B Bond or Series 2011B Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2011B Bond. A portion of any Series 2011B 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 Series 2011B Bonds for redemption, the Trustee will treat each such Series 2011B Bond as representing that number of Series 2011B Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 2011B 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 2011B Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2011B 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 2011B 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 2011B 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 2011B Governmental Units and the allocable portions of the Loans financed with the Series 2011B 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 2011-2012. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues. The table assumes the prepayment of certain Agreements scheduled to occur on September 1, 2011 and for which notice of prepayment has been given.

Type of Revenue	FY 2011-2012 Amounts	% of Total Agreement Revenues
Enterprise System Revenues	$29,653,914	28.06%
Local Gross Receipts Tax	27,999,593	26.49
General Obligation (ad valorem taxes)	17,753,627	16.80
Local Special Tax	13,603,777	12.87
State Gross Receipts Tax	6,448,842	6.10
Fire Protection Funds	4,056,350	3.84
Special Assessments	3,100,221	2.93
Governmental Gross Receipts Tax	2,731,239	2.58
Law Enforcement Protection Funds	218,272	0.21
Mill Levy	117,097	0.11
Total	$105,682,932	100.00%

Note: Totals may not add due to rounding. Assumes that the Loans funded with proceeds of the Series 2011B 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 2011-2012 and assuming no prepayments of any Agreements, are expected to generate the largest amount of Agreement Revenues in fiscal year 2011-2012. The Agreement Revenues generated from such Agreements account for 46.93% of projected Agreement Revenues for fiscal year 2011-2012.

AGREEMENTS EXPECTED TO GENERATE THE LARGEST AGREEMENT REVENUES[1]

Borrower	FY 2011-2012 Debt Service	% of Total Pledged Agreement Revenues[1]
Albuquerque Bernalillo Water Utility Authority (Enterprise System Revenues)	$11,337,609	10.73%
City of Albuquerque (Enterprise System Revenues)	7,702,161	7.29
General Services Department (State Gross Receipts Taxes)	6,408,584	6.06
New Mexico Spaceport Authority (Gross Receipts Tax)	5,646,571	5.34
Gadsden Independent Schools (Ad Valorem Property Tax)	4,941,225	4.68
City of Albuquerque (Gross Receipts Tax)	3,433,258	3.25
State Parks and Recreation Department (Governmental Gross Receipts Tax)	2,731,239	2.58
City of Santa Fe (Gross Receipts Tax)	2,636,008	2.49
Department of Health (Cigarette Taxes)	2,406,001	2.28
New Mexico Highlands University (Enterprise System Revenues)[2]	2,353,701	2.23
Total	$49,596,357	46.93%

(1) Reflects a percentage of total Agreement Revenues, and does not include the NMFA Portion of Governmental Gross Receipts Taxes. Assumes the prepayment of certain Agreements scheduled to occur on September 1, 2011 and for which notice of prepayment has been given.

(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.

(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—2011B 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.

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 2006-2007 through 2010-2011.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2006-2007 THROUGH 2010-2011

	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011[1]
Total Net Receipts	$27,936,430	$29,186,583	$29,370,303	$30,375,481	$32,526,672
NMFA Portion of the Governmental Gross Receipts Tax	$21,335,908	$21,431,489	$21,493,438	$23,053,051	$24,518,214

(1) Projection.

(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 2006-2007 through 2008-2009. 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 2006-2007 THROUGH 2008-2009

Entity	Fiscal Year 2006-2007 % of Total Net Receipts	Fiscal Year 2007-2008 % of Total Net Receipts	Fiscal Year 2008-2009 % of Total Net Receipts
Albuquerque Bernalillo County Water Utility Authority	18.68%	23.34%	24.24%
City of Albuquerque	8.28	8.48	8.61
City of Santa Fe	7.33	7.36	7.57
City of Las Cruces	5.03	4.92	5.21
University of New Mexico	4.47	4.14	4.22
City of Rio Rancho	4.17	4.50	4.76
City of Farmington	2.62	2.89	2.89
City of Roswell	2.06	1.99	1.98
County of Los Alamos	1.64	1.76	1.78
City of Carlsbad	1.71	1.62	1.62
Total	55.99%	61.00%	62.88%

(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), a Common Debt Service Reserve Fund, 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: to 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: in the event the Common Debt Service Reserve Fund has been used to satisfy amounts due under a Loan Agreement or in relation to certain Securities, then to the extent Loan Payments are received as to that specific Loan Agreement or Securities, to the Common Debt Service Reserve Fund to the extent necessary to cause the payments to the Common Debt Service Reserve Fund to equal the amounts withdrawn from the Common Debt Service Reserve Fund to satisfy amounts due under the Loan Agreement or as to such Securities.
>
> Fourth: 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 2011B 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.

On the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the next Business Day preceding such third day), if the amount on deposit in any Governmental Unit's account of the Debt Service Fund is insufficient, after applying any applicable Agreement Reserve Account or other source for the

payment of Debt Service, the Trustee shall transfer the amount of such deficiency from the Common Debt Service Reserve Fund. See “Common Debt Service Reserve Fund” below under this caption.

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 (5%) 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) and to make any deposits to the Common Debt Service Reserve Fund (as described 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.

Common Debt Service Reserve Fund. The NMFA has established the Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011 and, as of August 1, 2011, the Common Debt Service Reserve Fund was funded in the amount of $25,478,483.

The NMFA shall determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The NMFA shall deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the NMFA of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the NMFA by the trustee under the Subordinated Indenture on June 16.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit shall be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the NMFA, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the NMFA has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the NMFA shall not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount shall be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee shall transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

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 returned to the Governmental Units or 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 2011B Bonds. The NMFA covenants pursuant to the Eighty-First Supplemental Indenture, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to the Loans reimbursed or originated with proceeds of the respective subseries of Series 2011B Bonds with debt service payable on the respective subseries of Series 2011B Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the respective subseries of Series 2011B 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 2011B 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 2011B Bonds from which the Loan relating to the Prepayment was initially funded and which Series 2011B 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 2011B 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 2011B 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 2011B 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 2011B 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 (including Prepayments under the Indenture as well as prepayments of obligations under the Subordinated Indenture) 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	23	6,945,375
2010-2011[(1)]	58	124,271,480

(1) Reflects prepayments received as of June 30, 2011, including Prepayments under the Indenture as well as prepayments under the Subordinated Indenture. The large amount of prepayments is attributable to a favorable interest rate climate that permitted governmental units to refinance their respective loans. As discussed above under "Covenants Applicable to the Series 2011B Bonds," the NMFA may originate additional Loans, redeem outstanding Bonds that related to the prepaid Loans, if such Bonds are subject to redemption, or defease outstanding Bonds that relate to the prepaid Loans. As of the date of this Official Statement, the NMFA has applied $111,153,693 of the proceeds of such prepayments received in fiscal year 2010-2011 to originate additional loans which, pursuant to a Pledge Notification, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The NMFA has also applied $6,021,971 of such prepayments to redeem obligations under the Indenture or the Subordinated Indenture. There remains $7,095,816 of prepayments and the NMFA has identified several loans to originate with these remaining funds.

(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 2011B 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 2011B 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 August 1, 2011:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of August 1, 2011[(2)]
2002A	$55,610,000	$6,755,000
2003A	39,945,000	15,786,000
2003B	25,370,000	12,495,000
2004A-1	28,410,000	6,310,000
2004A-2[(3)]	14,990,000	–
2004B-1	48,135,000	27,670,000
2004B-2	1,405,000	835,000
2004C	168,890,000	117,965,000
2005A	19,015,000	10,815,000
2005B	13,500,000	8,035,000
2006B	38,260,000	31,825,000
2006D	56,400,000	49,005,000
2007E	61,945,000	49,560,000
2008A	158,965,000	144,475,000
2008B	36,545,000	30,930,000
2008C	29,130,000	26,170,000
2009A	18,435,000	16,840,000
2009B	30,225,000	28,085,000
2009C	55,810,000	51,880,000
2009D-1	13,570,000	12,355,000
2009D-2	38,845,000	38,230,000
2009E	35,155,000	29,345,000
2010A-1	15,170,000	12,425,000
2010A-2	13,795,000	13,795,000
2010B-1	38,610,000	37,080,000
2010B-2	17,600,000	17,600,000
2011A	15,375,000	15,375,000
Total	$1,089,105,000	$811,641,000

(1) The official statements for the various Series of Outstanding Parity Bonds are available at the Internet site http://www.munios.com.
(2) Bonds mature on June 1.
(3) Assumes redemption of this Series of Bonds scheduled to occur on September 1, 2011 and for which notice of redemption has been provided.
(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 2011-2012 and assuming no prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2011-2012.

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 August 1, 2011:

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of August 1, 2011[2]
2005C[3]	$50,395,000	$44,770,000
2005E	23,630,000	23,630,000
2005F	21,950,000	19,195,000
2006A	49,545,000	46,265,000
2006C	39,860,000	32,770,000
2007A	34,010,000	25,645,000
2007B	38,475,000	30,140,000
2007C	131,860,000	115,785,000
Total	$389,725,000	$338,200,000

(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 2011B 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 2011B 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 2011B Governmental Units that will be or were used to finance certain Projects for such 2011B Governmental Units, and (ii) paying costs incurred in connection with the issuance of the Series 2011B Bonds. See APPENDIX F for a list of the 2011B Governmental Units and the amount of the Loans expected to be financed with the Series 2011B 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 2011B Bonds.

TAX-EXEMPT SERIES 2011B-1 BONDS

Sources of Funds

Principal Amount	$42,735,000.00
Net Reoffering Premium	2,253,641.90
NMFA Contribution	148,996.03
Total Sources	**$45,137,637.93**

Uses of Funds

Deposit to Program Fund Accounts of the 2011B Governmental Units[(1)]	$23,797,997.80
Reimbursement to NMFA	20,842,567.47
Purchaser's Discount	298,076.63
Costs of Issuance[(2)]	198,996.03
Total Uses	**$45,137,637.93**

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(1) Amounts in the Program Fund Accounts will be used to reimburse or fund the Loans to or purchase securities from certain of the 2011B Governmental Units at or about the same time as the issuance of the Series 2011B Bonds. See "APPENDIX F—2011B GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS."

(2) Costs of issuance include legal fees, rating agency fees, Trustee fees, financial advisory fees, costs of the 2011B Governmental Units and other costs and expenses related to the issuance of the Series 2011B Bonds and the origination of the Loans to the 2011B Governmental Units.

TAXABLE SERIES 2011B-2 BONDS

Sources of Funds

Principal Amount	$14,545,000.00
Net Reoffering Premium	104,403.70
NMFA Contribution	42,728.97
Total Sources	**$14,692,132.67**

Uses of Funds

Deposit to Program Fund Accounts of the 2011B Governmental Units[(1)]	$11,719,590.50
Reimbursement to NMFA	2,801,889.87
Purchaser's Discount	102,923.33
Costs of Issuance[(2)]	67,728.97
Total Uses	**$14,692,132.67**

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(1) Amounts in the Program Fund Accounts will be used to reimburse or fund the Loans to or purchase securities from certain of the 2011B Governmental Units at or about the same time as the issuance of the Series 2011B Bonds. See "APPENDIX F—2011B GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS."

(2) Costs of issuance include legal fees, rating agency fees, Trustee fees, financial advisory fees, costs of the 2011B Governmental Units and other costs and expenses related to the issuance of the Series 2011B Bonds and the origination of the Loans to the 2011B Governmental Units.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2011B 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 2011B-1 Bonds		Series 2011B-2 Bonds		Outstanding	Total Annual
Year	Principal	Interest	Principal	Interest	Parity Bonds	Debt Service
2012	$3,015,000	$973,102	$790,000	$375,434	$91,576,504	$96,730,039
2013	3,605,000	1,237,169	760,000	484,779	90,834,480	96,921,427
2014	3,615,000	1,165,069	770,000	469,579	87,998,629	94,018,276
2015	3,650,000	1,092,769	790,000	454,179	86,260,044	92,246,991
2016	2,945,000	946,769	805,000	434,429	83,064,788	88,195,985
2017	2,840,000	828,969	830,000	414,304	68,842,889	73,756,161
2018	2,900,000	715,369	850,000	391,479	67,600,462	72,457,309
2019	2,340,000	657,369	875,000	365,979	64,913,271	69,151,619
2020	2,250,000	610,569	905,000	338,854	57,545,622	61,650,044
2021	2,130,000	554,319	935,000	306,274	55,812,792	59,738,385
2022	1,590,000	469,119	975,000	270,744	52,706,145	56,011,008
2023	1,530,000	405,519	1,010,000	231,744	48,303,281	51,480,544
2024	1,735,000	359,619	1,055,000	190,081	46,268,508	49,608,208
2025	1,700,000	307,569	1,095,000	145,244	40,746,675	43,994,487
2026	1,525,000	254,444	1,145,000	97,338	37,618,366	40,640,147
2027	1,555,000	204,881	175,000	46,385	36,643,594	38,624,860
2028	1,605,000	152,400	180,000	38,160	33,851,888	35,827,448
2029	470,000	88,200	190,000	29,700	29,311,108	30,089,008
2030	490,000	69,400	200,000	20,295	22,611,901	23,391,596
2031	510,000	49,800	210,000	10,395	20,753,200	21,533,395
2032	220,000	29,400	–	–	20,298,797	20,548,197
2033	135,000	20,600	–	–	18,226,849	18,382,449
2034	140,000	15,200	–	–	16,573,996	16,729,196
2035	145,000	9,600	–	–	14,953,391	15,107,991
2036	95,000	3,800	–	–	12,899,922	12,998,722
2037	–	–	–	–	3,474,415	3,474,415
2038	–	–	–	–	3,465,892	3,465,892
2039	–	–	–	–	454,148	454,148
Total	$42,735,000	$11,221,021	$14,545,000	$5,115,373	$1,213,611,557	$1,287,227,951

(1) Assumes the Series 2011B Bonds are issued and Outstanding. Also assumes redemption of the Series 2004A-2 Bonds scheduled to occur on September 1, 2011 and for which notice of redemption has been provided. 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 2011B 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—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 “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.

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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(3)	Estimated Annual Coverage Ratios(5)
2012	$24,518,214	$105,682,932	$130,201,146	$96,730,039	1.35
2013	24,518,214	104,913,645	129,431,859	96,921,427	1.34
2014	24,518,214	100,348,520	124,866,734	94,018,276	1.33
2015	24,518,214	98,319,603	122,837,817	92,246,991	1.33
2016	24,518,214	95,663,502	120,181,716	88,195,985	1.36
2017	24,518,214	79,155,036	103,673,250	73,756,161	1.41
2018	24,518,214	76,810,439	101,328,653	72,457,309	1.40
2019	24,518,214	72,675,599	97,193,813	69,151,619	1.41
2020	24,518,214	66,609,676	91,127,890	61,650,044	1.48
2021	24,518,214	63,221,970	87,740,184	59,738,385	1.47
2022	24,518,214	58,557,386	83,075,600	56,011,008	1.48
2023	24,518,214	52,500,082	77,018,296	51,480,544	1.50
2024	24,518,214	50,432,450	74,950,664	49,608,208	1.51
2025	24,518,214	47,086,472	71,604,686	43,994,487	1.63
2026	24,518,214	41,300,685	65,818,899	40,640,147	1.62
2027	24,518,214	39,117,245	63,635,459	38,624,860	1.65
2028	24,518,214	37,597,852	62,116,066	35,827,448	1.73
2029	24,518,214	38,274,036	62,792,250	30,089,008	2.09
2030	24,518,214	22,692,909	47,211,123	23,391,596	2.02
2031	24,518,214	20,194,295	44,712,509	21,533,395	2.08
2032	24,518,214	19,066,917	43,585,131	20,548,197	2.12
2033	24,518,214	18,745,531	43,263,745	18,382,449	2.35
2034	24,518,214	17,117,415	41,635,629	16,729,196	2.49
2035	24,518,214	15,491,456	40,009,670	15,107,991	2.65
2036	24,518,214	13,360,662	37,878,876	12,998,722	2.91
2037	24,518,214	3,827,964	28,346,178	3,474,415	8.16
2038	24,518,214	3,352,991	27,871,205	3,465,892	8.04
2039	24,518,214	467,869	24,986,083	454,148	55.02

(1) Assumes the Series 2011B Bonds are issued and Outstanding. Also assumes redemption of the Series 2004A-2 Bonds scheduled to occur on September 1, 2011 and for which notice of redemption has been provided.
(2) Reflects NMFA Portion of the Governmental Gross Receipts Tax collections from July 1, 2009 through June 30, 2010.
(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, including any Prepayments that have been received by the NMFA since June 30, 2011. As previously discussed, the NMFA has recently received prepayments of certain loans under the Indenture as well as under the Subordinated Indenture. Pursuant to the terms of the Indenture, the NMFA has the option to originate new Loans with debt service payments that approximate the debt service of the prepaid Loans or defease the Bonds that relate to such prepaid Loans. As of the date of this Official Statement, the NMFA has applied $111,153,693 of the proceeds of such prepayments received in fiscal year 2010-2011 to originate additional loans which, pursuant to Pledge Notifications, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The NMFA has also applied $6,021,971 of such prepayments to redeem obligations under the Indenture or the Subordinated Indenture. There remains $7,095,000 of prepayments and the NMFA has identified several loans to originate with these remaining funds. The NMFA does not expect the new Loans to have a significant impact on the coverage ratio since the amount of any new Loan Payments will be substantially similar to the prepaid Loan Payments. The amount of prepayments which have not yet been addressed and their corresponding cash flows are not included in this table.
(4) Amounts are rounded to the nearest dollar.
(5) 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 11 members who also constitute the NMFA's board of directors and currently employs 38 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 11 members who serve as the governing body of the NMFA. Six 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 six 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), 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. A quorum of the governing body exists when a majority of the members then serving are present. A majority vote of a quorum of the members present may transact any business of the NMFA. A vacancy in the membership of the governing body does not impact the ability of a quorum to exercise all rights and duties of the NMFA. 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 provides oversight and direction relating to the operations of the NMFA. Other committees include the Finance and Loan Committee, the Audit Committee, the Economic Development Committee, the Investment Committee, and the Contracts Committee. 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[(1)]

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

Name	Occupation	Term Expires
Denise K. Baker [(2) (3)] (Chairperson)	Chief Executive Officer, D.R.B. Electric, Inc., Albuquerque, New Mexico	not applicable
Jon Barela[(1) (2) (3)]	Secretary Designate, Economic Development Department, State of New Mexico	not applicable
John Bemis[(1) (2) (3)]	Secretary Designate, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Blake Curtis[(2) (3)]	Senior Vice President, Curtis & Curtis, Inc., Clovis, New Mexico	01/01/12
William F. Fulginiti[(1)] (Vice-Chairman)	Executive Director, New Mexico Municipal League	not applicable
Jerry Jones [(2) (3)]	Chief Executive Officer, Stolar Research Corporation, Raton, New Mexico	not applicable
Paul Gutierrez[(1)] (Secretary)	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
David Martin[(1) (3)]	Secretary, Environment Department, State of New Mexico	not applicable
Richard May[(1) (3)]	Secretary, Department of Finance and Administration, State of New Mexico	not applicable
Terry White[(2) (3)]	Chief Executive Officer of Sunwest Trust, Inc., Albuquerque, New Mexico	01/01/12

(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) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate during the 2012 session of the New Mexico Legislature, and will continue to serve until the expiration of such session if no confirmation is received.

(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 2011B Bonds and the administration of the NMFA's financing programs.

John T. Duff, Chief Financial Officer and Interim Chief Executive 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 was appointed Interim Chief Executive Officer in March, 2011, when the prior Chief Executive Officer resigned. 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 Financial Strategist. 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 and has handled complex litigation cases. 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 August 1, 2011, the NMFA had made 969 PPRF loans totaling approximately $1.9 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 2011B 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 August 1, 2011, the Contingent Liquidity Account was funded to an amount of approximately $24,086,121. 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 November 30, 2011. 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 July 15, 2011.

Program	Project	Original Principal Amount	Outstanding as of July 15, 2011	Scheduled Final Maturity
Worker's Compensation	Administrative Building	$4,310,000	$1,830,000	9/1/2016
Cigarette Tax	University of New Mexico Health Sciences Building	39,035,000	15,055,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	1,875,000	5/1/2026
Transportation	Highways	700,000,000	248,310,000	6/15/2024
Transportation	Highways	182,315,000	92,920,000	6/15/2014
Transportation	Highways	150,000,000	149,760,000	12/15/2026
Transportation	Highways	40,085,000	27,900,000	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
Transportation	Highways	95,525,000	95,525,000	12/15/2024
Transportation	Highways	79,100,000	79,100,000	12/15/2021
Transportation	Highways	461,075,000	461,075,000	6/15/2024

(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 2011B 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 2011B Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2011B 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 2011B Bonds. See APPENDIX F for information concerning pending litigation to which the NMFA and one of the Governmental Units are parties.

SALE OF SERIES 2011B BONDS

The Series 2011B-1 Bonds are being sold to R.W. Baird & Co., Incorporated at an aggregate purchase price of $44,690,565.27 (being the par amount of the Series 2011B-1 Bonds plus a net original issue premium of $2,253,641.90 and less a purchaser's discount of $298,076.63. The Series 2011B-2 Bonds are being sold to Morgan Keegan & Company, Inc. at an aggregate purchase price of $14,546,480.37 (being the par amount of the Series 2011B-2 Bonds plus a net original issue premium of $104,403.70 and less a purchaser's discount of $102,923.33. The Series 2011B Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2011B

Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside front cover pages of this Official Statement and such public offering prices may be changed from time to time.

TAX MATTERS

Tax-Exempt Series 2011B-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 2011B-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 2011B-1 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2011B-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 2011B-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 2011B-1 Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2011B-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 2011B-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 2011B-1 Bonds may affect the federal tax-exempt status of the interest on the Series 2011B-1 Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2011B-1 Bonds maturing on June 1 in the years 2024 through 2027 and 2036, all 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 2011B-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 2011B-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 2011B-1 Bonds maturing on June 1 in the years 2012 through 2022 and 2028 through 2031, all 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 2011B-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 2011B-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 2011B-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 2011B-1 Bonds. Prospective purchasers of the Series 2011B-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 2011B-1 Bonds may affect the tax status of interest on the Series 2011B-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 2011B-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 2011B-1 Bonds, or the interest thereon, if any action is taken with respect to the Series 2011B-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 2011B-1 Bonds is excluded from gross income for federal income tax purposes, a Series 2011B-1 Bondholder's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2011B-1 Bonds. The nature and extent of these other tax consequences will depend upon the Series 2011B-1 Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2011B-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 2011B-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 2011B-1 Bonds, (iii) interest on the Series 2011B-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 2011B-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 2011B-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 2011B-1 Bondholders regarding the tax-exempt status of the Series 2011B-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 2011B-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 Units legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011B-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 2011B-1 Bonds, and may cause the NMFA, the Governmental Units or the Series 2011B-1 Bondholders to incur significant expense.

Bond Counsel is of the opinion that interest on the Series 2011B-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 2011B-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 2011B-2 Bonds

Series 2011B-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 2011B-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 2011B-2 Bonds. This summary generally addresses Series 2011B-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 2011B-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 2011B-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 2011B-2 Bonds.

For purposes of this summary, a "U.S. Holder" means any beneficial owner of a Series 2011B-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 2011B-2 Bonds are taxable obligations for federal income tax purposes. The interest on the Series 2011B-2 Bonds is includible in gross income for federal income tax purposes. Purchasers other than those who purchase the Series 2011B-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 2011B-2 Bonds. Generally, the interest on the Series 2011B-2 Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to the holder of Series 2011B-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 2011B-2 Bonds will be treated as a return of capital.

If a certificate holder purchases a Series 2011B-2 Bond for an amount that is less than the adjusted issue price of the Series 2011B-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 2011B-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 2011B-2 Bonds.

If a holder purchases a Series 2011B-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 2011B-2 Bonds.

A holder's tax basis for a Series 2011B-2 Bond is the price such owner pays for the Series 2011B-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 2011B-2 Bond, measured by the difference between the amount realized and the Series 2011B-2 Bond basis as so adjusted, will generally give rise to capital gain or loss if the Series 2011B-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 2011B-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 2011B-2 Bonds may result in a deemed sale or exchange of such Series 2011B-2 Bonds under certain circumstances; owners of such Series 2011B-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 2011B-2 Bonds and the proceeds of the sale of Series 2011B-2 Bonds within the United States. Backup withholding may apply to holders of Series 2011B-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 2011B Bonds was written to support the promotion and marketing of the Series 2011B 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 2011B-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 2011B 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 2011B 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, 2010, 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 February 18, 2011. 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

The NMFA will execute and deliver a Continuing Disclosure Undertaking in connection with the issuance of the Series 2011B 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 2011B 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 2006-2007 Through 2010-2011" 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, but not more than ten business days after the occurrence of the event, 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 2011B Bonds:

    1. principal and interest payment delinquencies;

    2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;

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

5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011B-1 Bonds;

6. defeasances;

7. tender offers;

8. bankruptcy, insolvency, receivership or similar proceedings; and

9. rating changes.

- in a timely manner, but not more than ten business days after the occurrence of the event, 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 2011B Bonds, if material:

  1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

  2. appointment of a successor or additional trustee or the change of the name of a trustee;

  3. non-payment related defaults;

  4. modification of rights of owners of the Series 2011B Bonds;

  5. bond calls; and

  6. release, substitution, or sale of property securing repayment of the Series 2011B Bonds.

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 2011B 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 2011B 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 2011B 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 2011B 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 Rating Services ("S&P") has assigned a rating of "AAA" to the Series 2011B Bonds and Moody's Investors Service ("Moody's") has assigned a rating of "Aa1" to the Series 2011B 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 2011B 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 2011B Bonds may have an adverse effect on the market price of the Series 2011B Bonds. The Financial Advisor has not undertaken any responsibility to bring to the attention of the owners of the Series 2011B Bonds any proposed revision or withdrawal of the ratings on the Series 2011B 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 2011B 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 2011B 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 2011B Bonds.

NEW MEXICO FINANCE AUTHORITY

By /s/ Denise K. Baker
Denise K. Baker,
Chairperson

By /s/ John T. Duff
John T. Duff,
Interim Chief Executive Officer

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE NMFA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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NEW MEXICO FINANCE AUTHORITY
Santa Fe, New Mexico

Financial Statements
June 30, 2010 and 2009

NEW MEXICO FINANCE AUTHORITY

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NEW MEXICO FINANCE AUTHORITY

Official Roster

Year Ended June 30, 2010

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

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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 years ended June 30, 2010 and 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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, 2010 and 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, 2010 and 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2011, 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 presented on pages 41 to 53 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 as presented on page 15 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
February 18, 2011

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, 2010 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, 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 2010	As Restated FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Cash and cash equivalents:					
Unrestricted	$ 120,385,376	$ 111,877,869	$ 8,507,507	7.6%	$ 88,756,143
Restricted	268,285,157	373,898,180	(105,613,023)	(28.2%)	411,190,481
Loans receivable, net of allowance	1,252,122,229	1,113,608,650	138,513,579	12.4%	1,041,033,758
Intergovernmental receivables	147,842,525	154,793,087	(6,950,562)	(4.5%)	161,605,000
Other accounts receivable	14,730,931	16,645,091	(1,914,160)	(11.5%)	24,348,425
Capital assets	273,500	197,828	75,672	38.3%	377,984
Other assets	11,798,048	11,679,176	118,872	1.0%	12,125,477
Total assets	**$ 1,815,437,766**	**$ 1,782,699,881**	**$ 32,737,885**	**2.5%**	**$ 1,739,437,268**
Liabilities					
Bonds payable, net	$ 1,233,720,390	$ 1,132,954,148	$ 100,766,242	8.9%	$ 1,084,937,292
Undisbursed loan proceeds	116,283,533	182,920,935	(66,637,402)	(36.4%)	197,721,699
Borrowers' reserve deposits	72,521,339	66,071,327	6,450,012	9.8%	61,634,993
Accounts payable	2,787,600	1,556,822	1,230,778	79.1%	1,579,139
Other liabilities	4,775,269	5,054,228	(278,959)	(5.5%)	5,034,419
Total liabilities	**1,430,088,131**	**1,388,557,460**	**41,530,671**	**3.0%**	**1,350,907,542**
Net assets					
Invested in capital assets	273,500	197,828	75,672	38.3%	377,984
Restricted for debt service	8,996,558	8,962,319	34,239	0.4%	9,921,093
Restricted for program funds	256,256,427	274,378,249	(18,121,822)	(6.6%)	289,676,812
Unrestricted	119,823,150	110,604,025	9,219,125	8.3%	88,553,837
Total net assets	**385,349,635**	**394,142,421**	**(8,792,786)**	1.4%	**388,529,726**
Total liabilities and net assets	**$ 1,815,437,766**	**$ 1,782,699,881**	**$ 32,737,885**	**2.5%**	**$ 1,739,437,268**

New Mexico Finance Authority
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30

	FY 2010	As Restated FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Appropriation revenue	$ 11,722,377	$ 52,379,731	$ (40,657,354)	(77.6%)	$ 136,293,957
Grant revenue	42,184,646	36,494,181	5,690,465	15.6%	27,209,672
Administrative fees	8,621,728	7,670,438	951,290	12.4%	5,730,102
Interest on loans	56,663,765	47,590,234	9,073,531	19.1%	41,142,152
Interest on investments	1,343,523	2,890,591	(1,547,068)	(53.5%)	10,927,088
Operating revenue	**120,536,039**	**147,025,175**	**(26,489,136)**	**(84.1%)**	**221,302,971**
Grant expense	60,106,858	59,785,212	321,646	0.5%	26,380,010
Bond issuance costs	1,840,185	1,467,625	372,560	25.4%	637,662
Professional services	4,727,242	3,642,941	1,084,301	29.8%	3,965,930
Salaries and benefits	3,808,883	3,860,504	(51,621)	(1.3%)	3,202,869
Interest expense	55,622,227	49,554,750	6,067,477	12.2%	45,548,181
Other expense	1,911,215	2,208,820	(297,605)	(13.5%)	1,951,989
Expenses	**128,016,610**	**120,519,852**	**7,496,758**	**53.1%**	**81,686,641**
Operating income	(7,480,571)	26,505,323	(33,985,894)	13.8%	139,616,330
Gain (loss) on investments	6,758,315	(8,205,430)	14,963,745	0.0%	-
Income (loss) before transfers	**(722,256)**	**18,299,893**	**(19,022,149)**	**(103.9%)**	**139,616,330**
Transfers to other agencies	(8,070,530)	(12,687,198)	4,616,668	(36.4%)	37,328,353
Increase (decrease) in net assets	**(8,792,786)**	**5,612,695**	**(14,405,481)**	**(256.7%)**	**102,287,977**
Net assets, beginning of year (restated)	**394,142,421**	**388,529,726**	**5,612,695**	**1.4%**	**286,241,749**
Net assets, end of year	**$ 385,349,635**	**$ 394,142,421**	**$ (8,792,786)**	**(2.2%)**	**$ 388,529,726**

Analysis of the Authority's overall financial position and results of operations

- The Authority's unrestricted cash grew by $8.5 million in 2010 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 $105.6 million in 2010, primarily due to drawdowns of loans funded in the prior year and $27.1 million in grant program expenditures of funds appropriated by the legislature in previous years for local road construction projects (the "GRIP II" program).

- Loans receivable increased by $139.0 million in 2010 primarily as a result of new loans made during the year totaling $212.2 million less loan payments received of $73.2 million.

- Bonds payable increased by $100.8 million in 2010 resulting from the issuance of $172.3 million of new bonds, principal payments on outstanding bonds of $70.6 million, and amortization of bond premium of $0.9 million.

- The Authority's revenues decreased by $26.5 million in 2010 compared to 2009. The decline was principally due to a $40.7 million decrease in appropriation revenue amounts from the state legislature, which included the reversion to the state's general fund of $21 million of revenues appropriated to the Authority in previous years. Other components of revenues increased, including a $9.1 million increase in interest on loans, a $5.7 million increase in grant revenues, and a $957 thousand increase in administrative fee revenue. Interest earnings from investments decreased by $1.5 million resulting from market conditions in the fixed income markets.

- The Authority's net assets decreased by $8.8 million in 2010.

- During fiscal year 2010, the Authority invested, net of depreciation, a total of $273,500 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 2010, the total amount outstanding was $1.20 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 $172.3 million in PPRF debt, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Authority Programs

The Authority accounts for each of its programs as a separate fund, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund is highlighted in the following discussion 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 882 loans totaling $1.77 billion.

The PPRF makes loans of less than $5 million from its own funds on hand. It then replenishes 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 at the same time a reimbursement bond issue closes, thus ensuring a precise matching of loan and bond interest rates.

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 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Cash and cash equivalents	$ 104,334,458	$ 99,584,576	$ 4,749,882	4.8%	$ 78,584,787
Restricted	194,585,959	252,786,821	(58,200,862)	(23.0%)	260,492,357
Accounts receivable	15,355,772	16,111,757	(755,985)	(4.7%)	21,930,398
Loans receivable, net of allowance	1,175,365,082	1,050,541,321	124,823,761	11.9%	1,000,026,726
Intergovernmental receivables	124,242,525	127,848,087	(3,605,562)	(2.8%)	122,760,000
Capital assets	273,500	-	273,500	100.0%	-
Other assets	11,080,562	10,992,276	88,286	0.8%	11,095,194
Total assets	**$ 1,625,237,858**	**$ 1,557,864,838**	**$ 67,373,020**	**100.0%**	**$ 1,494,889,462**
Accounts payable and accrued liabilities	$ 5,511,698	$ 4,678,201	$ 833,497	17.8%	$ 4,586,196
Undisbursed loan proceeds	115,755,854	181,136,484	(65,380,630)	(36.1%)	196,132,082
Borrowers' debt service and reserve deposits	72,262,720	65,813,605	6,449,115	9.8%	61,027,236
Bonds payable, net	1,206,727,970	1,102,203,109	104,524,861	9.5%	1,041,962,633
Total liabilities	**1,400,258,242**	**1,353,831,399**	**46,426,843**	**3.4%**	**1,303,708,147**
Net assets					
Invested in capital assets	273,500	118,026	155,474	(37.4%)	188,451
Restricted for program funds	121,455,776	105,344,348	16,111,428	(6.9%)	113,209,182
Unrestricted	103,250,340	98,571,065	4,679,275	26.7%	77,783,682
Total net assets	**224,979,616**	**204,033,439**	**20,946,177**	6.3%	**191,181,315**
Total liabilities and net assets	**$ 1,625,237,858**	**$ 1,557,864,838**	**$ 67,373,020**	**2.5%**	**$ 1,494,889,462**

New Mexico Finance Authority
Public Projects Revolving Fund
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30

	FY 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Interest income					
Loans	$ 53,236,068	$ 45,103,592	$ 8,132,476	18.0%	$ 38,683,071
Investments	1,147,112	1,118,311	28,801	2.6%	4,978,951
Total interest income	**54,383,180**	**46,221,903**	**8,161,277**	**17.7%**	**43,662,022**
Interest expense					
Bonds	53,958,237	47,591,765	6,366,472	13.4%	42,290,093
Short-term borrowing	124,354	60,833	63,521	104.4%	944,596
Total interest expense	**54,082,591**	**47,652,598**	**6,429,993**	**13.5%**	**43,234,689**
Net interest income (expense)	300,589	(1,430,695)	1,731,284	(121.0%)	427,333
Less provision for loan losses	445,867	299,113	146,754	49.1%	400,123
Net interest income (expense) after provision for loan losses	**(145,278)**	**(1,729,808)**	**1,584,530**	**(91.6%)**	**27,210**
Loan administration fees	4,212,544	4,689,716	(477,172)	(10.2%)	2,786,246
Appropriation revenues	24,314,901	25,645,568	(1,330,667)	(5.2%)	27,341,776
Total noninterest income	**28,527,445**	**30,335,284**	**(1,807,839)**	**(6.0%)**	**30,128,022**
Salaries and benefits	2,169,436	2,215,043	(45,607)	(2.1%)	1,907,427
Professional services	2,423,425	2,020,995	402,430	19.9%	2,953,662
Bond issuance costs	1,752,742	1,190,439	562,303	47.2%	515,580
(Gain) loss on investments	(3,089,577)	3,729,142	(6,818,719)	100.0%	-
Other	846,619	869,286	(22,667)	(2.6%)	824,638
Total noninterest expense	**4,102,645**	**10,024,905**	**(5,922,260)**	**(59.1%)**	**6,201,307**
Excess of revenue over expenses	**24,279,522**	**18,580,571**	**5,698,951**	**30.7%**	**23,953,925**
Transfers from (to) other funds or agencies	**(3,333,344)**	**(5,728,447)**	**2,395,103**	**(41.8%)**	**(31,175,038)**
Increase (decrease) in fund net assets	**20,946,178**	**12,852,124**	**8,094,054**	**63.0%**	**(7,221,113)**
Net assets, beginning of year	**204,033,439**	**191,181,315**	**12,852,124**	**6.7%**	**198,402,428**
Net assets, end of year	**$ 224,979,617**	**$ 204,033,439**	**$ 20,946,178**	**10.3%**	**$ 191,181,315**

Analysis of the PPRF's overall financial position and results of operations:

Loan volume:

	2010	2009	Since Inception
Amount of loans made	$195.2 million	$121.6 million	$1.770 billion
Number of loans made	92	82	882
Average loan size	$2.1 million	$1.5 million	$2.0 million

Both average loan size and the number of loans made in 2010 increased from the previous year.

Loans receivable:

There were no defaults on PPRF loans during 2010 and no delinquencies as of June 30, 2010, or at the date of these financial statements.

Bond issuance:

During fiscal 2010, the PPRF issued 4 series of bonds, with a total par value of $172.3 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. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2010, the PPRF had net interest expense of $138 thousand, an improvement from $1.7 million in 2009.

Recovery of investment loss:

In 2009, management recorded an estimated loss of $3.7 million on a money market mutual fund in which the PPRF had invested. During 2010, the PPRF received liquidating distributions of $3 million, resulting in an overall actual, realized loss on this investment of approximately $700 thousand.

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 $23,053,051 in 2010, a $1,558,613 increase from the $21,494,438 received in 2009. The GGRT 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.

Other Programs:

The PPRF accounts for a large portion of total Authority activity. At June 30, 2010 and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	$1.6 billion	$1.8 billion	88.9%
Net assets	$225.0 million	$385.3 million	58.4%
Revenues	$82.9 million	$120.5 million	68.8%

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 2010 and 2009 was as follows:

	FY 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase /	FY 2008
Drinking Water Revolving Loan Fund	$ 13,319,573	$ 22,139,294	$ (8,819,721)	(39.8%)	$ 10,298,773
Local Transportation Infrastructure Fund	1,189,778	969,543	220,235	22.7%	181,475
Water Projects Fund	33,026,435	22,728,950	10,297,485	45.2%	19,338,532
Economic Development Fund	1,650,000	222,447	1,427,553	641.7%	202,796
Local Government Transportation Fund	27,011,683	34,827,691	(7,816,008)	(22.4%)	4,596,088
Child Care Revolving Loan Fund	6,938	36,466	(29,528)	(81.0%)	-
Behavioral Health Cigarette Tax Revenue Bond Fund	69,578	471,509	(401,931)	(85.2%)	-
Water and Wastewater Project Grant Fund	537,448	3,210,290	(2,672,842)	(83.3%)	2,164,356
Local Government Planning Grant Fund	207,842	268,420	(60,578)	(22.6%)	205,625
Total Assets	**$ 77,019,275**	**$ 84,874,610**	**$ (7,855,335)**	**(9.3%)**	**$ 36,987,645**

The decrease in loan volume for the Drinking Water Revolving Loan Fund resulted from the Authority's concentration of effort on the funds it received for the American Recovery and Reinvestment Act ("ARRA") under the federal government's economic stimulus program. The intensive effort required to quickly deploy the ARRA funds necessitated a slowdown in the activities of the regular Drink Water program.

The increased funding of Water Projects Fund projects resulted primarily from a policy change that requires, as a condition for approval, that a project be ready to begin construction immediately upon approval. This policy change significantly accelerated the funding process.

The decline in grant volume for the Local Government Transportation Fund occurred because most of the funds were appropriated to the Authority on a one-time basis. Most of the funds have been expended, and the program is in its final stages.

Similar to the Local Government Transportation Fund, the decrease in the Water and Wastewater Project Grant Fund grant activity reflects the fact that the program has expended the majority of the one-time appropriation received from the state legislature and is nearing the end of its program life.

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 its first award of tax credits for $15.5 million. During 2010, the Authority made two additional awards totaling $30.4 million. Subsequent to June 30, 2010, the Authority has made one additional award of $12.5 million. 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. Substantial additional information is available on the Authority's website at www.nmfa.net. 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, 2010 and 2009

	2010	As Restated 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 120,385,376	$ 111,877,869
Restricted cash	268,285,157	373,898,180
Tax revenue receivable	-	2,080,571
Interest receivable	9,798,410	8,248,801
Grant and other receivable	4,371,646	5,910,474
Administrative fees receivable	560,875	405,245
Loans receivable, net of allowance	74,586,190	64,956,975
Intergovernmental receivables	147,842,525	154,793,087
Restricted asset - escrow	821,293	659,798
Other assets	57,442	59,029
Total current assets	626,708,914	722,890,029
NONCURRENT ASSETS		
Loans receivable, less current portion	1,177,536,039	1,048,651,675
Capital assets, net of depreciation	273,500	197,828
Deferred cost, net of accumulated amortization	10,919,313	10,960,349
Total noncurrent assets	1,188,728,852	1,059,809,852
TOTAL ASSETS	$ 1,815,437,766	$ 1,782,699,881
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 2,787,600	$ 1,556,821
Accrued payroll	161,996	169,996
Compensated absences	210,339	226,830
Fund held for others	116,283,533	182,920,935
Accrued interest	4,402,934	3,857,403
Due to other state agencies	-	800,000
Debt service payable	72,521,339	66,071,327
Bonds payable, current, net	65,371,000	57,878,000
Total current liabilities	261,738,741	313,481,312
NONCURRENT LIABILITIES		
Bonds payable, noncurrent, net	1,168,349,390	1,075,076,148
Total noncurrent liabilities	1,168,349,390	1,075,076,148
Total liabilities	1,430,088,131	1,388,557,460
NET ASSETS		
Invested in capital assets	273,500	197,828
Restricted for debt service	8,996,558	8,962,319
Restricted for program funds	256,256,427	274,378,249
Unrestricted	119,823,150	110,604,025
Total net assets	385,349,635	394,142,421
TOTAL LIABILITIES AND NET ASSETS	$ 1,815,437,766	$ 1,782,699,881

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

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	As Restated 2009
OPERATING REVENUES		
Appropriation revenue	$ 11,722,377	$ 52,379,731
Grant revenue	42,184,646	36,494,181
Administrative fees	8,621,728	7,670,438
Interest on loans	56,663,765	47,590,234
Interest on investments	1,343,523	2,890,591
Total operating revenues	120,536,039	147,025,175
OPERATING EXPENSES		
Grant expense	60,106,858	59,785,212
Bond issuance costs	1,840,185	1,604,245
Administrative fee	217,298	241,866
Professional services	4,727,242	3,642,941
Salaries and fringe benefits	3,808,883	3,860,505
In-state travel	80,602	118,950
Out-of-state travel	37,399	57,960
Operating costs	932,221	958,017
Provision for loan losses	445,867	619,113
Interest expense	55,622,227	49,418,130
Total operating expenses	127,818,782	120,306,939
Operating income (loss) before depreciation	(7,282,743)	26,718,236
Depreciation	197,828	212,913
Total operating income (loss)	(7,480,571)	26,505,323
NON-OPERATING REVENUES (EXPENSES)		
Gain (loss) on investments	6,758,315	(8,205,430)
Income (loss) before transfers	(722,256)	18,299,893
TRANSFERS		
Transfers to other state agencies	(8,070,530)	(12,687,198)
CHANGE IN NET ASSETS	(8,792,786)	5,612,695
TOTAL NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	394,142,421	388,529,726
TOTAL NET ASSETS, END OF YEAR	$ 385,349,635	$ 394,142,421

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

Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	As Restated 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for employee services	$ (3,833,373)	$ (3,775,777)
Cash paid to vendors for services	(5,870,202)	(4,493,174)
Bond issuance costs	(1,631,038)	(970,680)
Interest expense paid	(56,075,453)	(49,730,361)
Grants disbursed	(60,086,913)	(59,773,985)
Appropriation revenue	43,877,271	74,008,121
Cash received from federal government for revolving loans	14,013,108	21,221,852
Interest income received	56,457,679	50,623,817
Administrative fees received	8,348,077	7,838,452
Transfers from other funds	-	24,029
Net cash flows provided by (used in) operating activities	(4,800,844)	34,972,294
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash paid for services	(8,070,533)	(12,687,198)
Cash provided (used) by funds held for others	(66,900,796)	(14,800,764)
Net cash used in noncapital financing activities	(74,971,329)	(27,487,962)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Investment in partnership	(99,010)	(1,550)
Loans funded	(212,138,492)	(155,191,967)
Loan payments received	80,129,608	88,809,874
Bonds issued	172,345,000	114,335,000
Payment of bonds	(70,580,000)	(65,795,000)
Debt service	6,524,733	4,426,927
Loss on investmetns	-	(8,205,430)
Recovery payments from loss on investments	6,758,315	-
Capital asset purchase	(273,500)	(32,758)
Net cash used in capital financing activities	(17,333,346)	(21,654,904)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(97,105,519)	(14,170,572)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	485,776,052	499,946,624
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 388,670,533	$ 485,776,052
CASH FLOWS FROM OPERATING ACTIVITIES		
Total operating income (loss)	$ (7,480,571)	$ 26,505,323
Adjustments to reconcile cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	(626,434)	144,857
Net transfers	-	-
(Increase) decrease in prepaids and receivables	907,916	5,640,416
Increase (decrease) in payables and other accrued liabilities	2,398,245	2,681,698
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (4,800,844)	$ 34,972,294

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

Agency Funds – Statement of Assets and Liabilities
Year Ended June 30, 2010

ASSETS	
Cash at Trustee:	
Program funds	$ 56,874,675
Expense funds	47,824
Bond reserve funds	42,204,406
TOTAL ASSETS	$ 99,126,905
LIABILITIES	
Accounts payable	$ 1,585,452
Debt service payable	49,575,286
Funds held for the NM Department of Transportation	47,966,167
TOTAL LIABILITIES	$ 99,126,905

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 (the Authority). The purpose of the New Mexico Authority Act (the 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 other 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 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 Authority is subject to the Open Meetings Act and the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Authority is exempt 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 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 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 record its assets, liabilities, net assets, revenues, expenditures or expenses and other financing transactions.

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 Program – 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 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 set 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 the 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 provide 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 – Provides 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.

- **Agency Funds**

Agency Funds are used to report resources held by the Authority in a purely custodial capacity. These funds result from transactions associated with the Authority acting as fiscal agent for the New Mexico Department of Transportation ("Department") on several of the Department's bond transactions. The amounts reflected as Agency Funds do not belong to the Authority and are held in separate accounts on the Authority's books in the name of the Department. Accordingly, all assets held and reported in the Agency Fund are offset by a liability to the Department on whose behalf the funds are being held.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Expenditures 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.

- **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 based on factors including payment history and economic factors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Loans Receivable**

Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. 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, 2010 and 2009, the allowance for loan losses was $2,132,950 and $1,687,083, respectively.

- **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. No allowance has been established as all such receivables are considered collectable.

- **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 individually 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Compensated Absences**

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

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

- **Undisbursed Loan Proceeds**

Undisbursed loan proceeds represent loan proceeds held by the Trustee which are awaiting disbursement to the loan recipient. 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 loans of the PPRF program.

- **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 borrower. 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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

- **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.

- **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 are reported 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 to the current year presentation.

- **New Accounting Pronouncements**

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* became 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. While the Authority has entered into interest rate exchange agreements in its role as agent for the Department of Transportation, the derivative instruments are not considered to be transactions of the Authority, are not reflected in the financial statements of the Authority, and are not, therefore subject to the requirements of GASB Statement No. 53.

The Authority also adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* GASB No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets and recognized in the statement of net assets only if considered identifiable. Existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. For fiscal year 2010 the Authority did not have any intangible assets subject to GASB Statement No. 51.

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.

	2010	2009
State Treasurer Local Government Investment Pool	$110,742,870	$139,875,817
The Primary Care Capital Fund held at the State Treasurer's Office	2,230,037	1,660,605
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts	71,585,834	98,589,410
Bank of Albuquerque trust accounts	645,733	236,140,975
Bank of New York Mellon	168,041,218	-
Reserve on Bond Payable held in Bank of America	-	279,359
Wells Fargo operating accounts	35,424,841	7,974,376
Cash held at The Reserve Primary money market fund	-	1,255,507
Total	$388,670,533	$485,776,049

Cash and cash equivalents are reflected in the Statements of Net Assets as follows:

	2010	2009
Cash and cash equivalents	$120,385,376	$111,877,869
Restricted cash	268,285,157	373,898,180
Total	$388,670,533	$485,776,049

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, 2010, are valued at $110,742,870 with a 50-day Weighted Average Maturity (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. There were no concentrations meeting this criteria at June 30, 2010.

2. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE (CONTINUED)

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 2009	Additions	Payments	2010
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,051,908,405	$ 195,206,131	$ 69,936,504	$ 1,177,178,032
Drinking Water State Revolving Loans	1 to 30	0% to 4%	51,848,151	10,384,433	2,002,402	60,230,182
Drinking Water State Revolving Loans - ARRA	1 to 20	1%	-	149,250	-	149,250
Primary Care Capital Fund Loans	10 to 20	3%	6,094,410	-	530,824	5,563,586
Water Projects Fund Loan Grants	10 to 20	0%	2,270,908	4,672,162	441,904	6,501,166
Smart Money Participation Loans	3 to 20	2% to 5%	1,979,429	1,650,000	82,205	3,547,224
Behavioral Health Care Loan	15	3%	337,455	-	33,207	304,248
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	471,509	100,000	30,422	541,087
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	349,000	-	152,000	197,000
Child Care Revolving Loans	8	3%	36,466	12,155	5,217	43,404
		Subtotals	1,115,295,733	212,174,131	73,214,685	1,254,255,179
		Less: Allowance for loan losses	(1,687,083)	(445,867)	-	(2,132,950)
		Totals	$ 1,113,608,650	$ 211,728,264	$ 73,214,685	$ 1,252,122,229

3. LOANS RECEIVABLE (CONTINUED)

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

The following is a summary of the future loan payments to be collected on the loan repayment schedules as of June 30, 2010.

Totals – Loans Receivable, Net of Allowance

	Principal	Interest	Total
Fiscal year ending June 30:			
2011	$ 74,586,190	$ 48,935,486	$ 123,521,676
2012	78,507,411	46,562,518	125,069,929
2013	81,316,645	44,091,016	125,407,661
2014	80,120,182	41,380,786	121,500,968
2015	80,005,507	38,634,535	118,640,042
2016 - 2020	361,038,692	151,129,570	512,168,262
2021 - 2025	265,113,570	87,549,431	352,663,001
2026 - 2030	142,029,480	39,944,203	181,973,683
2031 - 2035	73,532,842	15,160,783	88,693,625
2036 - 2040	18,004,660	1,598,680	19,603,340
Subtotals	1,254,255,179	$ 514,987,008	$ 1,769,242,187
Less: Allowance for loan losses	(2,132,950)		
Loans receivable, net	$ 1,252,122,229		

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.

At June 30, 2010, the intergovernmental receivables are comprised of the following:
The intergovernmental receivables activity for the year ending June 30, 2010 was as follows:

State Entity	Revenue Pledge	Rates	Terms	As Restated 2009	Payments	2010	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.0%	06/01/25	$ 49,030,000	$ 2,080,000	$ 46,950,000	$ 2,180,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.875% to 5.0%	06/01/25	23,630,000	-	23,630,000	-
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.0%	06/01/36	47,430,000	715,000	46,715,000	745,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.0%	04/01/19	19,855,000	2,450,000	17,405,000	2,350,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	04/01/19	7,758,087	810,562	6,947,525	796,285
Workers' Compensation Adminstration	Workers' Compensation administrative fee	5.35% to 5.60%	09/01/16	2,315,000	235,000	2,080,000	250,000
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	3.875% to 5.0%	06/01/25	4,775,000	660,000	4,115,000	710,000
			Totals	$ 154,793,087	$ 6,950,562	$ 147,842,525	$ 7,031,285

The following is a summary of the future loan payments to be collected on the intergovernmental receivables as of June 30, 2010.

	Principal	Interest	Total
Fiscal year ending June 30:			
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	7,656,438	5,820,394	13,476,832
2016 - 2020	37,401,777	23,787,679	61,189,456
2021 - 2025	44,395,000	14,111,813	58,506,813
2026 - 2030	11,505,000	6,290,750	17,795,750
2031 - 2035	14,755,000	3,142,500	17,897,500
2036 - 2040	3,420,000	171,000	3,591,000
Intergovernmental receivables	$ 147,842,525	$ 80,133,485	$ 227,976,010

5. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2009	Additions	Adjustments/ Deletion	Balance June 30, 2010
Depreciable assets:				
Furniture and fixtures	$ 198,802	$ 5,518	$ -	$ 204,320
Computer hardware and software	566,294	267,982	-	834,276
Machinery and equipment	49,117	-	-	49,117
Leasehold improvement	48,490	-	-	48,490
	862,703	273,500	-	1,136,203
Accumulated depreciation:				
Furniture and fixtures	(159,733)	(39,070)	-	(198,803)
Computer hardware and software	(426,720)	(139,573)	-	(566,293)
Machinery and equipment	(39,464)	(9,653)	-	(49,117)
Leasehold improvement	(38,958)	(9,532)	-	(48,490)
	(664,875)	(197,828)	-	(862,703)
Net total	$ 197,828	$ 75,672	$ -	$ 273,500

	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	49,117	-	-	49,117
Leasehold improvement	48,490	-	-	48,490
	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

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, Workers' Compensation Fees and Income from Land Grant Permanent Fund.

6. BONDS PAYABLE (CONTINUED)

Bonds payable consist of the following at June 30:

Bond Series	Rate	Maturities	2010	2009
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
1999 B	4.60% to 5.00%	June 1, 2010 to June 1, 2018	-	945,000
1999 C	6.05% to 6.60%	June 1, 2010 to June 1, 2018	-	420,000
1999 D	6.25% to 6.80%	June 1, 2010 to June 1, 2018	-	1,740,000
2002 A	4.30% to 5.00%	June 1, 2010 to June 1, 2023	14,610,000	16,345,000
2003 A	3.40% to 4.75%	June 1, 2010 to June 1, 2032	18,808,000	20,326,000
2003 B	4.25% to 5.00%	June 1, 2010 to June 1, 2021	14,865,000	17,145,000
2004 A-1	2.80% to 4.63%	June 1, 2010 to June 1, 2031	14,350,000	17,090,000
2004 A-2	4.40% to 5.88%	June 1, 2010 to June 1, 2027	12,045,000	12,485,000
2004 B-1	4.00% to 5.38%	June 1, 2010 to June 1, 2033	30,505,000	33,345,000
2004 B-2	5.63% to 6.00%	June 1, 2010 to June 1, 2018	1,020,000	1,020,000
2004 C	3.25% to 5.25%	June 1, 2010 to June 1, 2024	128,895,000	139,140,000
2005 A	4.00% to 4.25%	June 1, 2010 to June 1, 2025	12,045,000	13,505,000
2005 B	3.50% to 4.25%	June 1, 2010 to June 1, 2020	10,375,000	12,145,000
2006 B	4.00% to 5.00%	June 1, 2010 to June 1, 2036	33,635,000	35,050,000
2006 D	4.25% to 5.00%	June 1, 2010 to June 1, 2036	49,965,000	50,885,000
2007 E	4.00% to 5.00%	June 1, 2010 to June 1, 2032	53,005,000	56,395,000
2008 A	3.00% to 5.00%	June 1, 2010 to June 1, 2038	149,240,000	153,720,000
2008 B	4.00% to 5.25%	June 1, 2010 to June 1, 2035	32,745,000	34,535,000
2008 C	3.25% to 6.00%	June 1, 2010 to June 1, 2033	27,575,000	28,620,000
2009 A	2.00% to 5.00%	June 1, 2010 to June 1, 2038	17,685,000	18,435,000
2009 B	2.50% to 5.50%	June 1, 2010 to June 1, 2039	30,115,000	30,225,000
2009 C	2.5% to 5.25%	June 1, 2011 to June 1, 2029	53,785,000	-
2009 D-1	3.0% to 4.5%	June 1, 2011 to June 1, 2030	13,215,000	-
2009 D-2	1.81% to 6.07%	June 1, 2011 to June 1, 2036	38,845,000	-
2009 E	3.0% to 4.5%	June 1, 2011 to June 1, 2019	32,425,000	-
2010 A-1	2.0% to 4.5%	June 1, 2011 to June 1, 2034	15,170,000	-
2010 A-2	3.777% to 6.406%	June 1, 2011 to June 1, 2027	13,795,000	-
			818,718,000	698,991,000
Public Project Revolving Fund Revenue Bonds – Subordinate Lien				
2005 C	3.625% to 5.00%	June 15, 2010 to June 15, 2025	46,950,000	49,030,000
2005 E	3.88% to 5.00%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	4.00% to 5.00%	June 15, 2010 to June 15, 2025	19,640,000	20,095,000
2006 A	4.00% to 5.00%	June 15, 2010 to June 15, 2035	47,240,000	48,180,000
2006 C	4.00% to 5.00%	June 15, 2010 to June 15, 2026	34,295,000	35,760,000
2007 A	4.00% to 5.00%	June 15, 2010 to June 15, 2027	27,930,000	30,440,000
2007 B	4.25% to 5.00%	June 15, 2010 to June 15, 2034	32,140,000	34,175,000
2007 C	4.25% to 5.25%	June 15, 2010 to June 15, 2027	120,190,000	125,045,000
			352,015,000	366,355,000
	Subtotals – PPRF Bonds		1,170,733,000	1,065,346

6. BONDS PAYABLE (CONTINUED)

Bond Series	Rate	Maturities	2010	2009
Pooled Equipment Certificates of Participation (COPS)				
1995 A	6.30% to 6.30%	Oct. 1, 2010 to Oct. 1 , 2015	$ 152,000	$ 172,000
1996 A	5.80% to 5.80%	April 1, 2010 to April 1, 2016	45,000	51,000
1996 B	5.90% to 5.90%	April 1, 2010 to April 1, 2012	-	126,000
		Subtotals	197,000	349,000
Worker's Compensation Administration Building Revenue Bonds				
1996	5.45% to 5.60%	Sept. 1, 2010 to Sept. 1, 2016	2,080,000	2,315,000
State Capitol Building Improvement Revenue Bonds				
1999	7.00%	Sept. 15, 2009 to Mar 15, 2015	4,115,000	4,775,000
Cigarette Tax Revenue Bonds – UNM Health Sciences Center Project				
2004 A	3.00% to 5.00%	April 1, 2010 to April 1, 2019	17,405,000	19,855,000
Cigarette Tax Revenue Bonds – Behavioral Health Projects				
2006	5.51%	May 1, 2010 to May 1, 2026	2,000,000	2,125,000
	Total bonds outstanding		1,196,530,000	1,094,765,000
	Add: Net unamortized premium		38,811,216	39,917,386
	Less: Deferred charge on refundings		(1,620,826)	(1,728,238)
	Total bonds payable, net		1,233,720,390	1,132,954,148
	Less: Current portion of bonds payable		(65,371,000)	(57,878,000)
	Noncurrent portion of bonds payable		$ 1,168,349,390	$ 1,075,076,148

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2011	$ 65,371,000	$ 57,291,212	$ 122,662,212
2012	69,605,000	54,546,433	124,151,433
2013	72,107,000	51,575,248	123,682,248
2014	71,744,000	48,365,689	120,109,689
2015	73,350,000	45,103,237	118,453,237
2016 - 2020	335,443,000	176,152,918	511,595,918
2021 - 2025	274,880,000	100,492,377	375,372,377
2026 - 2030	130,260,000	44,900,485	175,160,485
2031 - 2035	83,685,000	17,994,424	101,679,424
2036 - 2039	20,085,000	1,853,953	21,938,953
	1,196,530,000	$ 598,275,976	$ 1,794,805,976
Add: Unamortized premium	38,811,216		
Less: Deferred charge on refunding	(1,620,826)		
Bonds payable, net	$ 1,233,720,390		

6. BONDS PAYABLE (CONTINUED)

The bonds payable activity for the years ending June 30, 2010 and 2009 was as follows:

2010

	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$1,094,765,000	$172,345,000	$ (70,580,000)	$1,196,530,000	$ 65,371,000
Add: Unamortized premium	39,917,386	1,245,562	(2,351,732)	38,811,216	-
Less: Deferred charge on refunding	(1,728,238)	-	107,412	(1,620,826)	-
Total	$1,132,954,148	$173,590,562	$ (72,824,320)	$1,233,720,390	$ 65,371,000

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

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 a 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 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 borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. Debt service payable was $72,521,339 and $66,071,327 at June 30, 2010 and 2009, 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 LIBOR rate at June 30, 2010 and 2009 were .348448 and .308758, respectively. 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, 2010 and 2009.

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, 2010 and 2009 were $379,044 and $330,506, respectively.

Future minimum lease payments for these leases are as follows:

Years ending June 30:	
2011	$ 389,595
2012	384,135
2013	384,135
2014	384,135
2015	266,727
Total	$ 1,808,727

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 $435,373 and $417,088 for the years ended June 30, 2010 and 2009, 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, 2010 and 2009 were $38,135 and $43,823, respectively.

11. COMPENSATED ABSENCES

The following changes occurred in the compensated absences liabilities:

Balance, June 30, 2008	$ 200,238
Additions	219,655
Deletions	(193,063)
Balance June 30, 2009	226,830
Additions	222,400
Deletions	(238,891)
Balance June 30, 2010	$ 210,339

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 through June 30, 2009, a loss of $8.2 million, the entire unrecovered balance, was recorded in the Statement of Revenues, Expenses, and Changes in Net Assets. In fiscal year 2010, the Authority received funds from the liquidation process totaling $6.8 million, leaving a maximum potential loss of $1.4 million.

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.

Loan Prepayment and Bond Call Provisions

Certain loans included in loans receivable contain provisions that allow for prepayment of the loan after one year whereas the related bond used to fund the loan cannot be called for up to 10 years. In the event of a loan prepayment prior to the tenth year, the Authority's bond indenture requires the substitution of a loan with similar cash flow characteristics or the defeasance of the related bond. If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow with respect to the prepayment transaction. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. This variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately $593 million and the related bonds total approximately $473 million at June 30, 2010. Loans totaling approximately $82 million have exercised this call provision subsequent to year end.

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.

14. CONTINGENCIES (CONTINUED)

During the year, there were no significant reductions in commercial insurance coverage. For the past five years, no insurance settlements exceeded commercial insurance coverage.

Obligating Events

For fiscal year 2010, the Authority has not committed or been the subject of any obligating events which would result in an accrued liability or capitalized asset, including environmental remediation.

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 $171,901,266.

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.

In revising the financial statements, certain errors were noted that have also been corrected in this restatement. These errors included reporting of escrows for defeased bonds, intergovernmental receivables not recorded, and defeased bonds recorded in error. The net change in net assets was an increase of $162,373,702 as a result of this restatement.

17. SUBSEQUENT EVENTS

The following is a summary of loans and bonds that have closed since the Statement of Net Assets date as of June 30, 2010:

- Closed 50 loans totaling $115,370,742 in the Public Project Revolving Fund program.
- Issued one Public Project Revolving Fund Revenue Bond totaling $56,210,000.
- Closed three loans for the Drinking Water State Revolving Fund totaling $2,045,145.
- Closed 23 loan/grant projects totaling $19,677,476 out of the Water Projects Fund.

18. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will become effective for the Authority in fiscal 2011. 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. The Authority is in the process of assessing the impact of the Statement on its financial reporting practices.

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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 2011B Bonds, copies of the Indenture will be available at the principal office of the Financial Advisor. Subsequent to the offering of the Series 2011B 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.

“Annual Common Debt Service Reserve Deposit Amount” means the lesser of (a) the positive difference, if any, between the Required Common Debt Service Reserve Funding Level and the amount then on deposit in the Common Debt Service Reserve (and if there is no positive difference, then the amount under this clause (a) shall be deemed to be zero), and (b) twenty-five percent (25%) of the remaining NMFA Portion of the Governmental Gross Receipts Tax for a given Bond Fund Year that was distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture, through the process described in the Indenture.

"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 2011B Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Eighty-First Supplemental Indenture, $5,000 and any other dollar amount in excess of $5,000.

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

"Beneficial Owner" means, while DTC or its nominee is the registered owner of the Series 2011B Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2011B Bonds and otherwise exercise ownership rights with respect to Series 2011B 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 2011B Bonds.

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

"Common Debt Service Reserve Fund" means the fund by that name which is created and established by the Indenture.

"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 2011B 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 Fund and the Accounts created in therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, the Bond Fund, and the Common Debt Service Reserve 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 2011B Bonds, each June 1 and December 1, commencing December 1, 2011.

"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.

"Maximum Debt Service Year" means the Bond Fund Year in which the aggregate annual Principal Component and Interest Component due in relation to all Loans is at its greatest, less any reserves, sinking fund redemption deposits or other funds deposited with the Trustee to the extent such reserves, sinking fund redemption deposits or funds may be used as a matter of right for such payments (as opposed to other reserves that are available for the payment of debt service solely in the event of non-performance of a party), for the payment of the Principal Component and Interest Component due, provided, however, amounts within the Agreement Reserve Fund shall in no event be accounted for in any calculation of the Maximum Debt Service Year.

"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 2011B 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 2011B Bonds as Securities Depository.

"Paying Agent," when used with respect to the Series 2011B Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2011B 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 Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund, the Rebate Fund, and the Common Debt Service Reserve 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) U.S. 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(f)(2) of the Code and defined as "Rebate Amount"

in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 2011B 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.

"Required Common Debt Service Reserve Funding Level" means an amount (unless amended pursuant to the provisions of this definition of Required Common Debt Service Reserve Funding Level), rounded up to the nearest thousand dollars, equal to the sum of:

(i) 0% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans secured by revenue pledges classified by the NMFA as fire protection fund, law enforcement protection fund, governmental gross receipts tax, or state gross receipts tax (collectively, "Risk Group One");

(ii) 20% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as general obligation, limited mill levy (limited general obligation), or gross receipts tax (other than governmental gross receipts tax, or state gross receipts tax) (collectively, "Risk Group Two");

(iii) 35% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as enterprise system revenues, special assessments or a local special tax such as a lodgers' tax, cigarette tax, gasoline tax, special fuel excise tax, pari-mutuel tax, or court facilities fees (collectively, "Risk Group Three," and together with Risk Group One and Risk Group Two, "Risk Groups").

Pursuant to the following provisions, the NMFA may revise the method of calculating the Required Common Debt Service Reserve Funding Level. The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, add or revise revenue pledge categories in addition to those included above. New revenue pledge categories either may be included in one of the three Risk Groups identified above or included in a new Risk Group established using a different Risk Group calculation percentage (a "Factor"). The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, adjust the funding percentages of the Risk Group Factors, adjust the Risk Group in which a revenue pledge is categorized and add or revise revenue pledge categories within Risk Groups as to any future Bond issuances. As to any Bonds outstanding at the time a supplemental indenture as described above is entered into, the Risk Groups and Risk Group Factors as they existed prior to the supplemental indenture shall continue to be applied to such Bonds. In the event of any adjustment pursuant to a supplemental indenture whereby the Required Common Debt Service Reserve Level is decreased over time below the amount that is currently on deposit in the Common Debt Service Reserve Fund, then as provided in the Indenture, the excess amount shall remain on deposit in the Common Debt Service Reserve Fund unless used for shortfalls in any Governmental Unit's Account of the Debt Service Fund, or to redeem or defease Bonds. The NMFA's and the Trustee's ability to enter into supplemental indentures for the foregoing purposes without the consent of the Owners is an integral term and condition of subjecting the Common Debt Service Reserve Fund to the Indenture, and the Trustee is authorized to execute any such supplemental indentures, and the provisions of Article XIII of the Indenture shall not apply to such supplemental indentures as long as such supplemental indentures comply with the terms of this definition of

"Required Common Debt Service Reserve Funding Level." In conjunction with executing such supplemental indentures, the Trustee shall not be required to make any determination as to whether such a supplemental indenture is materially adverse to the interests of the Owners or any other party; whether such a supplemental indenture otherwise is permitted pursuant to Article XIII of the Indenture; or any other determination.

"Revenue Fund" means the Governmental Gross Receipts Tax, Additional Pledged Loan Revenue 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, (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), and (v) all 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 643I(b) of the Code in relation to 'build America bonds' (as such term is defined in such section of the Code).

"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 2011B 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 2011B Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2011B-1, in an initial aggregate principal amount of $42,735,000 and Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2011B-2, in an initial aggregate principal amount of $14,545,000.

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

"Subordinated Indenture" means that certain Subordinated General Indenture of Trust and Pledge between the NMFA and The Bank of New York Mellon Trust Company, N.A., as successor trustee to the Bank of Albuquerque, N.A., dated as of March 1, 2005, and all supplemental indentures supplementing or amending such Subordinated Indenture.

"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.

"Original Purchaser" means, with respect to the Series 2011B-1 Bonds, R.W. Baird & Co., Incorporated, and with respect to the Series 2011B-2 Bonds, Morgan Keegan & Company, 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 portion of the interest rate, if any, retained by the NMFA in lieu of an upfront payment as an administrative fee for the payment of Program Costs. The administrative fee is calculated as .015% of the loan amount, capped at $75,000, or the NPV equivalent of .015% if the administrative fee is included in the interest rate) 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 Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

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

(e) an Expense Fund;

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

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

(h) a Common Debt Service Reserve Fund.

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

Flow of Funds

All Funds 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, except that Accounts may be consolidated within one or more special trust accounts within funds. Any amount deposited pursuant to a consolidation shall remain traceable and sufficiently distinguishable in relation to each Agreement and Governmental Unit to permit any applicable arbitrage, yield restriction or similar calculations to be made. 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." The following paragraphs supplement that discussion.

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 (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 related Loan Agreement, Grant Agreement or Securities; and (b) any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the relevant Outstanding Series of 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.

Common Debt Service Reserve Fund

Pursuant to a Supplemental Indenture, the NMFA has established the Common Debt Service Reserve Fund, which is currently funded in the amount of $25,478,483 (as of August 1, 2011). The NMFA will determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The NMFA will deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the NMFA of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture. The disbursement of the NMFA Portion of the Governmental Gross Receipts Tax becomes available to the NMFA pursuant to the following process: (i) at the end of each Bond Fund Year, amounts remaining in the Revenue Fund are disbursed to the NMFA pursuant to the Indenture, (ii) pursuant to the Subordinated Indenture, the NMFA is obligated to transfer such amounts to the trustee under the Subordinated Indenture on June 1 of each year, (iii) the trustee under the Subordinated Indenture applies such amounts as required under the Subordinated Indenture, and (iv) the trustee under the Subordinated Indenture transfers the remaining balance of the revenue fund under the Subordinated Indenture to the NMFA on June 16 of each year.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit will be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the NMFA, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the NMFA has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the NMFA will not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount will be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee will transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

If all of the following are true: (i) amounts in the Common Debt Service Reserve Fund have been disbursed to pay Principal Component or and Interest Component due under a Loan Agreement or in relation to Securities, (ii) at a Bond Fund Year end following such disbursement, a portion of the Annual Common Debt Service Reserve Deposit Amount that was funded into the Common Debt Service Reserve Fund was attributable to disbursements that should have been restored by a Governmental Unit prior to such Bond Fund Year end (a "CDSR Restorative Funding"), (iii) the relevant Governmental Unit later came into compliance as to certain delinquent payments that had been covered by Common Debt Service Reserve Fund disbursements (a "CDSR Compliance Restoration"), and (iv) the amount in the Common Debt Service Reserve Fund exceeds the Required Common Debt Service Reserve Funding Level; then no more frequently than every three months, the Trustee, upon the written request of the NMFA (which written request will also certify that the foregoing conditions have been satisfied) will disburse to the NMFA the amount by which aggregate CDSR Compliance Restoration amounts exceed the aggregate CDSR Restorative Funding amounts.

If no Bonds remain outstanding (or all Bonds have been defeased), then upon the request of the NMFA, any amount remaining in the Common Debt Service Reserve Fund will be disbursed by the Trustee to the NMFA, and the disbursed amounts may be used by the NMFA for any purpose described in the Indenture.

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, the Bond Fund or the Common Debt Service Reserve 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 2011B 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 2010 United States Census was 2,059,179. From 2000 to 2010, the State's population grew 13.2 percent, while the national population grew 9.7 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
2001	1,828,437	285,049,647	0.4%	1.0%
2002	1,849,187	287,745,630	1.1	0.9
2003	1,868,121	290,242,027	1.0	0.9
2004	1,890,215	292,936,109	1.2	0.9
2005	1,914,699	295,618,454	1.3	0.9
2006	1,940,631	298,431,771	1.4	1.0
2007	1,966,357	301,393,632	1.3	1.0
2008	1,984,179	304,177,401	0.9	0.9
2009	2,007,315	306,656,290	1.2	0.8
2010	2,033,875	309,050,816	1.3	0.8

(Source: U.S. Census Bureau, Population Division; last updated February 2011.)

Major industries in the State 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 2000-2009.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Growth 2008-2009	Growth 2000-2009
Total employment	964,673	968,929	979,946	999,286	1,023,303	1,046,746	1,076,098	1,100,324	1,104,723	1,075,339	(2.7)%	11.5%
Wage and salary employment	781,167	791,927	800,588	812,914	829,861	845,127	868,119	878,173	881,755	848,557	(3.8)	8.6
Proprietors employment	183,506	177,002	179,358	186,372	193,442	201,619	207,979	222,151	222,968	226,782	1.7	23.6
Farm proprietors employment	15,227	17,825	14,530	16,045	15,632	15,588	15,255	18,193	17,745	17,659	(0.5)	16.0
Nonfarm proprietors employment	168,279	159,177	164,828	170,327	177,810	186,031	192,724	203,958	205,223	209,123	1.9	24.3
Farm employment	21,910	24,355	20,845	22,838	22,619	23,262	22,829	25,804	24,407	24,760	1.4	13.0
Nonfarm employment	942,763	944,574	959,101	976,448	1,000,684	1,023,484	1,053,269	1,074,520	1,080,316	1,050,579	(2.8)	11.4
Private employment	740,439	739,416	750,194	762,831	783,120	804,832	838,993	864,654	867,090	834,627	(3.7)	16.7
Forestry, fishing, related activities[1]	5,489	5,163	5,096	4,979	5,181	5,239	5,136	5,158	5,308	5,216	(1.7)	(5.0)
Mining[2]	19,015	19,612	17,957	18,576	19,245	21,171	23,726	24,875	28,406	27,909	(1.7)	46.8
Utilities	4,303	4,249	4,078	4,114	4,040	4,075	4,121	4,450	4,550	4,883	7.3	13.5
Construction[3]	60,690	63,293	61,864	64,135	68,382	73,978	79,826	80,588	78,054	67,755	(13.2)	11.6
Manufacturing	46,979	45,621	43,908	41,544	40,542	41,106	42,710	42,734	40,703	35,544	(12.7)	(24.3)
Durable goods manufacturing[4]	33,699	32,327	30,838	28,715	27,857	28,451	29,821	29,710	28,036	23,681	(15.6)	(29.7)
Nondurable goods manufacturing[5]	13,280	13,294	13,070	12,829	12,685	12,655	12,889	13,024	12,667	11,863	(6.3)	(10.7)
Wholesale trade	28,525	27,801	27,232	26,633	27,285	28,377	29,288	29,122	29,034	26,591	(8.4)	(6.8)
Retail trade[6]	113,080	110,010	111,167	112,445	114,169	116,097	116,750	118,944	118,144	112,194	(5.0)	(0.8)
Transportation and warehousing[7]	24,905	23,977	24,229	24,158	24,961	25,321	25,953	27,447	26,805	24,378	(9.1)	(2.1)
Information[8]	18,033	19,438	18,578	17,927	17,163	17,299	18,445	18,870	18,898	17,757	(6.0)	(1.5)
Finance and insurance[9]	31,613	30,848	31,251	31,544	31,769	32,039	32,172	33,565	35,006	36,959	5.6	16.9
Real estate and rental and leasing[10]	29,636	29,363	30,229	31,922	34,715	38,209	40,313	42,302	41,904	40,831	(2.6)	37.8
Professional, scientific and technical services	59,258	59,391	59,834	62,534	65,461	66,337	73,827	81,473	82,311	81,917	(0.5)	38.2
Management of companies and enterprises	5,810	6,049	6,129	5,440	5,354	6,354	6,425	6,084	5,688	5,457	(4.1)	(6.1)
Administrative and waste services[11]	51,414	53,226	54,229	53,292	54,598	55,224	58,489	60,292	59,859	55,049	(8.0)	7.1
Educational services	11,703	11,853	12,765	13,932	14,888	15,384	15,919	15,759	16,349	16,222	(0.8)	38.6
Health care and social assistance[12]	88,903	87,694	94,469	99,899	103,691	105,151	108,016	111,645	114,832	118,379	3.1	33.2
Arts, entertainment and recreation[13]	19,383	18,646	19,994	20,376	20,987	21,463	21,795	22,873	23,451	23,999	2.3	23.8
Accommodation and food services[14]	73,897	76,263	77,972	79,682	80,465	81,343	84,403	85,213	84,134	81,865	(2.7)	10.8
Other services, except public administration[15]	47,803	46,919	49,213	49,699	50,224	50,665	51,679	53,260	53,654	51,722	(3.6)	8.2
Government and government enterprises[16]	202,324	205,158	208,907	213,617	217,564	218,652	214,276	209,866	213,226	215,952	1.3	6.7

(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 September, 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	853	142,583	811	136,488	4.9%	4.0%	123%
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. Figures rounded to nearest thousand.
(Source: Bureau of Business and Economic Research, University of New Mexico; last revised September 7, 2010.)

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	45,335,681	8,878,830,000	9.4	3.8
2002	46,340,515	9,054,702,000	2.2	2.0
2003	48,139,404	9,369,072,000	3.9	3.5
2004	51,578,691	9,928,790,000	7.1	6.0
2005	55,341,826	10,476,669,000	7.3	5.5
2006	59,274,367	11,256,516,000	7.1	7.4
2007	63,043,607	11,899,853,000	6.4	5.7
2008	66,724,334	12,379,745,000	5.8	4.0
2009	66,744,715	12,165,474,000	0.0	(1.7)

(Source: U.S. Department of Commerce and Bureau of Business and Economic Research, University of New Mexico; last revised December 23, 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.	New Mexico.	United States
2000	22,751	30,318	75%	6.0%	7.0%
2001	24,790	31,145	80	9.0	2.7
2002	25,048	31,461	80	1.0	1.0
2003	25,747	32,271	80	2.8	2.6
2004	27,264	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	32,022	39,458	81	4.9	4.7
2008	33,584	40,673	83	4.9	3.1
2009	33,212	39,626	84	(1.1)	(2.6)

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of Business and Economic Research, University of New Mexico; last revised December 23, 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 2011B-1 and Taxable Series 2011B-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 2011B-1 in the aggregate principal amount of $42,735,000 (the "Series 2011B-1 Bonds") and its Senior Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2011B-2 (the "Series 2011B-2 Bonds" and together with the Series 2011B-1 Bonds, the "Series 2011B Bonds") in the aggregate principal amount of $14,545,000. The Series 2011B 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 (the "Governmental Units") that will be or were used to finance or refinance certain Projects for such Governmental Units (the "Loans"); and (ii) paying costs incurred in connection with the issuance of the Series 2011B 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 2011B 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 an Eighty-First Supplemental Indenture of Trust dated as of July 1, 2011 (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 2011B 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 2011B 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 2011B 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 2011B-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 2011B-1 Bonds.

5. The interest on the Series 2011B-2 Bonds is <u>not</u> 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 2011B-2 Bonds

6. The interest on the Series 2011B 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 2011B 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 2011B Bonds or any other offering material relating to the Series 2011B 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 Financial Advisor believe to be reliable, but the NMFA and the Financial Advisor 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 2011B Bonds, payment of principal, premium, if any, interest on the Series 2011B Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2011B 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 2011B Bonds. The Series 2011B 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 2011B Bond certificate will be issued for each maturity of the Series 2011B 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 rating of AA+. 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.

Purchases of Series 2011B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011B 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 2011B 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 2011B Bonds, except in the event that use of the book-entry system for the Series 2011B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011B 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 2011B 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 2011B Bonds; DTC's records reflect only the identity of

the Direct Participants to whose accounts such Series 2011B 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 2011B 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 2011B 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 2011B 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 2011B 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 2011B 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 2011B Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2011B 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 2011B Bonds.

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

APPENDIX F

2011B GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS

2011B Governmental Units

As previously stated, a portion of the proceeds of the Series 2011B Bonds is being used to originate Loans to be made to the 2011B Governmental Units or to reimburse the NMFA for Loans made to 2011B Governmental Units. The 2011B 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
Hobbs Municipal School District	$2,145,000	–	7/1/2014
City of Deming	499,389	49,938	5/1/2016
Valencia County	425,000	–	8/1/2018
City of Alamogordo	1,350,000	–	8/1/2020
Sierra County	177,625	–	5/1/2021
Valencia County	293,496	29,344	5/1/2021
City of Alamogordo	2,475,831	–	6/1/2021
Clovis Community College	1,360,000	–	6/1/2021
Chaves County	126,875	–	5/1/2022
City of Farmington	475,426	–	5/1/2022
Valencia County	343,762	–	5/1/2022
Carrizozo Municipal School District	420,000	–	8/1/2023
Melrose Municipal School District	1,100,000	–	8/1/2023
City of Elephant Butte	284,200	–	5/1/2024
Tucumcari Public School District	1,055,000	–	8/1/2024
Otero County	192,850	–	5/1/2025
Village of Corrales	993,178	73,500	5/1/2031
City of Clovis	3,527,000	–	6/1/2031
City of Clovis	2,877,000	–	6/1/2031
City of Belen	2,220,008	180,010	5/1/2032
City of Deming	1,000,000	–	5/1/2035
Roosevelt County	1,638,201	115,800	5/1/2036
City of Albuquerque	34,310,000	–	7/1/2028
TOTAL	$59,289,841	$332,792	

(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.

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 $91,175,502 and are scheduled to mature on June 1, 2039.

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 $86,455,000.

New Mexico Spaceport Authority. The NMFA has previously issued a series of bonds and has applied certain Prepayments of Loans 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 Regional Spaceport District from gross receipts taxes imposed by Dona Aña and Sierra Counties which are pledged by the Regional Spaceport District and the Spaceport Authority to pay the Spaceport Authority Securities. The Spaceport Authority Securities are currently outstanding in the aggregate principal amount of $72,440,000 and are scheduled to mature on December 1, 2029.

City of Albuquerque – Enterprise Systems. The NMFA has entered into various obligations with the City of Albuquerque (the "Albuquerque Enterprise Obligations") in which enterprise system revenues of the City are used to secure the debt obligations. The proceeds of the Albuquerque Enterprise Obligations were used to finance various projects including the refinancing of approximately $49,855,000 in debt obligations issued to fund projects for improvement to the Albuquerque Airport. These obligations are payable from and secured by the net operating revenues of the Albuquerque Airport and have a current outstanding principal amount of $44,371,278. The last of the Albuquerque Enterprise Obligations is scheduled to mature on July 1, 2019.

City of Albuquerque – General Funds. The NMFA has previously entered into various obligations with the City of Albuquerque (the "Albuquerque General Fund Obligations"). The Albuquerque General Fund Obligations were used to finance or refinance certain infrastructure projects in the City of Albuquerque. The Albuquerque General Fund Obligations are expected to be outstanding in the aggregate principal amount of $34,310,000 at the time of the delivery of the Series 2011B Bonds and will be payable from and secured by certain gross receipt taxes. The last of the Albuquerque General Fund Obligations is scheduled to mature on July 1, 2028.

Special Consideration Concerning an Action Involving Previously Executed Loan Agreements

The NMFA has 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 with completion expected in September 2011. The Angel Fire Loans are outstanding in the aggregate principal amount of $24.25 million and are 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"). The plaintiffs in the case ("Plaintiffs/Appellants") originally filed a Complaint for Declaratory Relief requesting the court to declare the Angel Fire District a nullity by attacking the validity of the formation election held on April 21, 2008 and claiming errors in the election procedure. Plaintiffs then filed a First Amended Complaint for Declaratory Relief on July 18, 2009. That Complaint was dismissed by the court in ruling from the bench on June 22, 2009, and an order formalizing the dismissal was entered on July 15, 2009. Notice of Appeal to the Court of Appeals of New Mexico was filed by the Plaintiffs/Appellants on July 17, 2009 (the "Appeal"). A Motion to Dismiss was filed by the Defendant/Appellee Angel Fire District on November 1, 2010. Angel Fire District's Motion to Dismiss the Appeal and the merits of the Appeal were argued before the Court of Appeals on February 25, 2011. On June 16, 2011, the Court of Appeals issued its written opinion, concluding that (i) the Angel Fire District Act's formation election provisions incorporate the New Mexico Election Code's election contest procedures, and thus requires a direct appeal to the New Mexico Supreme Court, and (ii) the Court of Appeals lacks jurisdiction and therefore transferred the case to the New Mexico Supreme Court. The case is currently on the New Mexico Supreme Court's August 2011 Briefs Only Calendar.

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 "AAA"**
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 2011C 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 2011C 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

$53,400,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2011C

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 2011C (the "Series 2011C 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 2011C 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 2011C Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2011C Bonds will be made in book-entry form only, and beneficial owners of the Series 2011C 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 2011C Bonds.

The Series 2011C Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2011C Bonds accrues from the date of initial delivery of the Series 2011C Bonds and is payable on June 1 and December 1 of each year, commencing June 1, 2012. Principal of the Series 2011C Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedules on the inside front cover.

SEE MATURITY SCHEDULES ON INSIDE FRONT COVER

The Series 2011C Bonds are subject to optional and mandatory sinking fund redemption prior to maturity.

Proceeds of the Series 2011C Bonds will be used by the NMFA for the purposes of (i) purchasing securities from the Albuquerque Bernalillo County Water Utility Authority that will be used to finance a Project and (ii) paying costs incurred in connection with the issuance of the Series 2011C Bonds. The principal of and premium, if any, and interest on the Series 2011C 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 2011C 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 2011C 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 2011C 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 2011C 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 Series 2011C Bonds were sold pursuant to a competitive bidding process held on November 17, 2011.

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 2011C 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 2011C Bonds. It is expected that a single certificate for each maturity of each series of the Series 2011C Bonds will be delivered to DTC or its agent on or about December 15, 2011.

This Official Statement is dated November 17, 2011, and the information contained herein speaks only as of that date.

NEW MEXICO FINANCE AUTHORITY

$53,400,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2011C

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2012	$1,345,000	3.00%	0.250%	64711N QN8
2013	2,955,000	4.00	0.440	64711N QP3
2014	3,075,000	5.00	0.690	64711N QQ1
2015	3,225,000	5.00	0.980	64711N QR9
2016	3,390,000	5.00	1.270	64711N QS7
2017	3,555,000	5.00	1.530	64711N QT5
2018	3,735,000	5.00	1.760	64711N QU2
2019	3,920,000	5.00	2.020	64711N QV0
2020	4,120,000	5.00	2.270	64711N QW8
2021	4,325,000	5.00	2.440	64711N QX6
2022	4,540,000	5.00	2.580	64711N QY4
2023	4,770,000	5.00	2.740	64711N QZ1
2024	605,000	5.00	2.890	64711N RA5
2025	635,000	5.00	3.060	64711N RB3
2026	670,000	3.50	3.589	64711N RC1
2027	695,000	5.00	3.290	64711N RD9
2028	725,000	3.75	3.832	64711N RE7
2029	755,000	5.00	3.490	64711N RF4
2030	790,000	5.00	3.580	64711N RG2
2031	830,000	4.00	4.075	64711N RH0
2032	865,000	5.00	3.720	64711N RJ6
2033	910,000	4.25	4.322	64711N RK3

$2,965,000 4.375% Term Bonds Due June 1, 2036; Price 99.00%; CUSIP 64711N RL1

† 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 2011C Bonds. Neither the NMFA, the Trustee nor the Financial Advisor are responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2011C Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2011C 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 Financial Advisor 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 2011C 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 2011C 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 2011C 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 2011C Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2011C 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 2011C Bonds.

THE SERIES 2011C 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 2011C 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
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William F. Fulginiti, Vice-Chairman
Paul Gutierrez, Secretary
Blake Curtis, Treasurer[(1)]
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John Bemis[(1)]
Tom Clifford[(1)]
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NMFA General Counsel
Reynold E. Romero

Issuer Counsel
Virtue Najjar & Brown, PC
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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

(1) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate. See "NEW MEXICO FINANCE AUTHORITY—Governing Body and Key Staff Members" for a discussion of the effect of senate confirmations on their respective terms.

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

$53,400,000
SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
SERIES 2011C

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 $53,400,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2011C (the "Series 2011C Bonds") being issued by the New Mexico Finance Authority (the "NMFA"). The Series 2011C 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 Eighty-Second Supplemental Indenture of Trust, dated as of November 1, 2011 (the "Eighty-Second 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 "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, 2010 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 2011C 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 2011C Bonds will be used by the NMFA for the purposes of (i) purchasing securities from the Albuquerque Bernalillo County Water Utility Authority (the "2011C Governmental Unit") that will be used to finance a Project for the 2011C Governmental Unit, and (ii) paying costs incurred in connection with the issuance of the Series 2011C Bonds. See "THE PLAN OF FINANCING" for more information with respect to the sources and uses of proceeds of the Series 2011C Bonds and "APPENDIX G" for a description of the 2011C Governmental Unit and the source of revenues to repay the Loan of the 2011C Governmental Unit.

Parity Obligations

Bonds with a lien on the Trust Estate on a parity with the lien of the Series 2011C 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 2011C Bonds

The Series 2011C Bonds will be dated the date of their initial delivery. Interest on the Series 2011C Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2012. The Series 2011C 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 2011C 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 2011C 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 2011C 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 2011C Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2011C 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 2011C 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 2011C Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "THE SERIES 2011C BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2011C 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 2011C 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 2011C 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.

Common Debt Service Reserve Fund. The NMFA has established a Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011 and as of November 15, 2011, the Common Debt

Service Reserve Fund was funded in the amount of $25,478,979. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds—Common Debt Service Reserve Fund."

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 2011C 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 2011C Bond Owners that, so long as the Series 2011C 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 2011C 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 2011C 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 2011C 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 2011C Bonds. See "FINANCIAL ADVISOR."

The NMFA's audited financial statements for the fiscal year ended June 30, 2010, 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 2011C Bonds

The Series 2011C 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 2011C Bonds will be delivered to DTC or its agent on or about December 15, 2011. The Series 2011C Bonds were sold to the successful bidder, J.P. Morgan Securities, LLC, pursuant to a competitive bidding process held on November 17, 2011.

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 2011C Bonds.

THE SERIES 2011C BONDS

General

The Series 2011C Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2011C 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, 2012. The Series 2011C 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 2011C 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 2011C 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 2011C Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2011C Bonds will be made in book-entry only form, and beneficial owners of the Series 2011C 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 2011C 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 2011C Bonds maturing on and after June 1, 2022, are subject to optional redemption at any time on and after June 1, 2021, 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 2011C Bonds to be redeemed, but without premium.

Mandatory Sinking Fund Redemption – Series 2011C Bonds. The Series 2011C 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 2011C Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2034	$945,000
2035	990,000
2036†	1,030,000

† Final Maturity

If less than all of the Series 2011C Bonds maturing on 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 2011C Bonds, in such order as may be directed by the NMFA.

Notice of Redemption. In the event any of the Series 2011C Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2011C 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 Series 2011C Bonds is to be given by the Trustee at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 2011C Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 2011C 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 Series 2011C 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 Series 2011C Bonds or portions thereof redeemed but who failed to deliver Series 2011C 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 Series 2011C Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 2011C Bonds.

Partially Redeemed Bonds. In case any Series 2011C Bond is redeemed in part, upon the presentation of such Series 2011C 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 Series 2011C Bond or Series 2011C Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2011C Bond. A portion of any Series 2011C 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 Series 2011C Bonds for redemption, the Trustee will treat each such Series 2011C Bond as representing that number of Series 2011C Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 2011C 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 2011C Bonds, are special limited obligations of the NMFA payable solely from the Trust Estate. The Series 2011C 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 2011C 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 2011C 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 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 2011-2012. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues. The table assumes the prepayment of certain Agreements scheduled to occur on November 15, 2011, and for which notice of prepayment has been given.

Type of Revenue	FY 2011-2012 Amounts	% of Total Agreement Revenues
Enterprise System Revenues	$32,179,718	31.06%
Local Gross Receipts Tax	27,271,351	26.32
General Obligation (ad valorem taxes)	14,341,306	13.84
Local Special Tax	13,404,974	12.94
State Gross Receipts Tax	6,448,842	6.22
Fire Protection Funds	3,783,571	3.65
Special Assessments	3,100,221	2.99
Governmental Gross Receipts Tax	2,731,239	2.64
Law Enforcement Protection Funds	218,272	0.21
Mill Levy	117,097	0.11
Total	$103,596,591	100.00%

Note: Totals may not add due to rounding. Assumes that the Loan funded with proceeds of the Series 2011C Bonds is 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 2011-2012 and assuming no further prepayments of any Agreements, are expected to generate the largest amount of Agreement Revenues in fiscal year 2011-2012. The Agreement Revenues generated from such Agreements account for 49.00% of projected Agreement Revenues for fiscal year 2011-2012.

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

Borrower	FY 2011-2012 Debt Service	% of Total Pledged Agreement Revenues[(1)]
Albuquerque Bernalillo Water Utility Authority (Enterprise System Revenues)	$13,863,414	13.38%
City of Albuquerque (Enterprise System Revenues)	7,702,161	7.43
General Services Department (State Gross Receipts Taxes)	6,408,584	6.19
New Mexico Spaceport Authority (Gross Receipts Tax)	5,646,571	5.45
Gadsden Independent Schools (Ad Valorem Property Tax)	3,783,598	3.65
City of Albuquerque (Gross Receipts Tax)	3,433,258	3.31
State Parks and Recreation Department (Governmental Gross Receipts Tax)	2,731,239	2.64
City of Santa Fe (Gross Receipts Tax)	2,636,008	2.54
New Mexico Highlands University (Enterprise System Revenues)[(2)]	2,353,701	2.27
Department of Health (Cigarette Taxes)	2,207,198	2.13
Total	$50,765,731	49.00%

(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.
(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—LARGEST

REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS" and "APPENDIX G—INFORMATION REGARDING ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY."

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 2006-2007 through 2010-2011.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2006-2007 THROUGH 2010-2011

	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011
Total Net Receipts	$27,936,430	$29,186,583	$29,370,303	$30,375,481	$32,872,185
NMFA Portion of the Governmental Gross Receipts Tax	$21,335,908	$21,431,489	$21,493,438	$23,053,051	$24,518,214

(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 2006-2007 through 2008-2009. 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 2006-2007 THROUGH 2008-2009

	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009
Entity	% of Total Net Receipts	% of Total Net Receipts	% of Total Net Receipts
Albuquerque Bernalillo County Water Utility Authority	18.68%	23.34%	24.24%
City of Albuquerque	8.28	8.48	8.61
City of Santa Fe	7.33	7.36	7.57
City of Las Cruces	5.03	4.92	5.21
University of New Mexico	4.47	4.14	4.22
City of Rio Rancho	4.17	4.50	4.76
City of Farmington	2.62	2.89	2.89
City of Roswell	2.06	1.99	1.98
County of Los Alamos	1.64	1.76	1.78
City of Carlsbad	1.71	1.62	1.62
Total	55.99%	61.00%	62.88%

(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), a Common Debt Service Reserve

Fund, 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: to 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: in the event the Common Debt Service Reserve Fund has been used to satisfy amounts due under a Loan Agreement or in relation to certain Securities, then to the extent Loan Payments are received as to that specific Loan Agreement or Securities, to the Common Debt Service Reserve Fund to the extent necessary to cause the payments to the Common Debt Service Reserve Fund to equal the amounts withdrawn from the Common Debt Service Reserve Fund to satisfy amounts due under the Loan Agreement or as to such Securities.

Fourth: 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 2011C 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.

On the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the next Business Day preceding such third day), if the amount on deposit in any Governmental Unit's account of the Debt Service Fund is insufficient, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, the Trustee shall transfer the amount of such deficiency from the Common Debt Service Reserve Fund. See "Common Debt Service Reserve Fund" below under this caption.

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 (5%) 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) and to make any deposits to the Common Debt Service Reserve Fund (as described 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>Common Debt Service Reserve Fund</u>. The NMFA has established the Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011 and, as of November 15, 2011, the Common Debt Service Reserve Fund was funded in the amount of $25,478,979.

The NMFA shall determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The NMFA shall deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the NMFA of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the NMFA by the trustee under the Subordinated Indenture on June 16.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit shall be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the NMFA, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the NMFA has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the NMFA shall not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount shall be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee shall transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

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 returned to the Governmental Units or 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 2011C Bonds. The NMFA covenants pursuant to the Eighty-Second 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 2011C Bonds with debt service payable on the Series 2011C Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2011C Bonds with revenues received from Loan Payments on the Loan, 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 2011C 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 Series 2011C Bonds which 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 (or a pro rata portion thereof if a portion of the Prepayment is to be applied). See "THE SERIES 2011C 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 2011C Bonds relating to such Prepayment, in Authorized Denominations, to their first optional redemption date as described under the caption "THE SERIES 2011C 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 2011C 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 Loan Payments due under the Loan in the case of a partial Prepayment of the Loan in a manner consistent with the actions taken.

Historical Prepayments. During the fiscal years indicated below, the NMFA has received prepayments (including Prepayments under the Indenture as well as prepayments of obligations under the Subordinated Indenture) 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	23	6,945,375
2010-2011	58	124,271,480
2011-2012(1)	34	60,470,582

(1) Reflects prepayments received for the period of July 1, 2011 thru November 15, 2011, including Prepayments under the Indenture as well as prepayments under the Subordinated Indenture. The large amount of prepayments is attributable to a favorable interest rate climate that permitted governmental units to refinance their respective loans. As discussed above under "Covenants Applicable to the Series 2011C Bonds," the NMFA may originate additional Loans, redeem outstanding Bonds that related to the prepaid Loans, if such Bonds are subject to redemption, or defease outstanding Bonds that relate to the prepaid Loans. As of the date of this Official Statement, the NMFA has applied $111,153,693 of the proceeds of such prepayments to originate additional loans which, pursuant to a Pledge Notification, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The NMFA has also applied $29,326,206 of such prepayments to redeem obligations under the Indenture or the Subordinated Indenture. There remains $44,262,163 of prepayments of which the NMFA has identified loans to originate amounting to $39,525,000.

(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 2011C 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 2011C 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 November 15, 2011:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of November 15, 2011[(2)]
2002A	$55,610,000	$6,455,000
2003A	39,945,000	13,731,000
2003B	25,370,000	12,495,000
2004A-1	28,410,000	1,825,000
2004B-1	48,135,000	27,670,000
2004B-2	1,405,000	835,000
2004C	168,890,000	117,965,000
2005A	19,015,000	10,815,000
2005B	13,500,000	8,035,000
2006B	38,260,000	31,825,000
2006D	56,400,000	49,005,000
2007E	61,945,000	49,560,000
2008A	158,965,000	144,475,000
2008B	36,545,000	30,930,000
2008C	29,130,000	26,170,000
2009A	18,435,000	16,840,000
2009C	55,810,000	51,880,000
2009D-1	13,570,000	12,355,000
2009D-2	38,845,000	38,230,000
2009E	35,155,000	29,345,000
2010A-1	15,170,000	12,425,000
2010A-2	13,795,000	13,795,000
2010B-1	38,610,000	37,080,000
2010B-2	17,600,000	17,600,000
2011A	15,375,000	15,375,000
2011B-1	42,735,000	42,735,000
2011B-2	14,545,000	14,545,000
Total	$1,101,170,000	$833,996,000

(1) The official statements for the various Series of Outstanding Parity Bonds are available at the Internet site http://www.munios.com.
(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 2011-2012 and assuming no further prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2011-2012.

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 November 15, 2011:

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of November 15, 2011[2]
2005C[3]	$50,395,000	$44,770,000
2005E	23,630,000	23,630,000
2005F	21,950,000	19,195,000
2006A	49,545,000	46,265,000
2006C	39,860,000	32,770,000
2007A	34,010,000	25,645,000
2007B	38,475,000	30,140,000
2007C	131,860,000	115,785,000
Total	$389,725,000	$338,200,000

(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 2011C 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 2011C Bonds will be used by the NMFA for the purpose of (i) purchasing securities from the 2011C Governmental Unit that will be used to finance a Project for the 2011C Governmental Unit and (ii) paying costs incurred in connection with the issuance of the Series 2011C Bonds. See APPENDIX G for more information regarding the Project expected to be financed with the Series 2011C Bonds and regarding the 2011C Governmental Unit.

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 2011C Bonds.

<u>Sources of Funds</u>

Principal Amount	$53,400,000.00
Net Reoffering Premium	7,775,176.30
NMFA Contribution	480,617.00
Total Sources	**$61,655,793.30**

<u>Uses of Funds</u>

Deposit to Program Fund Account of the 2011C Governmental Unit[(1)]	$61,003,876.30
Purchaser's Discount	280,617.00
Costs of Issuance[(2)]	371,300.00
Total Uses	**$61,655,793.30**

(1) Amounts in the Program Fund Accounts will be used to purchasing securities from the 2011C Governmental Unit at or about the same time as the issuance of the Series 2011C Bonds. See "APPENDIX G—INFORMATION REGARDING ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY."

(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 2011C Bonds and the origination of the Loan to the 2011C Governmental Unit.

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2011C 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	Series 2011C Bonds Principal	Series 2011C Bonds Interest	Outstanding Parity Bonds	Total Annual Debt Service
2012	$1,345,000	$1,180,805	$93,998,058	$96,523,863
2013	2,955,000	2,520,431	93,776,433	99,251,865
2014	3,075,000	2,402,231	90,382,970	95,860,201
2015	3,225,000	2,248,481	88,169,241	93,642,723
2016	3,390,000	2,087,231	84,934,633	90,411,864
2017	3,555,000	1,917,731	71,656,514	77,129,245
2018	3,735,000	1,739,981	70,168,081	75,643,062
2019	3,920,000	1,553,231	66,640,596	72,113,827
2020	4,120,000	1,357,231	59,368,747	64,845,978
2021	4,325,000	1,151,231	57,684,718	63,160,949
2022	4,540,000	934,981	53,959,660	59,434,641
2023	4,770,000	707,981	49,434,559	54,912,540
2024	605,000	469,481	47,565,729	48,640,210
2025	635,000	439,231	40,619,009	41,693,240
2026	670,000	407,481	38,997,131	40,074,612
2027	695,000	384,031	36,963,562	38,042,593
2028	725,000	349,281	34,166,507	35,240,788
2029	755,000	322,094	28,421,211	29,498,305
2030	790,000	284,344	21,725,271	22,799,615
2031	830,000	244,844	19,868,183	20,943,027
2032	865,000	211,644	18,912,122	19,988,766
2033	910,000	168,394	16,747,424	17,825,818
2034	945,000	129,719	15,093,521	16,168,240
2035	990,000	88,375	13,470,241	14,548,616
2036	1,030,000	45,063	11,357,747	12,432,810
2037	–	–	1,834,340	1,834,340
2038	–	–	1,825,842	1,825,842
2039	–	–	58,523	58,523
Total	$53,400,000	$23,345,530	$1,227,800,573	$1,304,546,103

(1) Assumes the Series 2011C Bonds are issued and Outstanding. 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 2011C Bonds and all other outstanding Bonds and the resulting estimated annual coverage ratios. Revenues estimated for current and future fiscal years are based on projected fiscal year 2010-2011 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 "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.

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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[3]	Estimated Annual Coverage Ratios[5]
2012	$24,518,214	$103,596,591	$128,114,805	$96,523,863	1.33x
2013	24,518,214	106,304,322	130,822,536	99,251,865	1.32x
2014	24,518,214	101,549,547	126,067,761	95,860,201	1.32x
2015	24,518,214	98,893,348	123,411,562	93,642,723	1.32x
2016	24,518,214	97,348,866	121,867,080	90,411,864	1.35x
2017	24,518,214	81,540,498	106,058,712	77,129,245	1.38x
2018	24,518,214	79,220,627	103,738,841	75,643,062	1.37x
2019	24,518,214	75,957,001	100,475,215	72,113,828	1.39x
2020	24,518,214	69,863,659	94,381,873	64,845,978	1.46x
2021	24,518,214	66,542,623	91,060,837	63,160,950	1.44x
2022	24,518,214	63,513,157	88,031,371	59,434,642	1.48x
2023	24,518,214	57,468,334	81,986,548	54,912,540	1.49x
2024	24,518,214	51,139,225	75,657,439	48,640,210	1.56x
2025	24,518,214	47,797,725	72,315,939	41,693,240	1.73x
2026	24,518,214	42,019,982	66,538,196	40,074,612	1.66x
2027	24,518,214	39,837,934	64,356,148	38,042,594	1.69x
2028	24,518,214	38,318,894	62,837,108	35,240,788	1.78x
2029	24,518,214	39,017,790	63,536,004	29,498,305	2.15x
2030	24,518,214	23,767,253	48,285,467	22,799,615	2.12x
2031	24,518,214	21,269,139	45,787,353	20,943,027	2.19x
2032	24,518,214	20,243,561	44,761,775	19,988,766	2.24x
2033	24,518,214	19,823,925	44,342,139	17,825,818	2.49x
2034	24,518,214	18,192,134	42,710,348	16,168,240	2.64x
2035	24,518,214	16,569,831	41,088,045	14,548,616	2.82x
2036	24,518,214	14,435,725	38,953,939	12,432,810	3.13x
2037	24,518,214	3,827,964	28,346,178	1,834,340	15.45x
2038	24,518,214	3,352,991	27,871,205	1,825,842	15.26x
2039	24,518,214	467,869	24,986,083	58,523	426.94x

(1) Assumes the Series 2011C Bonds are issued and Outstanding.

(2) Reflects NMFA Portion of the Governmental Gross Receipts Tax projected collections from July 1, 2010 through June 30, 2011.

(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, including any Prepayments that have been received by the NMFA since November 1, 2011. As previously discussed, the NMFA has recently received prepayments of certain loans under the Indenture as well as under the Subordinated Indenture. Pursuant to the terms of the Indenture, the NMFA has the option to originate new Loans with debt service payments that approximate the debt service of the prepaid Loans or defease the Bonds that relate to such prepaid Loans. As of the date of this Official Statement, the NMFA has applied $111,153,693 of the proceeds of such prepayments received in fiscal year 2011-2012 to originate additional loans which, pursuant to Pledge Notifications, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The NMFA has also applied $28,888,544 of such prepayments to redeem obligations under the Indenture or the Subordinated Indenture. There remains $42,509,743 of prepayments and the NMFA has identified several loans to originate with these remaining funds. The NMFA does not expect the new Loans to have a significant impact on the coverage ratio since the amount of any new Loan Payments will be substantially similar to the prepaid Loan Payments. The amount of prepayments which have not yet been addressed and their corresponding cash flows are not included in this table.

(4) Amounts are rounded to the nearest dollar.

(5) Calculated using the fiscal year 2010-2011 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 11 members who also constitute the NMFA's board of directors and currently employs 38 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 11 members who serve as the governing body of the NMFA. Six 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 six 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), 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. A quorum of the governing body exists when a majority of the members then serving are present. A majority vote of a quorum of the members present may transact any business of the NMFA. A vacancy in the membership of the governing body does not impact the ability of a quorum to exercise all rights and duties of the NMFA. 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 provides oversight and direction relating to the operations of the NMFA. Other committees include the Finance and Loan Committee, the Audit Committee, the Economic Development Committee, the Investment Committee, and the Contracts Committee. 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
Denise K. Baker [2] [3] (Chairperson)	Chief Executive Officer, D.R.B. Electric, Inc., Albuquerque, New Mexico	01/01/13
William F. Fulginiti[1] (Vice-Chairman)	Executive Director, New Mexico Municipal League	not applicable
Paul Gutierrez[1] (Secretary)	Executive Director, New Mexico Association of Counties	not applicable
Blake Curtis[2] [3] (Treasurer)	Senior Vice President, Curtis & Curtis, Inc., Clovis, New Mexico	01/01/12
Jon Barela[1] [2] [3]	Secretary Designate, Economic Development Department, State of New Mexico	not applicable
John Bemis[1] [2] [3]	Secretary Designate, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Tom Clifford[1] [2] [3]	Secretary Designate, Department of Finance and Administration	not applicable
Jerry Jones [2] [3]	Chief Executive Officer, Stolar Research Corporation, Raton, New Mexico	01/01/13
Lonnie Marquez[3]	Vice President for Administration and Finance, New Mexico Institute of Mining and Technology	01/01/12
David Martin[1] [3]	Secretary, Environment Department, State of New Mexico	not applicable
Terry White[2] [3]	Chief Executive Officer of Sunwest Trust, Inc., Albuquerque, New Mexico	01/01/12

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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) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate during the 2012 session of the New Mexico Legislature, and will continue to serve until the expiration of such session if no confirmation is received.

(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 2011C Bonds and the administration of the NMFA's financing programs.

Richard May, Chief Executive Officer. Mr. May joined the NMFA as the Chief Executive Officer in September 2011 after serving as Cabinet Secretary for the New Mexico Department of Finance and Administration. Mr. May has more than 33 years of experience in government finance and public policy while serving in various positions at the state and federal levels of government, as well as in the private sector. In addition to being a Cabinet Secretary in the New Mexico executive branch, Mr. May has held the positions of Staff Director at the House Budget Committee in the U.S. Congress; Legislative Director for former U.S. Rep. John Kasich; Legislative Assistant in the Ohio Senate; and Tax and Appropriations Analyst in the New Mexico House of Representatives. He has also held the positions of Federal Affairs Counsel for the National Conference of State Legislatures and as

Manager of Federal Relations with Sandia National Laboratories. Mr. May's private sector experience includes working as a government relations representative for two firms in Washington, D.C. Mr. May received both his Bachelor of Science in Education degree and his Master of Arts degree in political science from Ohio University.

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 was appointed Interim Chief Executive Officer in March, 2011, when the prior Chief Executive Officer resigned and served in that position until September 6, 2011, when the current Chief Executive Officer assumed the position. 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 Financial Strategist. 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 and has handled complex litigation cases. 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 November 18, 2011, the NMFA had made 991 PPRF loans totaling approximately $2 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.

<u>Contingent Liquidity Account</u>. 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 2011C 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 November 15, 2011, the Contingent Liquidity Account was funded to an amount of approximately $24,086,121. 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 "Bank of America Short-Term Borrowing") with Bank of America, N.A. for Bank of America, N.A. 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 or to make Loans to eligible entities by using funds drawn from the Bank of America Short-Term Borrowing. Once the amounts are advanced, the NMFA has up to 180 days to repay the advancement. The Bank of America Short-Term Borrowing will expire on November 30, 2011. The NMFA has approved entering into a new arrangement (the "Wells Short-Term Borrowing") with Wells Fargo Bank, National Association to replace the Bank of America Short-Term Borrowing. The Wells Short-Term Borrowing will provide the NMFA an amount of up to $50,000,000 to reimburse the NMFA for the same purposes as the Bank of America Short-Term Borrowing. The Wells Short-Term Borrowing has the same 180-day repayment requirement. The NMFA expects to enter into the Wells Short-Term Borrowing on November 30, 2011. The Wells Short-Term Borrowing is scheduled to expire on October 31, 2014. Both of these borrowing facilities are secured by proceeds of Bonds that are anticipated to be issued subsequent to the advances. The NMFA has entered into these borrowing facilities to assist it with its cash flows. Neither the Bank of America Short-Term Borrowing nor the Wells Short-Term Borrowing is 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 November 15, 2011.

Program	Project	Original Principal Amount	Outstanding as of November 15, 2011	Scheduled Final Maturity
Worker's Compensation	Administrative Building	$4,310,000	$1,565,000	9/1/2016
Cigarette Tax	University of New Mexico Health Sciences Building	39,035,000	15,055,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	1,875,000	5/1/2026
Transportation	Highways	700,000,000	248,310,000	6/15/2024
Transportation	Highways	182,315,000	92,920,000	6/15/2014
Transportation	Highways	150,000,000	149,760,000	12/15/2026
Transportation	Highways	40,085,000	27,900,000	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
Transportation	Highways	95,525,000	95,525,000	12/15/2024
Transportation	Highways	79,100,000	79,100,000	12/15/2021
Transportation	Highways	461,075,000	461,075,000	6/15/2024

(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 2011C 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 2011C Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2011C 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 2011C Bonds. See APPENDIX F for information concerning pending litigation to which the NMFA and one of the Governmental Units are parties.

SALE OF SERIES 2011C BONDS

The Series 2011C Bonds are being sold to J.P. Morgan Securities LLC, as the successful bidder, at an aggregate purchase price of $60,894,559.30 with respect to the Series 2011C Bonds (being the par amount of the Series 2011C Bonds plus a net original issue premium of $7,775,176.30, and less an original purchaser's discount of $280,617.00). The Series 2011C Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2011C Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside front cover pages 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 2011C 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 2011C Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2011C 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 2011C 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 2011C Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2011C 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 2011C 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 2011C Bonds may affect the federal tax-exempt status of the interest on the Series 2011C Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2011C Bonds maturing on June 1 in the years 2026, 2028, 2031, 2033, and 2036 (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 2011C 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 2011C 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 2011C Bonds maturing on June 1 in the years 2012 through 2025, both dates inclusive, 2027, 2029, 2030, and 2032 (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 2011C 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 2011C 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 2011C 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 2011C Bonds. Prospective purchasers of the Series 2011C 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 2011C Bonds may affect the tax status of interest on the Series 2011C 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 2011C Bonds from gross income for Federal income tax purposes. For example, the American Jobs Act of 2011 proposed by President Obama on September 12, 2011, contains a provision that would, if enacted in present form, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt bonds, including the Series 2011C Bonds, if they have income above a certain threshold. Although a bill including the proposal recently failed to pass in the Senate, it cannot be predicted whether the proposal will be enacted in the future. Furthermore, Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Series 2011C Bonds, or the interest thereon, if any action is taken with respect to the Series 2011C 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 2011C Bonds is excluded from gross income for federal income tax purposes, a Series 2011C Bondholder's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2011C Bonds. The nature and extent of these other tax consequences will depend upon the Series 2011C Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2011C 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 2011C 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 2011C Bonds, (iii) interest on the Series 2011C 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 2011C 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 2011C 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 2011C Bondholders regarding the tax-exempt status of the Series 2011C 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 2011C 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 Units legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011C 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 2011C Bonds, and may cause the NMFA, the Governmental Units or the Series 2011C Bondholders to incur significant expense.

Bond Counsel is of the opinion that interest on the Series 2011C 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 2011C 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.

Circular 230 Disclosure. The above discussion relating to the Series 2011C Bonds was written to support the promotion and marketing of the Series 2011C 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.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2011C 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 2011C 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, 2010, 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 February 18, 2011. 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

The NMFA will execute and deliver a Continuing Disclosure Undertaking in connection with the issuance of the Series 2011C 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 2011C 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 2006-2007 Through 2010-2011" 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, but not more than ten business days after the occurrence of the event, 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 2011C Bonds:

1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;

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

5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011C Bonds;

6. defeasances;

7. tender offers;

8. bankruptcy, insolvency, receivership or similar proceedings; and

9. rating changes.

- in a timely manner, but not more than ten business days after the occurrence of the event, 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 2011C Bonds, if material:

1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

2. appointment of a successor or additional trustee or the change of the name of a trustee;

3. non-payment related defaults;

4. modification of rights of owners of the Series 2011C Bonds;

5. bond calls; and

6. release, substitution, or sale of property securing repayment of the Series 2011C Bonds.

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 2011C 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 2011C 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 2011C 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 2011C 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 Rating Services ("S&P") has assigned a rating of "AAA" to the Series 2011C Bonds and Moody's Investors Service ("Moody's") has assigned a rating of "Aa1" to the Series 2011C 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 2011C 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 2011C Bonds may have an adverse effect on the market price of the Series 2011C Bonds. The Financial Advisor has not undertaken any responsibility to bring to the attention of the owners of the Series 2011C Bonds any proposed revision or withdrawal of the ratings on the Series 2011C 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 2011C 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 2011C 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 2011C Bonds.

NEW MEXICO FINANCE AUTHORITY

By /s/ Denise K. Baker
Denise K. Baker,
Chairperson

By /s/ Richard E. May
Richard E. May,
Chief Executive Officer

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE NMFA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NEW MEXICO FINANCE AUTHORITY
Santa Fe, New Mexico

Financial Statements
June 30, 2010 and 2009

NEW MEXICO FINANCE AUTHORITY

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NEW MEXICO FINANCE AUTHORITY

Official Roster

Year Ended June 30, 2010

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

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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 years ended June 30, 2010 and 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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, 2010 and 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, 2010 and 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2011, 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

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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 presented on pages 41 to 53 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 as presented on page 15 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
February 18, 2011

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, 2010 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, 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 2010	As Restated FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Cash and cash equivalents:					
Unrestricted	$ 120,385,376	$ 111,877,869	$ 8,507,507	7.6%	$ 88,756,143
Restricted	268,285,157	373,898,180	(105,613,023)	(28.2%)	411,190,481
Loans receivable, net of allowance	1,252,122,229	1,113,608,650	138,513,579	12.4%	1,041,033,758
Intergovernmental receivables	147,842,525	154,793,087	(6,950,562)	(4.5%)	161,605,000
Other accounts receivable	14,730,931	16,645,091	(1,914,160)	(11.5%)	24,348,425
Capital assets	273,500	197,828	75,672	38.3%	377,984
Other assets	11,798,048	11,679,176	118,872	1.0%	12,125,477
Total assets	**$ 1,815,437,766**	**$ 1,782,699,881**	**$ 32,737,885**	**2.5%**	**$ 1,739,437,268**
Liabilities					
Bonds payable, net	$ 1,233,720,390	$ 1,132,954,148	$ 100,766,242	8.9%	$ 1,084,937,292
Undisbursed loan proceeds	116,283,533	182,920,935	(66,637,402)	(36.4%)	197,721,699
Borrowers' reserve deposits	72,521,339	66,071,327	6,450,012	9.8%	61,634,993
Accounts payable	2,787,600	1,556,822	1,230,778	79.1%	1,579,139
Other liabilities	4,775,269	5,054,228	(278,959)	(5.5%)	5,034,419
Total liabilities	**1,430,088,131**	**1,388,557,460**	**41,530,671**	**3.0%**	**1,350,907,542**
Net assets					
Invested in capital assets	273,500	197,828	75,672	38.3%	377,984
Restricted for debt service	8,996,558	8,962,319	34,239	0.4%	9,921,093
Restricted for program funds	256,256,427	274,378,249	(18,121,822)	(6.6%)	289,676,812
Unrestricted	119,823,150	110,604,025	9,219,125	8.3%	88,553,837
Total net assets	**385,349,635**	**394,142,421**	**(8,792,786)**	1.4%	**388,529,726**
Total liabilities and net assets	**$ 1,815,437,766**	**$ 1,782,699,881**	**$ 32,737,885**	**2.5%**	**$ 1,739,437,268**

New Mexico Finance Authority
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30

	FY 2010	As Restated FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Appropriation revenue	$ 11,722,377	$ 52,379,731	$ (40,657,354)	(77.6%)	$ 136,293,957
Grant revenue	42,184,646	36,494,181	5,690,465	15.6%	27,209,672
Administrative fees	8,621,728	7,670,438	951,290	12.4%	5,730,102
Interest on loans	56,663,765	47,590,234	9,073,531	19.1%	41,142,152
Interest on investments	1,343,523	2,890,591	(1,547,068)	(53.5%)	10,927,088
Operating revenue	**120,536,039**	**147,025,175**	**(26,489,136)**	**(84.1%)**	**221,302,971**
Grant expense	60,106,858	59,785,212	321,646	0.5%	26,380,010
Bond issuance costs	1,840,185	1,467,625	372,560	25.4%	637,662
Professional services	4,727,242	3,642,941	1,084,301	29.8%	3,965,930
Salaries and benefits	3,808,883	3,860,504	(51,621)	(1.3%)	3,202,869
Interest expense	55,622,227	49,554,750	6,067,477	12.2%	45,548,181
Other expense	1,911,215	2,208,820	(297,605)	(13.5%)	1,951,989
Expenses	**128,016,610**	**120,519,852**	**7,496,758**	**53.1%**	**81,686,641**
Operating income	(7,480,571)	26,505,323	(33,985,894)	13.8%	139,616,330
Gain (loss) on investments	6,758,315	(8,205,430)	14,963,745	0.0%	-
Income (loss) before transfers	**(722,256)**	**18,299,893**	**(19,022,149)**	**(103.9%)**	**139,616,330**
Transfers to other agencies	(8,070,530)	(12,687,198)	4,616,668	(36.4%)	37,328,353
Increase (decrease) in net assets	**(8,792,786)**	**5,612,695**	**(14,405,481)**	**(256.7%)**	**102,287,977**
Net assets, beginning of year (restated)	**394,142,421**	**388,529,726**	**5,612,695**	**1.4%**	**286,241,749**
Net assets, end of year	**$ 385,349,635**	**$ 394,142,421**	**$ (8,792,786)**	**(2.2%)**	**$ 388,529,726**

Analysis of the Authority's overall financial position and results of operations

- The Authority's unrestricted cash grew by $8.5 million in 2010 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 $105.6 million in 2010, primarily due to drawdowns of loans funded in the prior year and $27.1 million in grant program expenditures of funds appropriated by the legislature in previous years for local road construction projects (the "GRIP II" program).

- Loans receivable increased by $139.0 million in 2010 primarily as a result of new loans made during the year totaling $212.2 million less loan payments received of $73.2 million.

- Bonds payable increased by $100.8 million in 2010 resulting from the issuance of $172.3 million of new bonds, principal payments on outstanding bonds of $70.6 million, and amortization of bond premium of $0.9 million.

- The Authority's revenues decreased by $26.5 million in 2010 compared to 2009. The decline was principally due to a $40.7 million decrease in appropriation revenue amounts from the state legislature, which included the reversion to the state's general fund of $21 million of revenues appropriated to the Authority in previous years. Other components of revenues increased, including a $9.1 million increase in interest on loans, a $5.7 million increase in grant revenues, and a $957 thousand increase in administrative fee revenue. Interest earnings from investments decreased by $1.5 million resulting from market conditions in the fixed income markets.

- The Authority's net assets decreased by $8.8 million in 2010.

- During fiscal year 2010, the Authority invested, net of depreciation, a total of $273,500 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 2010, the total amount outstanding was $1.20 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 $172.3 million in PPRF debt, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Authority Programs

The Authority accounts for each of its programs as a separate fund, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund is highlighted in the following discussion 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 882 loans totaling $1.77 billion.

The PPRF makes loans of less than $5 million from its own funds on hand. It then replenishes 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 at the same time a reimbursement bond issue closes, thus ensuring a precise matching of loan and bond interest rates.

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 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Cash and cash equivalents	$ 104,334,458	$ 99,584,576	$ 4,749,882	4.8%	$ 78,584,787
Restricted	194,585,959	252,786,821	(58,200,862)	(23.0%)	260,492,357
Accounts receivable	15,355,772	16,111,757	(755,985)	(4.7%)	21,930,398
Loans receivable, net of allowance	1,175,365,082	1,050,541,321	124,823,761	11.9%	1,000,026,726
Intergovernmental receivables	124,242,525	127,848,087	(3,605,562)	(2.8%)	122,760,000
Capital assets	273,500	-	273,500	100.0%	-
Other assets	11,080,562	10,992,276	88,286	0.8%	11,095,194
Total assets	**$ 1,625,237,858**	**$ 1,557,864,838**	**$ 67,373,020**	**100.0%**	**$ 1,494,889,462**
Accounts payable and accrued liabilities	$ 5,511,698	$ 4,678,201	$ 833,497	17.8%	$ 4,586,196
Undisbursed loan proceeds	115,755,854	181,136,484	(65,380,630)	(36.1%)	196,132,082
Borrowers' debt service and reserve deposits	72,262,720	65,813,605	6,449,115	9.8%	61,027,236
Bonds payable, net	1,206,727,970	1,102,203,109	104,524,861	9.5%	1,041,962,633
Total liabilities	**1,400,258,242**	**1,353,831,399**	**46,426,843**	**3.4%**	**1,303,708,147**
Net assets					
Invested in capital assets	273,500	118,026	155,474	(37.4%)	188,451
Restricted for program funds	121,455,776	105,344,348	16,111,428	(6.9%)	113,209,182
Unrestricted	103,250,340	98,571,065	4,679,275	26.7%	77,783,682
Total net assets	**224,979,616**	**204,033,439**	**20,946,177**	6.3%	**191,181,315**
Total liabilities and net assets	**$ 1,625,237,858**	**$ 1,557,864,838**	**$ 67,373,020**	**2.5%**	**$ 1,494,889,462**

New Mexico Finance Authority
Public Projects Revolving Fund
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30

	FY 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Interest income					
Loans	$ 53,236,068	$ 45,103,592	$ 8,132,476	18.0%	$ 38,683,071
Investments	1,147,112	1,118,311	28,801	2.6%	4,978,951
Total interest income	**54,383,180**	**46,221,903**	**8,161,277**	**17.7%**	**43,662,022**
Interest expense					
Bonds	53,958,237	47,591,765	6,366,472	13.4%	42,290,093
Short-term borrowing	124,354	60,833	63,521	104.4%	944,596
Total interest expense	**54,082,591**	**47,652,598**	**6,429,993**	**13.5%**	**43,234,689**
Net interest income (expense)	300,589	(1,430,695)	1,731,284	(121.0%)	427,333
Less provision for loan losses	445,867	299,113	146,754	49.1%	400,123
Net interest income (expense) after provision for loan losses	**(145,278)**	**(1,729,808)**	**1,584,530**	**(91.6%)**	**27,210**
Loan administration fees	4,212,544	4,689,716	(477,172)	(10.2%)	2,786,246
Appropriation revenues	24,314,901	25,645,568	(1,330,667)	(5.2%)	27,341,776
Total noninterest income	**28,527,445**	**30,335,284**	**(1,807,839)**	**(6.0%)**	**30,128,022**
Salaries and benefits	2,169,436	2,215,043	(45,607)	(2.1%)	1,907,427
Professional services	2,423,425	2,020,995	402,430	19.9%	2,953,662
Bond issuance costs	1,752,742	1,190,439	562,303	47.2%	515,580
(Gain) loss on investments	(3,089,577)	3,729,142	(6,818,719)	100.0%	-
Other	846,619	869,286	(22,667)	(2.6%)	824,638
Total noninterest expense	**4,102,645**	**10,024,905**	**(5,922,260)**	**(59.1%)**	**6,201,307**
Excess of revenue over expenses	**24,279,522**	**18,580,571**	**5,698,951**	**30.7%**	**23,953,925**
Transfers from (to) other funds or agencies	**(3,333,344)**	**(5,728,447)**	**2,395,103**	**(41.8%)**	**(31,175,038)**
Increase (decrease) in fund net assets	**20,946,178**	**12,852,124**	**8,094,054**	**63.0%**	**(7,221,113)**
Net assets, beginning of year	**204,033,439**	**191,181,315**	**12,852,124**	**6.7%**	**198,402,428**
Net assets, end of year	**$ 224,979,617**	**$ 204,033,439**	**$ 20,946,178**	**10.3%**	**$ 191,181,315**

Analysis of the PPRF's overall financial position and results of operations:

Loan volume:

	2010	2009	Since Inception
Amount of loans made	$195.2 million	$121.6 million	$1.770 billion
Number of loans made	92	82	882
Average loan size	$2.1 million	$1.5 million	$2.0 million

Both average loan size and the number of loans made in 2010 increased from the previous year.

Loans receivable:

There were no defaults on PPRF loans during 2010 and no delinquencies as of June 30, 2010, or at the date of these financial statements.

Bond issuance:

During fiscal 2010, the PPRF issued 4 series of bonds, with a total par value of $172.3 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. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2010, the PPRF had net interest expense of $138 thousand, an improvement from $1.7 million in 2009.

Recovery of investment loss:

In 2009, management recorded an estimated loss of $3.7 million on a money market mutual fund in which the PPRF had invested. During 2010, the PPRF received liquidating distributions of $3 million, resulting in an overall actual, realized loss on this investment of approximately $700 thousand.

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 $23,053,051 in 2010, a $1,558,613 increase from the $21,494,438 received in 2009. The GGRT 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.

Other Programs:

The PPRF accounts for a large portion of total Authority activity. At June 30, 2010 and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	$1.6 billion	$1.8 billion	88.9%
Net assets	$225.0 million	$385.3 million	58.4%
Revenues	$82.9 million	$120.5 million	68.8%

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 2010 and 2009 was as follows:

	FY 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase /	FY 2008
Drinking Water Revolving Loan Fund	$ 13,319,573	$ 22,139,294	$ (8,819,721)	(39.8%)	$ 10,298,773
Local Transportation Infrastructure Fund	1,189,778	969,543	220,235	22.7%	181,475
Water Projects Fund	33,026,435	22,728,950	10,297,485	45.2%	19,338,532
Economic Development Fund	1,650,000	222,447	1,427,553	641.7%	202,796
Local Government Transportation Fund	27,011,683	34,827,691	(7,816,008)	(22.4%)	4,596,088
Child Care Revolving Loan Fund	6,938	36,466	(29,528)	(81.0%)	-
Behavioral Health Cigarette Tax Revenue Bond Fund	69,578	471,509	(401,931)	(85.2%)	-
Water and Wastewater Project Grant Fund	537,448	3,210,290	(2,672,842)	(83.3%)	2,164,356
Local Government Planning Grant Fund	207,842	268,420	(60,578)	(22.6%)	205,625
Total Assets	**$ 77,019,275**	**$ 84,874,610**	**$ (7,855,335)**	**(9.3%)**	**$ 36,987,645**

The decrease in loan volume for the Drinking Water Revolving Loan Fund resulted from the Authority's concentration of effort on the funds it received for the American Recovery and Reinvestment Act ("ARRA") under the federal government's economic stimulus program. The intensive effort required to quickly deploy the ARRA funds necessitated a slowdown in the activities of the regular Drink Water program.

The increased funding of Water Projects Fund projects resulted primarily from a policy change that requires, as a condition for approval, that a project be ready to begin construction immediately upon approval. This policy change significantly accelerated the funding process.

The decline in grant volume for the Local Government Transportation Fund occurred because most of the funds were appropriated to the Authority on a one-time basis. Most of the funds have been expended, and the program is in its final stages.

Similar to the Local Government Transportation Fund, the decrease in the Water and Wastewater Project Grant Fund grant activity reflects the fact that the program has expended the majority of the one-time appropriation received from the state legislature and is nearing the end of its program life.

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 its first award of tax credits for $15.5 million. During 2010, the Authority made two additional awards totaling $30.4 million. Subsequent to June 30, 2010, the Authority has made one additional award of $12.5 million. 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. Substantial additional information is available on the Authority's website at www.nmfa.net. 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, 2010 and 2009

	2010	As Restated 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 120,385,376	$ 111,877,869
Restricted cash	268,285,157	373,898,180
Tax revenue receivable	-	2,080,571
Interest receivable	9,798,410	8,248,801
Grant and other receivable	4,371,646	5,910,474
Administrative fees receivable	560,875	405,245
Loans receivable, net of allowance	74,586,190	64,956,975
Intergovernmental receivables	147,842,525	154,793,087
Restricted asset - escrow	821,293	659,798
Other assets	57,442	59,029
Total current assets	626,708,914	722,890,029
NONCURRENT ASSETS		
Loans receivable, less current portion	1,177,536,039	1,048,651,675
Capital assets, net of depreciation	273,500	197,828
Deferred cost, net of accumulated amortization	10,919,313	10,960,349
Total noncurrent assets	1,188,728,852	1,059,809,852
TOTAL ASSETS	$ 1,815,437,766	$ 1,782,699,881
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 2,787,600	$ 1,556,821
Accrued payroll	161,996	169,996
Compensated absences	210,339	226,830
Fund held for others	116,283,533	182,920,935
Accrued interest	4,402,934	3,857,403
Due to other state agencies	-	800,000
Debt service payable	72,521,339	66,071,327
Bonds payable, current, net	65,371,000	57,878,000
Total current liabilities	261,738,741	313,481,312
NONCURRENT LIABILITIES		
Bonds payable, noncurrent, net	1,168,349,390	1,075,076,148
Total noncurrent liabilities	1,168,349,390	1,075,076,148
Total liabilities	1,430,088,131	1,388,557,460
NET ASSETS		
Invested in capital assets	273,500	197,828
Restricted for debt service	8,996,558	8,962,319
Restricted for program funds	256,256,427	274,378,249
Unrestricted	119,823,150	110,604,025
Total net assets	385,349,635	394,142,421
TOTAL LIABILITIES AND NET ASSETS	$ 1,815,437,766	$ 1,782,699,881

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

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	As Restated 2009
OPERATING REVENUES		
Appropriation revenue	$ 11,722,377	$ 52,379,731
Grant revenue	42,184,646	36,494,181
Administrative fees	8,621,728	7,670,438
Interest on loans	56,663,765	47,590,234
Interest on investments	1,343,523	2,890,591
Total operating revenues	120,536,039	147,025,175
OPERATING EXPENSES		
Grant expense	60,106,858	59,785,212
Bond issuance costs	1,840,185	1,604,245
Administrative fee	217,298	241,866
Professional services	4,727,242	3,642,941
Salaries and fringe benefits	3,808,883	3,860,505
In-state travel	80,602	118,950
Out-of-state travel	37,399	57,960
Operating costs	932,221	958,017
Provision for loan losses	445,867	619,113
Interest expense	55,622,227	49,418,130
Total operating expenses	127,818,782	120,306,939
Operating income (loss) before depreciation	(7,282,743)	26,718,236
Depreciation	197,828	212,913
Total operating income (loss)	(7,480,571)	26,505,323
NON-OPERATING REVENUES (EXPENSES)		
Gain (loss) on investments	6,758,315	(8,205,430)
Income (loss) before transfers	(722,256)	18,299,893
TRANSFERS		
Transfers to other state agencies	(8,070,530)	(12,687,198)
CHANGE IN NET ASSETS	(8,792,786)	5,612,695
TOTAL NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	394,142,421	388,529,726
TOTAL NET ASSETS, END OF YEAR	$ 385,349,635	$ 394,142,421

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

Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	As Restated 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for employee services	$ (3,833,373)	$ (3,775,777)
Cash paid to vendors for services	(5,870,202)	(4,493,174)
Bond issuance costs	(1,631,038)	(970,680)
Interest expense paid	(56,075,453)	(49,730,361)
Grants disbursed	(60,086,913)	(59,773,985)
Appropriation revenue	43,877,271	74,008,121
Cash received from federal government for revolving loans	14,013,108	21,221,852
Interest income received	56,457,679	50,623,817
Administrative fees received	8,348,077	7,838,452
Transfers from other funds	-	24,029
Net cash flows provided by (used in) operating activities	(4,800,844)	34,972,294
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash paid for services	(8,070,533)	(12,687,198)
Cash provided (used) by funds held for others	(66,900,796)	(14,800,764)
Net cash used in noncapital financing activities	(74,971,329)	(27,487,962)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Investment in partnership	(99,010)	(1,550)
Loans funded	(212,138,492)	(155,191,967)
Loan payments received	80,129,608	88,809,874
Bonds issued	172,345,000	114,335,000
Payment of bonds	(70,580,000)	(65,795,000)
Debt service	6,524,733	4,426,927
Loss on investmetns	-	(8,205,430)
Recovery payments from loss on investments	6,758,315	-
Capital asset purchase	(273,500)	(32,758)
Net cash used in capital financing activities	(17,333,346)	(21,654,904)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(97,105,519)	(14,170,572)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	485,776,052	499,946,624
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 388,670,533	$ 485,776,052
CASH FLOWS FROM OPERATING ACTIVITIES		
Total operating income (loss)	$ (7,480,571)	$ 26,505,323
Adjustments to reconcile cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	(626,434)	144,857
Net transfers	-	-
(Increase) decrease in prepaids and receivables	907,916	5,640,416
Increase (decrease) in payables and other accrued liabilities	2,398,245	2,681,698
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (4,800,844)	$ 34,972,294

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

Agency Funds – Statement of Assets and Liabilities
Year Ended June 30, 2010

ASSETS	
Cash at Trustee:	
Program funds	$ 56,874,675
Expense funds	47,824
Bond reserve funds	42,204,406
TOTAL ASSETS	$ 99,126,905
LIABILITIES	
Accounts payable	$ 1,585,452
Debt service payable	49,575,286
Funds held for the NM Department of Transportation	47,966,167
TOTAL LIABILITIES	$ 99,126,905

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 (the Authority). The purpose of the New Mexico Authority Act (the 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 other 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 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 Authority is subject to the Open Meetings Act and the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Authority is exempt 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 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 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 record its assets, liabilities, net assets, revenues, expenditures or expenses and other financing transactions.

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 Program – 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 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 set 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 the 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 provide 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 – Provides 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.

- **Agency Funds**

Agency Funds are used to report resources held by the Authority in a purely custodial capacity. These funds result from transactions associated with the Authority acting as fiscal agent for the New Mexico Department of Transportation ("Department") on several of the Department's bond transactions. The amounts reflected as Agency Funds do not belong to the Authority and are held in separate accounts on the Authority's books in the name of the Department. Accordingly, all assets held and reported in the Agency Fund are offset by a liability to the Department on whose behalf the funds are being held.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Expenditures 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.

- **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 based on factors including payment history and economic factors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Loans Receivable**

Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. 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, 2010 and 2009, the allowance for loan losses was $2,132,950 and $1,687,083, respectively.

- **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. No allowance has been established as all such receivables are considered collectable.

- **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 individually 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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

- **Compensated Absences**

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

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

- **Undisbursed Loan Proceeds**

Undisbursed loan proceeds represent loan proceeds held by the Trustee which are awaiting disbursement to the loan recipient. 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 loans of the PPRF program.

- **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 borrower. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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.

- **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 are reported 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 to the current year presentation.

- **New Accounting Pronouncements**

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* became 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. While the Authority has entered into interest rate exchange agreements in its role as agent for the Department of Transportation, the derivative instruments are not considered to be transactions of the Authority, are not reflected in the financial statements of the Authority, and are not, therefore subject to the requirements of GASB Statement No. 53.

The Authority also adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* GASB No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets and recognized in the statement of net assets only if considered identifiable. Existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. For fiscal year 2010 the Authority did not have any intangible assets subject to GASB Statement No. 51.

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.

	2010	2009
State Treasurer Local Government Investment Pool	$110,742,870	$139,875,817
The Primary Care Capital Fund held at the State Treasurer's Office	2,230,037	1,660,605
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts	71,585,834	98,589,410
Bank of Albuquerque trust accounts	645,733	236,140,975
Bank of New York Mellon	168,041,218	-
Reserve on Bond Payable held in Bank of America	-	279,359
Wells Fargo operating accounts	35,424,841	7,974,376
Cash held at The Reserve Primary money market fund	-	1,255,507
Total	$388,670,533	$485,776,049

Cash and cash equivalents are reflected in the Statements of Net Assets as follows:

	2010	2009
Cash and cash equivalents	$120,385,376	$111,877,869
Restricted cash	268,285,157	373,898,180
Total	$388,670,533	$485,776,049

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, 2010, are valued at $110,742,870 with a 50-day Weighted Average Maturity (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. There were no concentrations meeting this criteria at June 30, 2010.

2. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE (CONTINUED)

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 2009	Additions	Payments	2010
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,051,908,405	$ 195,206,131	$ 69,936,504	$ 1,177,178,032
Drinking Water State Revolving Loans	1 to 30	0% to 4%	51,848,151	10,384,433	2,002,402	60,230,182
Drinking Water State Revolving Loans - ARRA	1 to 20	1%	-	149,250	-	149,250
Primary Care Capital Fund Loans	10 to 20	3%	6,094,410	-	530,824	5,563,586
Water Projects Fund Loan Grants	10 to 20	0%	2,270,908	4,672,162	441,904	6,501,166
Smart Money Participation Loans	3 to 20	2% to 5%	1,979,429	1,650,000	82,205	3,547,224
Behavioral Health Care Loan	15	3%	337,455	-	33,207	304,248
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	471,509	100,000	30,422	541,087
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	349,000	-	152,000	197,000
Child Care Revolving Loans	8	3%	36,466	12,155	5,217	43,404
		Subtotals	1,115,295,733	212,174,131	73,214,685	1,254,255,179
		Less: Allowance for loan losses	(1,687,083)	(445,867)	-	(2,132,950)
		Totals	$ 1,113,608,650	$ 211,728,264	$ 73,214,685	$ 1,252,122,229

3. LOANS RECEIVABLE (CONTINUED)

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

The following is a summary of the future loan payments to be collected on the loan repayment schedules as of June 30, 2010.

Totals – Loans Receivable, Net of Allowance

	Principal	Interest	Total
Fiscal year ending June 30:			
2011	$ 74,586,190	$ 48,935,486	$ 123,521,676
2012	78,507,411	46,562,518	125,069,929
2013	81,316,645	44,091,016	125,407,661
2014	80,120,182	41,380,786	121,500,968
2015	80,005,507	38,634,535	118,640,042
2016 - 2020	361,038,692	151,129,570	512,168,262
2021 - 2025	265,113,570	87,549,431	352,663,001
2026 - 2030	142,029,480	39,944,203	181,973,683
2031 - 2035	73,532,842	15,160,783	88,693,625
2036 - 2040	18,004,660	1,598,680	19,603,340
Subtotals	1,254,255,179	$ 514,987,008	$ 1,769,242,187
Less: Allowance for loan losses	(2,132,950)		
Loans receivable, net	$ 1,252,122,229		

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.

At June 30, 2010, the intergovernmental receivables are comprised of the following:
The intergovernmental receivables activity for the year ending June 30, 2010 was as follows:

State Entity	Revenue Pledge	Rates	Terms	As Restated 2009	Payments	2010	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.0%	06/01/25	$ 49,030,000	$ 2,080,000	$ 46,950,000	$ 2,180,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.875% to 5.0%	06/01/25	23,630,000	-	23,630,000	-
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.0%	06/01/36	47,430,000	715,000	46,715,000	745,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.0%	04/01/19	19,855,000	2,450,000	17,405,000	2,350,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	04/01/19	7,758,087	810,562	6,947,525	796,285
Workers' Compensation Adminstration	Workers' Compensation administrative fee	5.35% to 5.60%	09/01/16	2,315,000	235,000	2,080,000	250,000
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	3.875% to 5.0%	06/01/25	4,775,000	660,000	4,115,000	710,000
			Totals	$ 154,793,087	$ 6,950,562	$ 147,842,525	$ 7,031,285

The following is a summary of the future loan payments to be collected on the intergovernmental receivables as of June 30, 2010.

	Principal	Interest	Total
Fiscal year ending June 30:			
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	7,656,438	5,820,394	13,476,832
2016 - 2020	37,401,777	23,787,679	61,189,456
2021 - 2025	44,395,000	14,111,813	58,506,813
2026 - 2030	11,505,000	6,290,750	17,795,750
2031 - 2035	14,755,000	3,142,500	17,897,500
2036 - 2040	3,420,000	171,000	3,591,000
Intergovernmental receivables	$ 147,842,525	$ 80,133,485	$ 227,976,010

5. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2009	Additions	Adjustments/ Deletion	Balance June 30, 2010
Depreciable assets:				
Furniture and fixtures	$ 198,802	$ 5,518	$ -	$ 204,320
Computer hardware and software	566,294	267,982	-	834,276
Machinery and equipment	49,117	-	-	49,117
Leasehold improvement	48,490	-	-	48,490
	862,703	273,500	-	1,136,203
Accumulated depreciation:				
Furniture and fixtures	(159,733)	(39,070)	-	(198,803)
Computer hardware and software	(426,720)	(139,573)	-	(566,293)
Machinery and equipment	(39,464)	(9,653)	-	(49,117)
Leasehold improvement	(38,958)	(9,532)	-	(48,490)
	(664,875)	(197,828)	-	(862,703)
Net total	$ 197,828	$ 75,672	$ -	$ 273,500

	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	49,117	-	-	49,117
Leasehold improvement	48,490	-	-	48,490
	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

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, Workers' Compensation Fees and Income from Land Grant Permanent Fund.

6. BONDS PAYABLE (CONTINUED)

Bonds payable consist of the following at June 30:

Bond Series	Rate	Maturities	2010	2009
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
1999 B	4.60% to 5.00%	June 1, 2010 to June 1, 2018	-	945,000
1999 C	6.05% to 6.60%	June 1, 2010 to June 1, 2018	-	420,000
1999 D	6.25% to 6.80%	June 1, 2010 to June 1, 2018	-	1,740,000
2002 A	4.30% to 5.00%	June 1, 2010 to June 1, 2023	14,610,000	16,345,000
2003 A	3.40% to 4.75%	June 1, 2010 to June 1, 2032	18,808,000	20,326,000
2003 B	4.25% to 5.00%	June 1, 2010 to June 1, 2021	14,865,000	17,145,000
2004 A-1	2.80% to 4.63%	June 1, 2010 to June 1, 2031	14,350,000	17,090,000
2004 A-2	4.40% to 5.88%	June 1, 2010 to June 1, 2027	12,045,000	12,485,000
2004 B-1	4.00% to 5.38%	June 1, 2010 to June 1, 2033	30,505,000	33,345,000
2004 B-2	5.63% to 6.00%	June 1, 2010 to June 1, 2018	1,020,000	1,020,000
2004 C	3.25% to 5.25%	June 1, 2010 to June 1, 2024	128,895,000	139,140,000
2005 A	4.00% to 4.25%	June 1, 2010 to June 1, 2025	12,045,000	13,505,000
2005 B	3.50% to 4.25%	June 1, 2010 to June 1, 2020	10,375,000	12,145,000
2006 B	4.00% to 5.00%	June 1, 2010 to June 1, 2036	33,635,000	35,050,000
2006 D	4.25% to 5.00%	June 1, 2010 to June 1, 2036	49,965,000	50,885,000
2007 E	4.00% to 5.00%	June 1, 2010 to June 1, 2032	53,005,000	56,395,000
2008 A	3.00% to 5.00%	June 1, 2010 to June 1, 2038	149,240,000	153,720,000
2008 B	4.00% to 5.25%	June 1, 2010 to June 1, 2035	32,745,000	34,535,000
2008 C	3.25% to 6.00%	June 1, 2010 to June 1, 2033	27,575,000	28,620,000
2009 A	2.00% to 5.00%	June 1, 2010 to June 1, 2038	17,685,000	18,435,000
2009 B	2.50% to 5.50%	June 1, 2010 to June 1, 2039	30,115,000	30,225,000
2009 C	2.5% to 5.25%	June 1, 2011 to June 1, 2029	53,785,000	-
2009 D-1	3.0% to 4.5%	June 1, 2011 to June 1, 2030	13,215,000	-
2009 D-2	1.81% to 6.07%	June 1, 2011 to June 1, 2036	38,845,000	-
2009 E	3.0% to 4.5%	June 1, 2011 to June 1, 2019	32,425,000	-
2010 A-1	2.0% to 4.5%	June 1, 2011 to June 1, 2034	15,170,000	-
2010 A-2	3.777% to 6.406%	June 1, 2011 to June 1, 2027	13,795,000	-
			818,718,000	698,991,000
Public Project Revolving Fund Revenue Bonds – Subordinate Lien				
2005 C	3.625% to 5.00%	June 15, 2010 to June 15, 2025	46,950,000	49,030,000
2005 E	3.88% to 5.00%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	4.00% to 5.00%	June 15, 2010 to June 15, 2025	19,640,000	20,095,000
2006 A	4.00% to 5.00%	June 15, 2010 to June 15, 2035	47,240,000	48,180,000
2006 C	4.00% to 5.00%	June 15, 2010 to June 15, 2026	34,295,000	35,760,000
2007 A	4.00% to 5.00%	June 15, 2010 to June 15, 2027	27,930,000	30,440,000
2007 B	4.25% to 5.00%	June 15, 2010 to June 15, 2034	32,140,000	34,175,000
2007 C	4.25% to 5.25%	June 15, 2010 to June 15, 2027	120,190,000	125,045,000
			352,015,000	366,355,000
	Subtotals – PPRF Bonds		1,170,733,000	1,065,346

6. BONDS PAYABLE (CONTINUED)

Bond Series	Rate	Maturities	2010	2009
Pooled Equipment Certificates of Participation (COPS)				
1995 A	6.30% to 6.30%	Oct. 1, 2010 to Oct. 1 , 2015	$ 152,000	$ 172,000
1996 A	5.80% to 5.80%	April 1, 2010 to April 1, 2016	45,000	51,000
1996 B	5.90% to 5.90%	April 1, 2010 to April 1, 2012	-	126,000
		Subtotals	197,000	349,000
Worker's Compensation Administration Building Revenue Bonds				
1996	5.45% to 5.60%	Sept. 1, 2010 to Sept. 1, 2016	2,080,000	2,315,000
State Capitol Building Improvement Revenue Bonds				
1999	7.00%	Sept. 15, 2009 to Mar 15, 2015	4,115,000	4,775,000
Cigarette Tax Revenue Bonds – UNM Health Sciences Center Project				
2004 A	3.00% to 5.00%	April 1, 2010 to April 1, 2019	17,405,000	19,855,000
Cigarette Tax Revenue Bonds – Behavioral Health Projects				
2006	5.51%	May 1, 2010 to May 1, 2026	2,000,000	2,125,000
	Total bonds outstanding		1,196,530,000	1,094,765,000
	Add: Net unamortized premium		38,811,216	39,917,386
	Less: Deferred charge on refundings		(1,620,826)	(1,728,238)
	Total bonds payable, net		1,233,720,390	1,132,954,148
	Less: Current portion of bonds payable		(65,371,000)	(57,878,000)
	Noncurrent portion of bonds payable		$ 1,168,349,390	$ 1,075,076,148

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2011	$ 65,371,000	$ 57,291,212	$ 122,662,212
2012	69,605,000	54,546,433	124,151,433
2013	72,107,000	51,575,248	123,682,248
2014	71,744,000	48,365,689	120,109,689
2015	73,350,000	45,103,237	118,453,237
2016 - 2020	335,443,000	176,152,918	511,595,918
2021 - 2025	274,880,000	100,492,377	375,372,377
2026 - 2030	130,260,000	44,900,485	175,160,485
2031 - 2035	83,685,000	17,994,424	101,679,424
2036 - 2039	20,085,000	1,853,953	21,938,953
	1,196,530,000	$ 598,275,976	$ 1,794,805,976
Add: Unamortized premium	38,811,216		
Less: Deferred charge on refunding	(1,620,826)		
Bonds payable, net	$ 1,233,720,390		

6. BONDS PAYABLE (CONTINUED)

The bonds payable activity for the years ending June 30, 2010 and 2009 was as follows:

	2010				
	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$1,094,765,000	$172,345,000	$ (70,580,000)	$1,196,530,000	$ 65,371,000
Add: Unamortized premium	39,917,386	1,245,562	(2,351,732)	38,811,216	-
Less: Deferred charge on refunding	(1,728,238)	-	107,412	(1,620,826)	-
Total	$1,132,954,148	$173,590,562	$ (72,824,320)	$1,233,720,390	$ 65,371,000

	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

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 a 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 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 borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. Debt service payable was $72,521,339 and $66,071,327 at June 30, 2010 and 2009, 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 LIBOR rate at June 30, 2010 and 2009 were .348448 and .308758, respectively. 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, 2010 and 2009.

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, 2010 and 2009 were $379,044 and $330,506, respectively.

Future minimum lease payments for these leases are as follows:

Years ending June 30:	
2011	$ 389,595
2012	384,135
2013	384,135
2014	384,135
2015	266,727
Total	$ 1,808,727

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 $435,373 and $417,088 for the years ended June 30, 2010 and 2009, 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, 2010 and 2009 were $38,135 and $43,823, respectively.

11. COMPENSATED ABSENCES

The following changes occurred in the compensated absences liabilities:

Balance, June 30, 2008	$ 200,238
Additions	219,655
Deletions	(193,063)
Balance June 30, 2009	226,830
Additions	222,400
Deletions	(238,891)
Balance June 30, 2010	$ 210,339

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 through June 30, 2009, a loss of $8.2 million, the entire unrecovered balance, was recorded in the Statement of Revenues, Expenses, and Changes in Net Assets. In fiscal year 2010, the Authority received funds from the liquidation process totaling $6.8 million, leaving a maximum potential loss of $1.4 million.

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.

Loan Prepayment and Bond Call Provisions

Certain loans included in loans receivable contain provisions that allow for prepayment of the loan after one year whereas the related bond used to fund the loan cannot be called for up to 10 years. In the event of a loan prepayment prior to the tenth year, the Authority's bond indenture requires the substitution of a loan with similar cash flow characteristics or the defeasance of the related bond. If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow with respect to the prepayment transaction. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. This variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately $593 million and the related bonds total approximately $473 million at June 30, 2010. Loans totaling approximately $82 million have exercised this call provision subsequent to year end.

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.

14. CONTINGENCIES (CONTINUED)

During the year, there were no significant reductions in commercial insurance coverage. For the past five years, no insurance settlements exceeded commercial insurance coverage.

Obligating Events

For fiscal year 2010, the Authority has not committed or been the subject of any obligating events which would result in an accrued liability or capitalized asset, including environmental remediation.

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 $171,901,266.

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.

In revising the financial statements, certain errors were noted that have also been corrected in this restatement. These errors included reporting of escrows for defeased bonds, intergovernmental receivables not recorded, and defeased bonds recorded in error. The net change in net assets was an increase of $162,373,702 as a result of this restatement.

17. SUBSEQUENT EVENTS

The following is a summary of loans and bonds that have closed since the Statement of Net Assets date as of June 30, 2010:

- Closed 50 loans totaling $115,370,742 in the Public Project Revolving Fund program.
- Issued one Public Project Revolving Fund Revenue Bond totaling $56,210,000.
- Closed three loans for the Drinking Water State Revolving Fund totaling $2,045,145.
- Closed 23 loan/grant projects totaling $19,677,476 out of the Water Projects Fund.

18. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will become effective for the Authority in fiscal 2011. 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. The Authority is in the process of assessing the impact of the Statement on its financial reporting practices.

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 2011C Bonds, copies of the Indenture will be available at the principal office of the Financial Advisor. Subsequent to the offering of the Series 2011C 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.

"Annual Common Debt Service Reserve Deposit Amount" means the lesser of (a) the positive difference, if any, between the Required Common Debt Service Reserve Funding Level and the amount then on deposit in the Common Debt Service Reserve (and if there is no positive difference, then the amount under this clause (a) shall be deemed to be zero), and (b) twenty-five percent (25%) of the remaining NMFA Portion of the Governmental Gross Receipts Tax for a given Bond Fund Year that was distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture, through the process described in the Indenture.

"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 2011C Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Eighty-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 2011C Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2011C Bonds and otherwise exercise ownership rights with respect to Series 2011C 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 2011C Bonds.

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

"Common Debt Service Reserve Fund" means the fund by that name which is created and established by the Indenture.

"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 2011C 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 Fund and the Accounts created in therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, the Bond Fund, and the Common Debt Service Reserve 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 2011C Bonds, each June 1 and December 1, commencing June 1, 2012.

"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.

"Maximum Debt Service Year" means the Bond Fund Year in which the aggregate annual Principal Component and Interest Component due in relation to all Loans is at its greatest, less any reserves, sinking fund redemption deposits or other funds deposited with the Trustee to the extent such reserves, sinking fund redemption deposits or funds may be used as a matter of right for such payments (as opposed to other reserves that are available for the payment of debt service solely in the event of non-performance of a party), for the payment of the Principal Component and Interest Component due, provided, however, amounts within the Agreement Reserve Fund shall in no event be accounted for in any calculation of the Maximum Debt Service Year.

"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 2011C 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 2011C Bonds as Securities Depository.

"Paying Agent," when used with respect to the Series 2011C Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2011C 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 Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund, the Rebate Fund, and the Common Debt Service Reserve 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) U.S. 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(f)(2) of the Code and defined as "Rebate Amount"

in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 2011C 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.

"Required Common Debt Service Reserve Funding Level" means an amount (unless amended pursuant to the provisions of this definition of Required Common Debt Service Reserve Funding Level), rounded up to the nearest thousand dollars, equal to the sum of:

(i) 0% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans secured by revenue pledges classified by the NMFA as fire protection fund, law enforcement protection fund, governmental gross receipts tax, or state gross receipts tax (collectively, "Risk Group One");

(ii) 20% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as general obligation, limited mill levy (limited general obligation), or gross receipts tax (other than governmental gross receipts tax, or state gross receipts tax) (collectively, "Risk Group Two");

(iii) 35% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as enterprise system revenues, special assessments or a local special tax such as a lodgers' tax, cigarette tax, gasoline tax, special fuel excise tax, pari-mutuel tax, or court facilities fees (collectively, "Risk Group Three," and together with Risk Group One and Risk Group Two, "Risk Groups").

Pursuant to the following provisions, the NMFA may revise the method of calculating the Required Common Debt Service Reserve Funding Level. The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, add or revise revenue pledge categories in addition to those included above. New revenue pledge categories either may be included in one of the three Risk Groups identified above or included in a new Risk Group established using a different Risk Group calculation percentage (a "Factor"). The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, adjust the funding percentages of the Risk Group Factors, adjust the Risk Group in which a revenue pledge is categorized and add or revise revenue pledge categories within Risk Groups as to any future Bond issuances. As to any Bonds outstanding at the time a supplemental indenture as described above is entered into, the Risk Groups and Risk Group Factors as they existed prior to the supplemental indenture shall continue to be applied to such Bonds. In the event of any adjustment pursuant to a supplemental indenture whereby the Required Common Debt Service Reserve Level is decreased over time below the amount that is currently on deposit in the Common Debt Service Reserve Fund, then as provided in the Indenture, the excess amount shall remain on deposit in the Common Debt Service Reserve Fund unless used for shortfalls in any Governmental Unit's Account of the Debt Service Fund, or to redeem or defease Bonds. The NMFA's and the Trustee's ability to enter into supplemental indentures for the foregoing purposes without the consent of the Owners is an integral term and condition of subjecting the Common Debt Service Reserve Fund to the Indenture, and the Trustee is authorized to execute any such supplemental indentures, and the provisions of Article XIII of the Indenture shall not apply to such supplemental indentures as long as such supplemental indentures comply with the terms of this definition of

"Required Common Debt Service Reserve Funding Level." In conjunction with executing such supplemental indentures, the Trustee shall not be required to make any determination as to whether such a supplemental indenture is materially adverse to the interests of the Owners or any other party; whether such a supplemental indenture otherwise is permitted pursuant to Article XIII of the Indenture; or any other determination.

"Revenue Fund" means the Governmental Gross Receipts Tax, Additional Pledged Loan Revenue 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, (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), and (v) all 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 643I(b) of the Code in relation to 'build America bonds' (as such term is defined in such section of the Code).

"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 2011C 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 2011C Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2011C, in an initial aggregate principal amount of $53,400,000.

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

"Subordinated Indenture" means that certain Subordinated General Indenture of Trust and Pledge between the NMFA and The Bank of New York Mellon Trust Company, N.A., as successor trustee to the Bank of Albuquerque, N.A., dated as of March 1, 2005, and all supplemental indentures supplementing or amending such Subordinated Indenture.

"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.

"Original Purchaser" means, with respect to the Series 2011C Bonds, J.P. Morgan Securities LLC.

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 portion of the interest rate, if any, retained by the NMFA in lieu of an upfront payment as an administrative fee for the payment of Program Costs. The administrative fee is calculated as .015% of the loan amount, capped at $75,000, or the NPV equivalent of .015% if the administrative fee is included in the interest rate) 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 Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

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

(e) an Expense Fund;

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

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

(h) a Common Debt Service Reserve Fund.

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

Flow of Funds

All Funds 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, except that Accounts may be consolidated within one or more special trust accounts within funds. Any amount deposited pursuant to a consolidation shall remain traceable and sufficiently distinguishable in relation to each Agreement and Governmental Unit to permit any applicable arbitrage, yield restriction or similar calculations to be made. 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." The following paragraphs supplement that discussion.

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 (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 related Loan Agreement, Grant Agreement or Securities; and (b) any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the relevant Outstanding Series of 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.

Common Debt Service Reserve Fund

Pursuant to a Supplemental Indenture, the NMFA has established the Common Debt Service Reserve Fund, which is currently funded in the amount of $25,478,979 (as of November 15, 2011). The NMFA will determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The NMFA will deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the NMFA of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture. The disbursement of the NMFA Portion of the Governmental Gross Receipts Tax becomes available to the NMFA pursuant to the following process: (i) at the end of each Bond Fund Year, amounts remaining in the Revenue Fund are disbursed to the NMFA pursuant to the Indenture, (ii) pursuant to the Subordinated Indenture, the NMFA is obligated to transfer such amounts to the trustee under the Subordinated Indenture on June 1 of each year, (iii) the trustee under the Subordinated Indenture applies such amounts as required under the Subordinated Indenture, and (iv) the trustee under the Subordinated Indenture transfers the remaining balance of the revenue fund under the Subordinated Indenture to the NMFA on June 16 of each year.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit will be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the NMFA, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the NMFA has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the NMFA will not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount will be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee will transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

If all of the following are true: (i) amounts in the Common Debt Service Reserve Fund have been disbursed to pay Principal Component or and Interest Component due under a Loan Agreement or in relation to Securities, (ii) at a Bond Fund Year end following such disbursement, a portion of the Annual Common Debt Service Reserve Deposit Amount that was funded into the Common Debt Service Reserve Fund was attributable to disbursements that should have been restored by a Governmental Unit prior to such Bond Fund Year end (a "CDSR Restorative Funding"), (iii) the relevant Governmental Unit later came into compliance as to certain delinquent payments that had been covered by Common Debt Service Reserve Fund disbursements (a "CDSR Compliance Restoration"), and (iv) the amount in the Common Debt Service Reserve Fund exceeds the Required Common Debt Service Reserve Funding Level; then no more frequently than every three months, the Trustee, upon the written request of the NMFA (which written request will also certify that the foregoing conditions have been satisfied) will disburse to the NMFA the amount by which aggregate CDSR Compliance Restoration amounts exceed the aggregate CDSR Restorative Funding amounts.

If no Bonds remain outstanding (or all Bonds have been defeased), then upon the request of the NMFA, any amount remaining in the Common Debt Service Reserve Fund will be disbursed by the Trustee to the NMFA, and the disbursed amounts may be used by the NMFA for any purpose described in the Indenture.

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, the Bond Fund or the Common Debt Service Reserve 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 2011C 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 2010 United States Census was 2,059,179. From 2000 to 2010, the State's population grew 13.2 percent, while the national population grew 9.7 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
2001-2010

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2001	1,828,437	285,049,647	0.4%	1.0%
2002	1,849,187	287,745,630	1.1	0.9
2003	1,868,121	290,242,027	1.0	0.9
2004	1,890,215	292,936,109	1.2	0.9
2005	1,914,699	295,618,454	1.3	0.9
2006	1,940,631	298,431,771	1.4	1.0
2007	1,966,357	301,393,632	1.3	1.0
2008	1,984,179	304,177,401	0.9	0.9
2009	2,007,315	306,656,290	1.2	0.8
2010	2,033,875	309,050,816	1.3	0.8

(Source: U.S. Census Bureau, Population Division; last updated February 2011.)

Major industries in the State 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 2000-2010.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Growth 2009-2010	Growth 2001-2010
Total employment	968,929	979,946	999,286	1,023,303	1,046,746	1,076,098	1,100,589	1,103,123	1,070,984	1,064,422	(0.6)%	9.8%
Wage and salary employment	791,927	800,588	812,914	829,861	845,127	868,119	878,205	881,348	848,392	839,600	(1.0)	6.0
Proprietors employment	177,002	179,358	186,372	193,442	201,619	207,979	222,384	221,775	222,592	224,842	1.0	27.0
Farm proprietors employment	17,825	14,530	16,045	15,632	15,588	15,255	18,193	17,745	17,581	18,003	2.4	1.0
Nonfarm proprietors employment	159,177	164,828	170,327	177,810	186,031	192,724	204,191	204,030	205,011	206,839	0.9	30.0
Farm employment	24,355	20,845	22,838	22,619	23,262	22,829	25,804	24,416	24,549	24,649	0.4	1.2
Nonfarm employment	944,574	959,101	976,448	1,000,684	1,023,484	1,053,269	1,074,785	1,078,707	1,046,435	1,039,793	(0.6)	10.2
Private employment	739,416	750,194	762,831	783,120	804,832	838,993	864,918	865,478	830,307	822,486	(0.9)	11.2
Forestry, fishing, related activities(1)	5,163	5,096	4,979	5,181	5,239	5,136	5,164	5,332	5,131	5,326	3.8	3.2
Mining(2)	19,612	17,957	18,576	19,245	21,171	23,726	25,165	28,359	24,470	25,954	6.0	32.3
Utilities	4,249	4,078	4,114	4,040	4,075	4,121	4,418	4,570	4,805	4,560	(5.1)	7.3
Construction(3)	63,293	61,864	64,135	68,382	73,978	79,826	80,568	77,969	67,210	62,437	(7.1)	(1.4)
Manufacturing	45,621	43,908	41,544	40,542	41,106	42,710	42,753	40,600	36,358	37,192	2.3	(18.4)
Durable goods manufacturing(4)	32,327	30,838	28,715	27,857	28,451	29,821	29,719	27,979	24,358	23,873	(2.0)	(26.1)
Nondurable goods manufacturing(5)	13,294	13,070	12,829	12,685	12,655	12,889	13,034	12,621	12,000	11,831	(9.0)	(11.0)
Wholesale trade	27,801	27,232	26,633	27,285	28,377	29,288	29,951	28,705	26,657	26,805	0.6	(3.6)
Retail trade(6)	110,010	111,167	112,445	114,169	116,097	116,750	118,998	118,176	114,066	111,834	(2.0)	1.7
Transportation and warehousing(7)	23,977	24,229	24,158	24,961	25,321	25,953	27,312	26,672	24,317	24,710	1.6	3.1
Information(8)	19,438	18,578	17,927	17,163	17,299	18,445	18,648	18,749	17,313	16,876	(2.5)	(13.1)
Finance and insurance(9)	30,848	31,251	31,544	31,769	32,039	32,172	33,357	34,809	36,160	36,646	1.3	18.8
Real estate and rental and leasing(10)	29,363	30,229	31,922	34,715	38,209	40,313	42,406	41,858	40,019	39,700	(0.8)	35.2
Professional and technical services	59,391	59,834	62,534	65,461	66,337	73,827	81,546	81,578	80,716	79,140	(2.0)	33.3
Management of companies and enterprises	6,049	6,129	5,440	5,354	6,354	6,425	6,076	5,912	5,571	5,510	(1.1)	(8.9
Administrative and waste services(11)	53,226	54,229	53,292	54,598	55,224	58,489	60,429	60,315	55,858	55,522	(0.6)	4.3
Educational services	11,853	12,765	13,932	14,888	15,384	15,919	15,767	15,986	16,152	16,756	3.7	41.4
Health care and social assistance(12)	87,694	94,469	99,899	103,691	105,151	108,016	111,935	114,850	118,184	120,085	1.6	36.9
Arts, entertainment and recreation(13)	18,646	19,994	20,376	20,987	21,463	21,795	22,952	23,311	23,251	23,405	0.7	25.6
Accommodation and food services(14)	76,263	77,972	79,682	80,465	81,343	84,403	85,141	84,022	81,722	81,627	(0.1)	7.1
Other services, except public administration(15)	46,919	49,213	49,699	50,224	50,665	51,679	53,332	53,705	52,347	50,889	(2.8)	8.52
Government and government enterprises(16)	205,158	208,907	213,617	217,564	218,652	214,276	209,867	213,229	216,128	217,307	0.5	5.9

(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 September 2011.)

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
2001-2010

	Civilian Labor Force (Thousands)		Number of Employed (Thousands)		Unemployment Rate		
Year	New Mexico[(1)]	United States[(1)]	New Mexico[(1)]	United States[(1)]	New Mexico[(1)]	United States[(1)]	N.M. as % of U.S. Rate
2001	864	143,734	821	136,933	4.9%	4.7%	104%
2002	872	145,066	823	136,426	5.5	6.0	92
2003	888	146,729	836	138,441	5.9	5.7	104
2004	902	148,059	850	140,125	5.8	5.4	107
2005	913	150,030	866	142,752	5.2	4.9	106
2006	925	152,732	887	145,970	4.1	4.4	93
2007	934	153,936	902	146,272	3.4	5.0	68
2008	952	154,669	910	143,324	4.5	7.3	62
2009	942	153,172	876	137,960	7.0	9.9	71
2010	956	153,690	874	139,206	8.6	9.4	91

(1) Details may not add to total because of rounding. Figures rounded to nearest thousand.
(Source: Bureau of Business and Economic Research, University of New Mexico; last revised February 2011.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2001-2010

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2001	45,335,681	8,878,830,000	9.4%	3.8%
2002	46,340,515	9,054,702,000	2.2	2.0
2003	48,139,404	9,369,072,000	3.9	3.5
2004	51,578,691	9,928,790,000	7.1	6.0
2005	55,341,826	10,476,669,000	7.3	5.5
2006	59,274,367	11,256,516,000	7.1	7.4
2007	63,043,607	11,899,853,000	6.4	5.7
2008	66,724,334	12,379,745,000	5.8	4.0
2009	66,744,715	12,165,474,000	0.0	(1.7)
2010	69,675,815	12,357,113,000	0.4	0.0

(Source: U.S. Department of Commerce and Bureau of Business and Economic Research, University of New Mexico; last revised August 9, 2011.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2001-2010

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	New Mexico.	United States
2001	24,751	31,157	80%	8.8%	2.8
2002	24,977	31,481	80	0.9	1.0
2003	25,639	32,295	80	2.7	2.6
2004	27,092	33,909	80	5.7	5.0
2005	28,641	35,452	82	5.7	4.6
2006	30,209	37,725	81	5.5	6.4
2007	31,675	39,506	81	4.9	4.7
2008	33,505	40,947	83	5.8	3.6
2009	32,394	38,846	84	(3.3)	(5.1)
2010	33,368	39,945	84	3.0	2.8

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of Business and Economic Research, University of New Mexico; last revised September 22, 2011.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
2000-2010

NAICS Earnings by Place of Work[1] Applicable to 2000-2010	New Mexico (Dollars in Thousands)		United States (Dollars in Millions)		Average Annual Percent Change 2000–2010		Distribution of 2010 Wages & Salaries	
	2010	2000	2010	2000	N.M.	U.S.	N.M.	U.S.
Farm Wage and Salary	$259,852	$175,927	$23,958	$16,974	47.7%	41.1%	0.8%	0.4%
Non-farm Wage and Salary	33,484,889	21,768,869	6,376,376	4,806,753	53.8	32.7	99.2	99.6
Private Wage and Salary	24,014,545	15,499,869	5,202,622	4,036,501	55.0	28.9	71.2	81.3
Forestry, Fishing, related activities,	61,309	48,710	13,095	9,881	25.9	32.5	0.2	0.2
Mining	1,387,603	655,321	58,698	29,596	74.4	98.3	4.1	0.9
Utilities	319,804	216,386	48,962	38,553	47.8	27.0	0.9	0.8
Construction	1,901,821	1,329,587	289,253	256,653	43.0	12.7	5.6	4.5
Manufacturing	1,557,409	1,608,961	674,177	744,469	6.8	5.6	4.6	10.5
Wholesale Trade	1,107,646	810,747	356,373	282,226	36.6	26.3	3.3	5.6
Retail Trade	2,378,805	1,859,564	402,405	345,355	27.9	16.5	7.0	6.3
Transportation and Warehousing	813,820	672,520	198,222	164,529	21.0	20.5	2.4	3.1
Information	620,037	528,684	205,165	213,363	17.3	6.2	1.8	3.2
Finance and Insurance	1,171,675	789,215	487,074	348,707	48.5	39.7	3.5	7.6
Real Estate and Rental and Leasing	344,010	241,608	89,609	67,824	42.4	32.1	1.0	1.4
Professional, Scientific, and Technical Services	3,844,579	1,875,284	593,609	404,183	50.1	46.9	11.4	9.3
Management of Companies and Enterprises	309,509	227,540	185,820	120,606	36.0	54.1	0.9	2.9
Administrative and Waste Services	1,380,887	883,242	257,471	189,320	56.3	36.0	4.1	4.0
Educational Services	323,596	185,864	118,483	62,931	74.1	88.3	1.0	1.9
Health Care and Social Assistance	3,990,102	1,955,118	730,408	413,244	40.8	76.7	11.8	11.4
Arts, Entertainment, and Recreation	194,489	136,637	71,072	47,977	42.3	48.1	0.6	1.1
Accommodations and Food Services	1,323,915	858,820	219,094	151,741	54.2	44.4	3.9	3.4
Other Services, Except Public Administration	983,529	633,074	203,632	145,543	55.4	39.9	2.9	3.2
Government and Government Enterprises	9,470,344	6,268,322	1,173,754	770,252	51.1	52.4	28.0	18.3
Total	$91,244,175	$59,229,869	$17,979,332	$13,667,181				

(1) The estimates of wage and salary disbursements for 2001-2010 are based on the 2002 North American Industry Classification System (NAICS).

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, September 22, 2011.)

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 2011C

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 2011C in the aggregate principal amount of $53,400,000 (the "Series 2011C Bonds"). The Series 2011C Bonds are being issued for the purpose of (i) purchasing securities from the Albuquerque Bernalillo County Water Utility Authority (the "Governmental Unit") that will be used to finance a Project for such Governmental Unit (the "Loan"); and (ii) paying costs incurred in connection with the issuance of the Series 2011C 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 2011C 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 an Eighty-Second Supplemental Indenture of Trust dated as of November 1, 2011 (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 2011C 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 2011C 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 2011C 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 2011C 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 2011C Bonds.

5. The interest on the Series 2011C 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 2011C 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 2011C Bonds or any other offering material relating to the Series 2011C 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 Financial Advisor believe to be reliable, but the NMFA and the Financial Advisor 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 2011C Bonds, payment of principal, premium, if any, interest on the Series 2011C Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2011C 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 2011C Bonds. The Series 2011C 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 2011C Bond certificate will be issued for each maturity of the Series 2011C 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 rating of AA+. 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.

Purchases of Series 2011C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011C Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011C 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 2011C 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 2011C Bonds, except in the event that use of the book-entry system for the Series 2011C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011C 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 2011C 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 2011C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011C 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 2011C 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 2011C 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 2011C 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 2011C 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 2011C 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 2011C Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2011C 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 2011C Bonds.

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

APPENDIX F

LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS

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, including the Loan expected to be funded with the proceeds of the Series 2011C Bonds (the "ABCWUA Loan Agreements"), between the ABCWUA and the NMFA totaling $171,815,000, 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 June 1, 2036. The current outstanding principal amount of the ABCWUA Loan Agreements is $139,855,000.

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 $91,175,502 and are scheduled to mature on June 1, 2039.

New Mexico Spaceport Authority. The NMFA has previously issued a series of bonds and has applied certain Prepayments of Loans 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 Regional Spaceport District from gross receipts taxes imposed by Dona Aña and Sierra Counties which are pledged by the Regional Spaceport District and the Spaceport Authority to pay the Spaceport Authority Securities. The Spaceport Authority Securities are currently outstanding in the aggregate principal amount of $72,440,000 and are scheduled to mature on December 1, 2029.

City of Albuquerque – Enterprise Systems. The NMFA has entered into various obligations with the City of Albuquerque (the "Albuquerque Enterprise Obligations") in which enterprise system revenues of the City are used to secure the debt obligations. The proceeds of the Albuquerque Enterprise Obligations were used to finance various projects including the refinancing of approximately $49,855,000 in debt obligations issued to fund projects for improvement to the Albuquerque Airport. These obligations are payable from and secured by the net operating revenues of the Albuquerque Airport and have a current outstanding principal amount of $44,371,278. The last of the Albuquerque Enterprise Obligations is scheduled to mature on July 1, 2019.

City of Albuquerque – Gross Receipts Taxes. The NMFA has previously entered into various obligations with the City of Albuquerque (the "Albuquerque Gross Receipts Tax Obligations"). The Albuquerque Gross Receipts Tax Obligations were used to finance or refinance certain infrastructure projects in the City of Albuquerque. The Albuquerque Gross Receipts Tax Obligations have a current outstanding principal amount of $34,310,000 and are payable from and secured by certain gross receipt taxes. The last of the Albuquerque Gross Receipts Tax Obligations is scheduled to mature on July 1, 2028.

Special Consideration Concerning an Action Involving Previously Executed Loan Agreements

The NMFA has 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 with completion expected in September 2011. The Angel Fire Loans are outstanding in the aggregate principal amount of $24.25 million and are 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"). The plaintiffs in the case ("Plaintiffs/Appellants") originally filed a Complaint for Declaratory Relief requesting the court to declare the Angel Fire District a nullity by attacking the validity of the formation election held on April 21, 2008 and claiming errors in the election procedure. Plaintiffs then filed a First Amended Complaint for Declaratory Relief on July 18, 2009. That Complaint was dismissed by the court in ruling from the bench on June 22, 2009, and an order formalizing the dismissal was entered on July 15, 2009. Notice of Appeal to the Court of Appeals of New Mexico was filed by the Plaintiffs/Appellants on July 17, 2009 (the "Appeal"). A Motion to Dismiss was filed by the Defendant/Appellee Angel Fire District on November 1, 2010. Angel Fire District's Motion to Dismiss the Appeal and the merits of the Appeal were argued before the Court of Appeals on February 25, 2011. On June 16, 2011, the Court of Appeals issued its written opinion, concluding that (i) the Angel Fire District Act's formation election provisions incorporate the New Mexico Election Code's election contest procedures, and thus requires a direct appeal to the New Mexico Supreme Court, and (ii) the Court of Appeals lacks jurisdiction and therefore transferred the case to the New Mexico Supreme Court. The New Mexico Supreme Court allowed further briefings by the parties, which were filed on September 9, 2011. Oral argument was heard before the New Mexico Supreme Court on October 11, 2011.

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.

APPENDIX G

INFORMATION REGARDING ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY

Generally

The information contained in this Appendix G has been obtained from the Albuquerque Bernalillo County Water Utility Authority ("ABCWUA") and the sources listed in the tables set forth herein. The NMFA has not verified, makes no representation with respect to and does not guaranty the accuracy, completeness or materiality of any such information.

The joint water and sewer system (the "System" or "Water System") that serves the City of Albuquerque (the "City") was owned by the City and operated by its Public Works Department prior to creation of the ABCWUA. Revenue bond obligations relating to the System issued by the City prior to the transfer of the System to ABCWUA continue to be outstanding and are now the obligation of ABCWUA. In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978, as amended), which created ABCWUA and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the System would be transferred to ABCWUA. The legislation also provides that the obligations of the City payable from net revenues of the System (the "Net Revenues") shall be obligations of ABCWUA and that ABCWUA shall not impair the rights of holders of outstanding obligations of the System. The City has transferred functions, appropriations, money records, equipment and other real and personal property pertaining to the System to ABCWUA and the policy-making functions of the System have been transferred to ABCWUA. Prior to July 1, 2007, ABCWUA and the City operated under a Memorandum of Understanding under which the City continued to operate the System. During the 2005 New Mexico Legislative Session, Section 72-1-10, NMSA 1978, was amended to provide ABCWUA the statutory powers provided to all public water and wastewater utilities in the state and recognized ABCWUA as a political subdivision of the State.

Project Financed with Loan

Proceeds of the Loan from the NMFA to ABCWUA will be used to finance the costs of a Project.

Water System

The Water System provides water services to approximately 591,650 residents comprising approximately 90% of the residents of Bernalillo County, New Mexico (the "County"). About one-third of unincorporated County residents are customers of the Water System. Service is provided to approximately 192,766 accounts, including 172,766 residential and 13,604 multi-family, commercial, institutional and industrial accounts, as of June 30, 2010. Approximately 56% of the water sales are for residential uses.

Groundwater from the middle Rio Grande basin aquifer (approximately 50%) and surface water from the Rio Grande (approximately 50%) are the primary sources of supply used for the Water System. The groundwater supply is produced from 101 wells grouped in 25 well fields located throughout the metropolitan area. Total well production capacity is approximately 294 million gallons per day ("MGD"). Maximum historical peak day demand is 214 MGD. A chlorination/fluoridation station associated with each well field satisfies the total required water treatment needs for the water produced in each well field.

Ground storage reservoirs provide for fire, peak hour and uphill transfer storage. Water is distributed from higher to lower elevations through a 115-foot vertical height pressure zone to provide minimum static pressures of 50 psi for consumers. Forty-five reservoirs are located throughout the service area, with a total reservoir storage capacity of 211 million gallons. If demand requires, reservoir water can also be transferred uphill through a pressure zone to the next highest reservoir or in an east-west series of reservoirs by means of pump stations sited at the reservoirs. There are a total of 110 boosters, with a total capacity of 680 MGD, available for water transfers between reservoirs. These reservoirs are interconnected by over 2,500 miles of pipelines and are situated at various locations east and west of the service area to provide multiple sources of supply to customers and for operating economies. The Water System takes advantage of the unique topography of ABCWUA's service area which allows ground level storage while simultaneously providing system pressure by gravity. Control of the Water System is provided by remote telemetry units distributed throughout the System for control from a central control facility.

Water Supply

Existing Water Resources.

The New Mexico Office of the State Engineer granted the 1993 application of the City's Water Utility Department (the "Utility") to appropriate ground water in the Middle Rio Grande Administrative Area on September 4, 2003. This water right permit allows the withdrawal of ground water from the aquifer in the amount of up to 155,000 acre-feet per annum as follows:

Years	Annual Diversion Limit (acre-feet)
Thru 2015	132,100
2016 thru 2029	142,900
2030 and thereafter	155,000

The previous ground water permit limited ABCWUA's pumping to 132,000 acre-feet per year. The new permit is governed by the Middle Rio Grande Administrative Area Guidelines for Review of Water Rights Applications.

The average annual withdrawal for the five years ending in Calendar Year 2010 was 104,421 acre-feet with a maximum occurring in Calendar Year 2010. Additionally, ABCWUA has the right to use consumptively 74,157.6 acre-feet of water per year. This figure consists of imported water pursuant to a contract with the Secretary of the Interior for 48,200 acre-feet per year from the San Juan-Chama Drinking Water Project, vested water rights of 17,875 acre-feet from the New Mexico State Engineer's Rio Grande Basin declaration in 1956, and other water rights totaling 6,802 acre-feet. By means of its program of water rights acquisition, ABCWUA continues to increase its holdings each year. In addition to the annual delivery contract for 48,200 acre-feet of San Juan-Chama water, ABCWUA also has approximately 170,000 acre-feet of San Juan-Chama water from prior year deliveries stored in reservoirs located in northern/central New Mexico. In July 2003, ABCWUA began diversions of San Juan-Chama water under the Non-Potable Surface Water Reuse Project. The total surface water diversions for 2010 were 42,804 acre-feet with an average of 14,794 acre-feet over the last five years. In 2010, ABCWUA's water resources use consisted of 57.2% from ground water and 42.8% from San Juan-Chama surface water.

ABCWUA believes that water received pursuant to the contract for San Juan-Chama water and the rights to Rio Grande Basin water will be sufficient to support, in perpetuity, a population of more than 900,000 using 150 gallons per capita per day with 50% consumptive use and 50% return flow. Alternatively, these same water resources will support a population of 500,000 using water at the rate of 250 gallons per person per day. The current service population is approximately 560,760, and the current usage is approximately 161 gallons per capita per day, down from an average of 250 gallons per capita per day between 1987 through 1993. ABCWUA believes this decrease can be attributed to the City's "Water Conservation Program" and the "Water Quality Protection Plan," both initiated in 1994.

San Juan-Chama Drinking Water Project.

Imported Colorado River water from the San Juan-Chama project was purchased in 1963 and began flowing into the Rio Grande in the early 1970's. This water was intended to provide legally required offsets for the effects of pumping the aquifer on the Rio Grande. Studies in the 1990's showed that the Rio Grande is not directly connected to the aquifer and that continued sole reliance on groundwater would lead to water quality impacts and land surface subsidence. The policy to transition to direct diversion and full use of the imported Colorado River water (San Juan-Chama water) was adopted in 1997 along with seven dedicated rate increases to pay for the construction and operation.

Construction of the San Juan-Chama Drinking Water Project began in August 2004 following the completion of the diversion and environmental permitting. The San Juan Chama Drinking Water Project came on-line on December 5, 2008 and the surface water treatment plant was completed in January 2009. The San Juan-Chama Drinking Water Project consists of a diversion dam on the Rio Grande, eighteen pipeline segments, approximately miles of pipeline, a raw water pump station, a raw water intake and fish passage structure designed to protect habitat on the Rio Grande and the endangered silvery minnow, and a surface water treatment plant. Construction costs for the project were approximately $385 million with an additional $70 million for design, construction inspection and land purchases.

The San Juan-Chama Drinking Water Project diverts San Juan-Chama water in combination with native water from the Rio Grande for purification to replace the current dependence on an increasingly depleted deep aquifer. Under a permit with the New Mexico Office of the State Engineer, the native water is diverted from the Rio Grande to the surface water treatment plant where the water is purified through a state-of-the-art multi-barrier treatment system designed to remove particulate matter, sediment and bacterial and microbial contaminants. The treatment plant is capable of processing 90 million gallons of water each day. The purified drinking water is then blended with groundwater at the existing reservoirs to supplement drinking water supplies. The ABCWUA anticipates that the San Juan-Chama Drinking Water Project will supply up to 90% of the ABCWUA's short-term future water needs and 70% of the ABCWUA's water needs over the next 40 years. The ABCWUA's plan is to implement the San Juan-Chama Drinking Water Project slowly by providing about 25% of the demand with surface water in 2009, 50% in 2010 and 90% in 2011. The plan is still moving forward to full implementation in 2011.

Full use of the San Juan-Chama water under the Drinking Water Project was contemplated as early as 1963 with the signing of the original contract with the Bureau of Reclamation. The 48,200 acre-feet was always intended to meet the needs of the future for the citizens on metropolitan Albuquerque and in December 2008 that dream was realized. The San Juan-Chama Drinking Water Project has won numerous awards including the following:

- 2010 Grand Prize Design – American Academy of Environmental Engineers – Excellence in Environmental Engineering
- 2010 Engineering Excellence Award – Grand Conceptor – American Council of Consulting Engineers
- 2009 Best Civil/Public Works Project – Southwest Contractor
- 2009 Project of the Year – Drinking Water Project - American Public Works Association
- 2008 Project of the Year – Transmission Pipeline Project – American Public Works Association
- 2007 Best Civil/Infrastructure Project – Raw Water Pump Station – Southwest Contractor
- 2006 Presidents National Environmental Excellence Award – National Association of Environmental Professionals

Water Supply Plan.

Prior to 1997, the water supply plan for the ABCWUA's service area, which was based on technical knowledge of the surface and ground water systems at the time, could be summarized as follows: the City would pump ground water to meet water system demands; ground water pumping would cause additional seepage (induced recharge) from the river; and the City would provide surface water to offset river depletion by return wastewater flow, native water rights and imported water obtained under contract with the Secretary of Interior from the San Juan-Chama diversion project. Technical investigations by the New Mexico Bureau of Mines and Mineral Resources, the U.S. Geological Survey and the Bureau of Reclamation concluded that the ABCWUA's wastewater return flows are sufficient to offset the annual seepage from the Rio Grande associated with the ABCWUA's ground water pumping. Technical work is continuing to provide water resources information needed for long-term management and to develop water supply solutions.

In 1997, the City Council adopted the Water Resource Management Strategy ("WRMS") as the City's water supply plan. The WRMS was the culmination of years of planning and technical investigations, cooperation with federal, state and local agencies and public involvement and education. The WRMS: (1) calls for the City (or the ABCWUA as successor) to more fully utilize its renewable water resources in order to reduce reliance on ground water to serve customers; (2) provides for limited reuse of industrial and municipal effluent to irrigate large turf areas and provide a non-potable industrial water supply source; (3) provides for the development of a ground water drought reserve, which was recommended by resource economists in a report commissioned to provide for the ABCWUA's anticipated year 2060 water demands; (4) includes recommended implementation and financing plans; and (5) recommends pursuit of regional solutions and several specific additional sources of water for the future. The total estimated capital and initial operating costs of the WRMS (including $10.8 million for costs of site selection and acquisition, $375 million for the drinking water supply project, and $29.4 million for three reclamation and reuse projects) is $415.2 million. The future annual operating and maintenance costs for the WRMS program are estimated at $14.8 million.

In 2007, the Water ABCWUA adopted a new WRMS as the ABCWUA's water supply plan. The new WRMS is a combination of existing policies from the original 1997 WRMS with several new policies that were developed in cooperation with federal, state, and local agencies and significant public involvement and education. The WRMS includes thirteen policies including continued support for the $375 million San Juan-Chama Drinking Water Project and the remaining reuse and reclamation projects. The total estimated capital and initial operating costs of the WRMS and future annual operating and maintenance costs remain consistent with the estimates above.

The four specific projects identified in the 1997 WRMS are being, or have been, implemented. The ABCWUA received a permit from the Office of the State Engineer for diverting and consuming San Juan-Chama water in the amount of 96,200 acre-feet per year on July 8, 2004. A group of environmentalists and farmers filed an appeal of the surface diversion permit in State District Court. The State District Court ruled in favor of the ABCWUA on all counts. A Notice of Appeal to the New Mexico Court of Appeals was filed and a hearing was held on July 1, 2007 and the ABCWUA is still awaiting the decision. The ABCWUA received a Record of Decision on the National Environmental Policy Act process on June 1, 2004 and an approved Biological Opinion from the Fish and Wildlife Service in February 2004. The Biological Opinion concludes that the effects of the San Juan-Chama Project will not jeopardize the continued existence of the Rio Grande Silvery Minnow and will not adversely affect critical habitat.

With respect to the three water reclamation and reuse projects identified in the WRMS, the Industrial Recycling Project has been completed and operational since approximately August 2000 and has provided water to the Albuquerque International Balloon Fiesta Park and recreational complex. The North I-25 Non-Potable Surface Water Reuse Project began initial operations in 2003 and full operations in January 2004. The ABCWUA has diverted San Juan-Chama water for industrial and irrigation use in the Northeast Heights of the City and has provided more than 175 million gallons of reuse water. The Southside Municipal Effluent Polishing and Reuse Project will utilize treated wastewater effluent for irrigation and industrial use in the Southeast Heights and South Valley of Albuquerque. Construction of the Southside Municipal Effluent Polishing and Reuse Project has started with the two pipeline projects substantially complete. The reservoir and pump station project located at Puerto del Sol Golf Course is also complete. The last project component, the treatment and pump station, which is located at the Southside Water Reclamation Plant is under construction and is anticipated to be complete in July 2011. We will begin connecting the parks, golf courses, and other turf and industrial users in September 2011 with full operation to start irrigation season 2012.

The completion and operation of the Southside Reuse project will complete the four projects as called for in the original 1997 and updated 2007 Water Resources Management Strategy to provide a safe and sustainable water supply to 2060.

To finance the implementation of the WRMS, the ABCWUA adopted the WRMS recommended financial plan, which calls for seven years of phased incremental increases in water rates sufficient to cover the estimated capital costs and estimated operating expenses necessary to implement the WRMS through the year 2007 ("WRMS Rate Increases"). All seven dedicated incremental WRMS Rate Increases have been approved and implemented. Construction of the South Valley Water System Expansion Project is being done in phases and is managed by the Bernalillo County Public Works Department. The ABCWUA is the significant financial sponsor of the project. The project will construct water system infrastructure in the Southwest Valley of Bernalillo County and allow the residents to connect to the System and end their use of wells. The project will provide water service to approximately 3,200 developed parcels in the Southwest Valley. Phase I consisting of a major transmission line was completed in August 2007. The ABCWUA paid $9 million of the $14 million cost. Phases 2 and 2A consists of a water distribution system to 1,240 households in the area bounded by Metzgar Road to the north, Raymac Road to the south, the Rio Grande to the east, and Coors Boulevard to the west. Phase 2 is under construction with an estimated cost of $8.5 million with the ABCWUA's share at $7.5 million. Phases 3 and 4 consisting of a reservoir, transmission line and a water booster station are underway with the ABCWUA committed to providing $6.5 million.

New Mexico Utilities Acquisition.

In May 2009, the ABCWUA acquired New Mexico Utilities Inc. ("NMUI"), a for-profit water provider and sewer carrier, that served approximately 17,400 residents within a 34-square mile service area located in northwest Albuquerque. Seventeen former NMUI employees became employees of the ABCWUA. Water rates for NMUI system users were increased by approximately 3% in July 2010 as NMUI and ABCWUA rate structures were merged. An additional 5% increase is expected in 2012. The ABCWUA connected the NMUI system to the San Juan-Chama Drinking Water Project to replace the ground water formerly provided by NMUI and to fully integrate the operations of the NMUI system into the ABCWUA System by 2012.

NMUI HISTORICAL AND PRO FORMA REVENUE(1)

Fiscal Year	Average Annual Customers	Operating Revenues	Operation and Maintenance Expenses(2)	Net Revenues Available for Debt Service
2006	16,448	$11,498,620	$3,733,512	$7,765,108
2007	16,900	11,900,000	3,845,517	8,054,483
2008	17,400	13,000,000	3,960,883	9,039,117
2009	17,500	13,618,125	4,079,709	9,538,416
2010(3)	17,600	14,167,603	4,202,101	9,965,502

(1) Estimated; based upon data provided to the ABCWUA by NMUI for 2006 and estimated by the ABCWUA for other years.
(2) Estimated; does not include taxes, depreciation or amortization.
(3) NMUI's customer rate structure will be integrated with the ABCWUA's. Pro forma numbers indicate such integration.

New Arsenic Standard Applicable to Water Supply.

The United States Environmental Protection Agency ("EPA") promulgated new regulations in 2001 reducing the allowable amount of arsenic in municipal drinking water from 50 parts per billion to 10 parts per billion. When EPA adopted the new standard, Congress allowed for large water systems the opportunity to apply for a maximum three-year exemption which ABCWUA applied for and was granted.

Two projects were instituted to comply with the new arsenic standard. The first and most important is the San Juan-Chama Drinking Water Project. The San Juan-Chama Drinking Water Project is operational and provides about 50% of the water supply with the remaining coming from low-arsenic ground water wells. The surface water has less arsenic than the ground water and the treatment process at the new water treatment plant removes arsenic. The second project is the College Arsenic Treatment Plant completed in 2007, which is the largest microfiltration arsenic treatment facility in the United States. The Gonzales to College Well Collector Line project will convey high arsenic well water to the College Arsenic Treatment Plant.

The ABCWUA is now in compliance with the EPA's arsenic regulations. Because of diversion limitations placed by the State Engineer on the San Juan-Chama Project, additional arsenic removal treatment systems to remove arsenic from the ABCWUA 's existing facilities or other production facilities with lower arsenic water may be needed to meet demand in the future.

Water Conservation Program.

In an effort to extend the lifetime of the ABCWUA's water resources, the City initiated a water conservation program in 1995. The City adopted a goal of 30% reduction from baseline period water use to be attained by 2005. The City utilized calendar years 1987 through 1993 as the baseline period, with gross community per capita water use at an average of 250 gallons per day. Gross community water use needed to be reduced to 175 gallons per capita per day to achieve the 30% conservation savings goal. At the end of 2005, ABCWUA customers had reduced their per capita use 33% compared with use during the established baseline period. When weather is taken into account, through regression model analysis, comparative water usage was down by 36%. In 2004, the ABCWUA adopted a new water conservation goal of 10% reduction in addition to the 30% reduction goal established in 1995 to be implemented in 2005 with reduction rates of 1% per year until 2014. The ABCWUA established a new citizen Water Resources Advisory Committee to develop a water conservation plan to meet the new goal.

The long-term water conservation strategy elements implemented to date include an extensive public education and marketing effort, financial incentives for replacement of high volume toilets with low volume toilets, financial incentives for replacing existing high water use landscaping with xeriscaping, financial incentives for replacing high water use washing machines with low use models, and free water use audits. Residential audits include retrofits of showerheads, faucet aerators, and toilet displacement devices. Mandatory water waste prohibitions and limitations on high water use plants in landscaping new development have been enacted and are being enforced. New components now underway include recommendation of more aggressive excess use surcharges, reduction of water produced by the ABCWUA but not billed to customers, and developing methods for more accurate evaluation of the conservation program. The ABCWUA has also adopted a large-user ordinance requiring that customers using more than 50,000 gallons per day, including multi-family residential, commercial and industrial customers, develop and implement a conservation plan.

The Water Conservation Program has achieved significant reductions in water use since 1995 and is one of the more successful water conservation plans in the United States.

Surface and Ground Water Protection Plan.

The Albuquerque/Bernalillo County Ground Water Protection Policy and Action Plan (GPPAP) was adopted by the City and County in 1994. The goals of the GPPAP are to prevent any additional ground water contamination in Bernalillo County, to facilitate clean-up of existing contamination, and to promote the coordinated protection and prudent use of ground water. The Ground Water Protection Advisory Board (GPAB) was established in 1998 by City and County ordinance to provide oversight, review and comment on ground water protection activities, and is responsible for overseeing implementation of the GPPAP. In 2006, the ABCWUA, City and County adopted a joint ordinance establishing a Water Protection Advisory Board (WPAB) which replaced the GPAB. The purpose of this joint ordinance was to expand the scope to address surface water quality protection in addition to groundwater quality protection. The joint ordinance also expanded the membership to include two members appointed by the ABCWUA. The purpose of the WPAB is to study and advise the ABCWUA, City and County on surface and groundwater protection concerns, including policies necessary to enhance protection of surface and groundwater quality. Another goal of the WPAB is to promote consistency in ABCWUA, City and County actions to protect surface and groundwater quality.

The WPAB works with local, state and federal agencies to monitor the progress of eradication of current contamination sites and is continuing to develop policies to prevent future contamination. The current contamination cleanups are primarily in the South Valley and Northwest Mesa of Bernalillo County. The ABCWUA has plugged or discontinued use of wells that were affected by the various contamination sites. Additionally, the ABCWUA has assisted in a $120 million program to eradicate 8,000 septic tanks in the North and South Valleys, and at the end of 2010 over 6,000 septic tanks have been eliminated.

Drought Relief Measures.

The ABCWUA has adopted a Drought Management Strategy which is intended to preserve and protect the aquifer and also to meet water conservation goals during a drought. The Drought Management Strategy identifies four levels of drought -- drought advisory, drought watch, drought warning and drought emergency -- and provides various educational steps and voluntary and mandatory conservation measures to reduce water usage during each of these drought levels.

Water Usage.

The Water System serves consumers inside and outside of the City limits. The consumers served outside the City limits constitute approximately 10% of total consumers served. Well pumps are presently producing at 150 to 1,000 feet depths. Their yields range from about 500 gallons per minute to more than 3,700 gallons per minute. During the past five Fiscal Years, the Water System has supplied the following to customers within the service area:

USAGE[(1)]
2006-2010

Fiscal Year	Gallons Pumped (in 000s)	Gallons Billed (in 000s)	Percentage Billed
2006	34,174,000	30,700,300	89.84%
2007	29,638,000	26,055,385	87.91
2008	33,449,000	29,034,754	86.80
2009	31,564,189	27,164,646	86.06
2010	31,742,000	28,422,497	89.54

(1) There is a difference between gallons pumped and gallons billed. Gallons which are pumped but not billed include certain accounts billed on the basis of estimated usage, amounts lost due to line leakage and breakage, and fire protection usage which is not metered. These variables fluctuate from year to year and impact the percentage billed. The fire protection usage is not metered but is built into the rate covenant for the System and is not considered a free use.

(Source: ABCWUA.)

Sewer System

The Sewer System consists of small diameter collector sewers, sewage lift stations, and large diameter interceptor sewers conveying wastewater flows by gravity to the Southside Water Reclamation Plant located south of the service area. The treatment plant provides preliminary screening, grit removal, primary clarification and sludge removal, advanced secondary treatment including ammonia and nitrogen removal, final clarification, and effluent chlorination and dechlorination prior to discharge to the Rio Grande River.

Treatment plant capacity is based upon 76 MGD hydraulic capacity. However, capacity deficiency at the chlorination/dechlorination, anaerobic digestion and dewatered sludge handling facilities needs to be addressed to bring these facilities to the 76 MGD plant hydraulic capacity. Existing flows at the plant are about 54 MGD. ABCWUA has an operational industrial pretreatment program approved by the United States Environmental Protection Agency. In 2004, ABCWUA's pretreatment program successfully completed the EPA's five-year pilot program. The EPA recognized that ABCWUA's pollution prevention efforts have been largely responsible for ABCWUA maintaining compliance with strict standards contained in National Pollution Discharge Elimination System ("NPDES") permits. ABCWUA's wastewater effluent discharge consistently meets all NPDES permit requirements. The EPA renewed ABCWUA's NPDES permit in 2009, which is effective for the next four years. The chlorination and dechlorination systems will be decommissioned in 2011 with the startup of the new ultraviolet (UV) disinfection system.

The treatment plant has a 6.6 mega-watt cogeneration facility. This facility supplies 100% of the treatment plant's present electrical needs, along with providing heating of various buildings and sludge digesters. The engines are fueled by methane produced in the digesters and by natural gas purchased through a contract carrier. The Southside Water Reclamation Plant currently generates electricity from the bio-gas produced in the digesters. This is no cost gas that qualifies the electricity generated for Renewable Energy Certificates (REC). These certificates have a value to other electrical energy producers and ABCWUA continues to research how to sell its RECs to increase revenue. ABCWUA is in the process of evaluating these RECs with a consultant and will have these credits audited by an independent accounting firm.

Total beneficial reuse of sludge is accomplished by a combination of land application on 5,000 acres of public-private range land (85% of sludge produced) and production of compost (15% of sludge produced). ABCWUA sells the compost, primarily to the State Department of Transportation. A 660-acre dedicated land application site is used when beneficial reuse options are unavailable (for example, when the range land site is snow-covered). ABCWUA also plans to reduce expenses by analyzing all of the bacteriological samples from the Water Systems Division at ABCWUA's internal Water Quality Lab. ABCWUA's Water Reclamation Division operates a water quality laboratory, providing analytical support for process control and regulatory compliance for wastewater, drinking water, groundwater, storm water, surface water, the zoological park, residuals management and environmental health programs. The laboratory is internationally accredited under International Standards Organization Standard 17025 for inorganic chemistry and microbiology testing.

The following table sets forth the quantity of water treated and customers served through the Sewer System:

TREATED WATER
2006-2010

Fiscal Year	Gallons Treated (in 000s)	Average # of Customers
2006	19,746,500	165,949
2007	19,557,200	167,240
2008	19,156,000	169,062
2009	20,080,573	172,857
2010	19,978,000	190,833

(Source: ABCWUA.)

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Outstanding System Obligations

Outstanding Parity Obligations.

The 2011C ABCWUA Loan Agreement will be issued with a lien on Net Revenues that is on parity with the lien on Net Revenues of the following obligations (the "Outstanding Parity Obligations"):

OUTSTANDING WATER/SEWER PARITY OBLIGATIONS
AS OF NOVEMBER 1, 2011

Water/Sewer System Issue	Principal Amount of Original Issue	Outstanding Principal Amount
NMFA – Public Project Revolving Fund Loan (2002)	450,000	$122,281
NMFA Drinking Water State Revolving Fund Loan (2003)	3,600,000	1,296,448
NMFA – Public Project Revolving Fund Loan (2004)	118,415,000	86,455,000
NMFA – Public Project Revolving Fund Loan (2005)	20,000,000	18,750,000
Revenue Bonds, Series 2005	132,985,000	124,045,000
Revenue Bonds, Series 2006A	133,390,000	121,435,000
NMFA—Public Project Revolving Fund Loan (2007)	77,005,000	64,970,000
Revenue Bonds, Series 2008A	55,630,000	55,630,000
Revenue Bonds, Series 2009A-1	14,375,000	7,610,000
Revenue Bonds, Series 2009A-2	135,990,000	134,295,000
NMFA Drinking Water State Revolving Fund Loan (2009)	1,010,000	1,010,000
Total Water/Sewer System Parity Obligations		$615,618,729.00

(Source: ABCWUA.)

Outstanding Subordinate Obligations.

Other obligations payable on a subordinate basis from net revenues of the System are shown below.

OUTSTANDING WATER/SEWER SUBORDINATE OBLIGATIONS
AS OF NOVEMBER 1, 2011

Obligation	Principal Amount of Original Issue	Outstanding Principal Amount
Wastewater Loans from the State Environmental Department:		
November 1989 Loan	$7,907,582	$1,086,709
August 1995 Line of Credit	15,000,000	1,526,565
June 2001 Loan	15,000,000	7,310,192
New Mexico Finance Authority Drinking Water Loan (2004)	12,000,000	10,207,781
Total Subordinate Debt		$20,130,747

Other obligations payable on a super-subordinate basis from net revenues of the System are shown below.

OUTSTANDING WATER/SEWER SUPER SUBORDINATE OBLIGATIONS
AS OF NOVEMBER 1, 2011

Obligation	Principal Amount Of Original Issue	Outstanding Principal Amount
Water Trust Board Loan (2009)	$50,000	$46,057
Water Trust Board Loan (2009)	100,000	92,251
New Mexico Finance Authority Drinking Water Loan (2010)	47,518	47,518
New Mexico Finance Authority Drinking Water Loan (2010)	60,600	57,648
Water Trust Board (2010)	20,000	190,235
New Mexico Finance Authority Drinking Water Loan (2010)	125,453	125,453
Water Trust Board (2011)	452,000	452,000
Water Trust Board (2011)	640,000	640,000
Water Trust Board (2011)	63,354	63,354
Total Super Subordinate Debt		$1,714,516

ABCWUA does not have any outstanding debt with variable interest rates and does not have any interest rate swap agreements related to its debt.

Combined Debt Service and Coverage Ratios.

The following schedule shows, for each calendar year, the total combined debt service requirements payable for the outstanding System obligations.

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TOTAL COMBINED DEBT SERVICE
OUTSTANDING WATER/SEWER OBLIGATIONS(1)
NOVEMBER 1, 2011

Year End July 1	Senior Current Debt Service	Subordinate Current Debt Service	Total Current Debt Service	Pledged Revenues(2)	Projected Debt Service Coverage Senior Lien	Projected Debt Service Coverage All Debt
2012	$66,844,890	$70,388,533	$137,233,423	$70,759,680	1.06x	1.01x
2013	70,814,248	72,770,524	143,584,771	70,759,680	1.00x	0.97x
2014	68,433,261	69,821,635	138,254,896	70,759,680	1.03x	1.01x
2015	67,989,643	69,378,041	137,367,684	70,759,680	1.04x	1.02x
2016	67,042,087	68,430,508	135,472,595	70,759,680	1.06x	1.03x
2017	64,350,788	65,739,235	130,090,023	70,759,680	1.10x	1.08x
2018	62,350,238	63,738,712	126,088,950	70,759,680	1.13x	1.11x
2019	62,150,171	63,538,668	125,688,839	70,759,680	1.14x	1.11x
2020	55,706,176	57,094,699	112,800,874	70,759,680	1.27x	1.24x
2021	55,704,891	57,093,441	112,798,332	70,759,680	1.27x	1.24x
2022	49,155,163	50,543,742	99,698,905	70,759,680	1.44x	1.40x
2023	49,159,115	50,547,723	99,706,839	70,759,680	1.44x	1.40x
2024	43,689,205	45,077,839	88,767,043	70,759,680	1.62x	1.57x
2025	37,675,752	39,064,414	76,740,166	70,759,680	1.88x	1.81x
2026	27,639,075	28,380,624	56,019,699	70,759,680	2.56x	2.49x
2027	16,083,152	16,824,732	32,907,884	70,759,680	4.40x	4.21x
2028	16,079,903	16,821,513	32,901,416	70,759,680	4.40x	4.21x
2029	16,087,754	16,087,754	32,175,509	70,759,680	4.40x	4.40x
2030	16,089,681	16,089,681	32,179,362	70,759,680	4.40x	4.40x
2031	16,091,645	16,091,645	32,183,290	70,759,680	4.40x	4.40x
2032	16,031,988	16,031,988	32,063,975	70,759,680	4.41x	4.41x
2033	16,033,638	16,033,638	32,067,275	70,759,680	4.41x	4.41x
2034	7,423,563	7,423,563	14,847,125	70,759,680	9.53x	9.53x
2035	1,080,500	1,080,500	2,161,000	70,759,680	65.49x	65.49x
2036	1,081,500	1,081,500	2,163,000	70,759,680	65.43x	65.43x
Total	$970,788,026	$995,174,850	$1,965,962,876			

(1) The rate covenant described below relates to all System obligations, including the eight subordinate loans listed in the previous table.

(2) Fiscal Year 2010 results (audited).

In the ordinances pursuant to which the System obligations have been issued, ABCWUA, as successor to the City, agreed to charge all purchasers of services reasonable rates sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all System obligations (excluding reserves therefor). The net revenues of the System for Fiscal Year 2010 were $70,760,000 (audited). The maximum calendar year combined debt service requirements for Senior Parity payable from net revenues of the System are $70,814,248 (occurring in year-end July 1, 2013), resulting in a coverage ratio of 1.00x. The coverage ratio of Fiscal Year 2010 System net revenues of $70,760,000 to combined debt service requirements of all System Obligations of $72,770,524, occurring in year-end July 1, 2013 would be 0.97x. To address the current coverage ratio being less than 133%, the ABCWUA Board has approved 5% rate increases going in to effect on July 1, 2011 and July 1, 2013.

FINANCIAL INFORMATION

Statement of Assets

The following table is the historical statement of net assets for the System as operated by ABCWUA:

	2006	2007	2008	2009	2010
Assets					
Current Assets					
Cash and investments	$26,766,770	$30,824,887	$35,812,862	$21,395,430	$2,919,291
Cash with fiscal agents held for debt service	39,461,690	39,245,721	36,700,648	35,362,977	34,368,648
Accounts Receivable	10,226,675	15,120,543	17,942,087	13,231,933	11,921,552
Due from other governments	1,991,554	1,535,517	1,408,898	463,096	3,704,003
Prepaid Expenses	–	–	–	65,144	–
Notes Receivable	1,213,410	987,306	1,012,387	936,638	996,841
Total Current Assets	79,660,099	87,713,974	92,876,882	71,455,218	53,910,335
Noncurrent assets:					
Long-term accounts and notes receivable	7,705,710	5,573,221	5,647,255	5,559,542	5,373,172
Restricted Assets					
Cash and investments	91,339,646	43,956,845	71,509,971	117,916,818	80,606,014
Investment with fiscal agent	1,337,211	504,505	6,645	6,686	6,703
Escrow deposits	146,492	147,161	147,604	148,025	-
Total Restricted Assets	92,823,349	44,608,511	71,664,220	118,071,529	80,612,717
Capital Assets					
Net Capital Assets other than purchased water rights	808,972,816	836,924,122	913,607,336	1,278,575,916	2,044,276,455
Depreciation and amortization	–	–	–	–	39,962,117
Purchased water rights (2)	–	–	39,647,635	39,943,365	772,781,311
Construction work in progress	179,561,894	324,170,005	306,751,483	34,077,876	37,482,194
Total Capital Assets	988,534,710	1,161,094,127	1,260,006,454	1,352,597,157	1,348,939,455
Other Noncurrent Assets					
Capitalized Bond issuance costs	2,457,503	3,600,577	4,016,387	4,516,670	4,096,379
Purchased water rights	29,073,663	29,622,203	–	–	–
Total other non-current assets	31,531,166	33,222,780	4,016,387	4,516,670	4,096,379
Total non-current assets	1,120,594,935	1,244,498,639	1,341,334,316	1,480,744,898	1,439,021,723
Total Assets	1,200,255,034	1,332,212,613	1,434,211,198	1,552,200,116	1,492,932,058
Current Liabilities					
Accounts payable	2,125,897	2,499,096	2,601,319	3,492,619	3,804,920
Accrued employee compensation	2,469,592	2,887,340	3,742,077	4,250,292	4,625,064
Accrued interest	701,627	445,206	423,199	400,522	377,153
Deposits	466,562	887,095	973,425	857,209	710,183
Deferred revenue	–	–	–	554,551	-
Current portion of water rights contract	841,359	866,987	893,395	920,608	948,650
Payable from restricted assets:					
Contracts and other payables	23,260,967	26,691,750	13,049,049	12,511,107	9,049,436
Mature bonds	31,605,000	30,170,000	28,130,000	26,135,000	22,065,000
Loan agreements	3,431,583	3,947,591	8,348,928	11,500,916	12,429,723
Accrued Interest	8,177,630	9,363,546	10,095,428	12,568,032	13,080,271
Total Current Liabilities	73,080,217	77,758.611	68,256,820	73,190,856	67,090,400
Noncurrent Liabilities					
Bonds, net of current portion, discount, premiums	257,608,339	359,701,073	389,983,916	506,606,665	481,998,268
Line of credit	–	–	–	3,524,340	744,776
Water rights and loan agreements, net of current portion	173,819,516	165,253,429	227,209,996	212,941,463	208,136,656
Total Long-Term Debt	431,427,855	524,954,502	617,193,912	723,072,468	690,879,700
Other Liabilities:					
Deferred revenue	877,107	–	–	–	–
Accrued vacation and sick leave	653,124	544,324	125,636	35,550	93,260
Total Other Liabilities	1,530,231	544,324	125,636	35,550	93,260
Total Liabilities	506,038,303	603,257,437	685,576,368	796,298,874	758,063,360
Net Assets					
Invested in capital assets, net of related debt	609,954,619	666,487,051	698,188,728	725,766,544	728,364,793
Restricted for:					
Construction	5,539,537	–	10,552,328	13,671,991	11,071,808
Debt service	12,919,005	6,003,021	–	–	–
Unrestricted	65,803,570	56,465,104	39,893,774	16,462,707	(4,657,903)
Total Net Assets	$694,216,731	$728,955,176	$748,634,830	$755,901,242	$734,868,698-

Source: ABCWUA Comprehensive Annual Financial Report.

Revenues and Expenditures

The following table shows the historical revenues and expenditures for the System as operated by ABCWUA:

	2006	2007	2008	2009	2010
Operating Revenues					
Charges for services	$138,202,390	$141,033,829	$152,232,345	$147,145,589	$153,144,852
Operating Expenses					
Salaries and fringe benefits	27,199,667	30,150,765	33,434,911	37,382,418	40,631,826
Professional services	522,423	571,909	706,368	859,079	601,889
Utilities	8,575,409	7,844,415	9,218,289	12,202,402	11,360,534
Supplies	3,566,957	4,492,618	5,249,035	6,092,171	9,010,015
Travel	19,404	35,578	47,319	27,915	52,167
Fuels, repairs and maintenance	7,321,814	9,494,065	10,440,809	10,873,331	11,809,235
Contractual services	2,907,072	3,937,255	6,333,703	8,889,954	8,812,586
Other operating expenses	14,057,616	14,058,027	14,110,809	13,400,597	12,718,153
Depreciation	51,933,636	55,925,877	60,905,959	72,295,419	81,443,032
Amortization	382,882	392,290	393,410	396,367	396,555
Bad debt expense	–	–	338,609	93,018	-
Total Expenses	116,486,880	126,902,799	141,179,221	162,512,671	176,835,992
Operating Income	21,715,510	14,131,030	11,053,124	(15,367,082)	(23,691,140)
Non-operating revenues (expenses)					
Interest on investments	5,019,000	8,936,303	6,442,709	2,647,735	865,763
Gain on disposition of capital assets	6,572	(51,231)	(2,450)	–	–
Interest expense	(8,618,687)	(15,888,684)	(21,781,730)	(21,681,874)	(24,977,661)
Water service expansion charges	17,254,474	12,516,234	11,074,841	6,346,401	6,834,261
Bond issue amortization	–	–	–	–	(516,023)
Other	(20,574)	(353,676)	953,834	7,509,694	1,535,045
Total non-operating income	13,640,785	5,158,946	(3,312,796)	(5,178,044)	(16,258,615)
Income before contribution and transfers	35,356,295	19,289,976	7,740,328	(20,545,126)	(39,949,755)
Capital contributions	16,853,909	15,448,469	11,939,326	27,811,538	18,917,211
Change in Net Assets	52,210,204	34,738,445	19,679,654	7,266,412	(21,032,544)
Net Assets July 1	642,006,527	694,216,731	728,955,176	748,634,830	755,901,242
Net Assets June 30	$694,216,731	$728,955,176	$748,634,830	$755,901,242	$734,868,698

(Source: ABCWUA Comprehensive Annual Financial Report.)

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Historical Financial Information

The following table compares revenues, expenses and net revenues available for debt service over the past five Fiscal Years.

WATER/SEWER SYSTEM
DEBT SERVICE COVERAGE CALCULATION
FISCAL YEARS 2006-2010
($000)

	2006	2007	2008	2009	2010
Total operating revenues[(1)]	$138,010	$137,614	$147,488	$143,675	$148,746
Non-operating revenues (expenses):					
Interest	7,330	12,104	7,358	4,079	1,707
Expansion Charges	17,854	12,516	11,075	6,278	6,834
Other	84	156	659	6,768	1,241
Total adjusted revenues	163,278	162,390	166,580	160,800	158,528
Total operating expenses (excluding interest expense)	119,879	126,766	139,764	161,141	174,749
Less:					
Franchise Fees	(5,141)	(5,112)	(5,519)	(4,912)	(5,141)
Depreciation	(52,427)	(55,926)	(60,905)	(72,265)	(81,443)
Amortization	(379)	(392)	(799)	(757)	(397)
Total adjusted Operating expenses	61,932	65,336	72,541	83,207	87,768
Net revenues available for debt service	$101,346	$97,054	$94,039	$77,593	$70,760

(1) The operating revenues differ from the Revenue from Water and Sewer Charges and Other Operating Revenue table below in that certain operating revenues are excluded for purposes of calculating debt service coverage pursuant to the requirements of the applicable bond authorizing legislation.

(Source: ABCWUA Comprehensive Annual Financial Report.)

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Operating Revenue

The following table outlines ABCWUA's revenue from water and sewer charges and other operating revenue as measured in the Statement of Revenues, Expenses and Changes in Fund Net Assets for the past five years.

REVENUE FROM WATER AND SEWER CHARGES
AND OTHER OPERATING REVENUE

	Revenue from Water Charges				
Fiscal Year	For General Operations	For WRMS[(1)]	Revenue From Sewer Charges	Other Operating Revenue[(2)]	Total Operating Revenue
2006	$59,172,344	$25,095,852	$46,563,188	$7,371,006	$138,202,390
2007	60,186,959	24,975,068	46,771,690	9,100,112	141,033,829
2008	71,398,950	25,630,246	47,683,918	7,519,231	152,232,345
2009	69,395,141	23,803,266	46,805,468	7,141,714	147,145,589
2010	74,773,904	23,483,160	47,685,066	7,202,722	153,144,852

(1) These revenues are attributable to rate increases adopted to finance capital costs and operating expenses to implement the Water Resource Management Strategy.
(2) These revenues are derived from the State Water Conservation Fees, Water Resource Management Fees, meter rentals and other miscellaneous services.
(3) (unaudited).
(Source: ABCWUA Comprehensive Annual Financial Report.)

Utility Expansion Charges

In order to fund expanded capacity of the System, all new customers of the System are currently charged one-time utility expansion charges ("UECs") for water and sewer services. The charges are calculated by analyzing the average forecast of new customers to the System over a five-year period, average expansion-related construction expenditures and the revenues generated by such customers. The Development Fees Act, Sections 5-8-1 through 5-8-42 NMSA 1978, authorizes the imposition of utility expansion charges and provides for a method of calculation of such charges which is consistent with historical calculations by ABCWUA and the City. Under the Development Fees Act, ABCWUA is required to prepare a capital implementation plan and to calculate a maximum impact fee under the allowed methodologies of the Development Fees Act, applicable to any impact fee imposed on or after July 1, 1995.

ABCWUA's current UECs have been reviewed and updated as contemplated under the Development Fees Act. The determination of water and sewer UECs is based on the calculated unit-cost of capacity for major infrastructure elements which have been constructed, or are planned to be constructed, as part of an approved 10-year plan, to provide water and sewer services. When UECs are charged to new customers, the charge is proportioned to reflect the capacity that user is requesting, depending on the size of service. Larger sized service installations have greater use capacity, and thus a greater proportion of the UEC cost basis is allocated to that service size.

ABCWUA may adjust the UECs annually by the Engineering News Records ("ENR") indexes. These cost indices are the building cost or construction cost indices ("BCI" and "CCI") per the ENR. The ENR tracks changes in building and construction costs (the difference between the levels of labor costs; the CCI being more heavily weighted on labor costs) for a 20-city average. These indices are commonly used to estimate the replacement costs of utility infrastructure. ABCWUA's rate consultant recommends the comparison of the CCI and BCI as the best approach to apply to UECs and the water supply charge discussed below.

The following table sets forth the current water and sewer utility expansion charges.

CURRENT UTILITY EXPANSION CHARGES

Meter Size	Water Charge	Sewer Charge
¾”	$2,603	$1,953
1”	4,340	3,255
1 ½”	8,679	6,508
2”	13,887	10,414
3”	27,771	20,878
4”	43,393	32,543
6”	86,787	65,087
8” & over	138,860	104,140

During Fiscal Years 2006 through 2010, the following revenue from the collection of UECs was received.

REVENUE FROM UTILITY EXPANSION CHARGES

Fiscal Year	Total UEC Revenues
2006	$17,254,474
2007	12,516,234(1)
2008	11,074,841
2009	6,346,401
2010	6,834,261

(1) The decline in UEC revenues beginning in fiscal year 2007 is related to the slowdown in residential construction in Bernalillo County and the national economic decline.

(Source: ABCWUA Comprehensive Annual Financial Report.)

ABCWUA policy requires that expansion or improvement of the System for development purposes be at no net expense to ABCWUA. Revenues generated from the expansion of the System must be sufficient to support the costs of water and wastewater facilities and the related infrastructure. The facilities constructed must meet the level of service standards agreed upon between the developer and ABCWUA in the applicable development agreement. Increased revenues should correlate to the additional operational and maintenance expenses for the System expansion. The developer bears the risk and expense for any revenue shortfall related to the System expansion.

Water Supply Charge

The Water Supply Charge (“WSC”) is assessed by ABCWUA at the time of meter sale or application for service to any new water customer requesting connection to the System in an area not located within ABCWUA’s service area requiring a development agreement. The proceeds from this charge are dedicated and restricted to the development of new water resources, rights or supplies to serve the beneficiary new customers outside of the service area consistent with ABCWUA’s Regional Water Plan and Water Resources Management Strategy and other guiding principles adopted by ABCWUA. The amount of the WSC shall be adjusted annually by BCI or CCI as published by ENR. The WSC does not apply to non-potable water service. ABCWUA’s rate consultant has reviewed the methodology used in the calculation in developing the WSC and has agreed to its development and it is one that is widely applied in the industry.

The following table sets forth the current water supply charges.

CURRENT WATER SUPPLY CHARGES

Meter Size	Water Supply Charge
¾”	$1,344
1”	2,249
1 ½”	4,481
2”	7,170
3”	14,339
4”	22,404
6”	44,810
8” & over	71,965

Rate Reserve Fund

The Rate Reserve Fund reserves water and sewer revenues in a dedicated fund for the purpose of offsetting declines in rate revenue and to mitigate future rate increases. The Rate Reserve Fund was established at $1 million. Effective July 1, 2008 the rate reserve fund increased by $2 million annually. There is no funding cap set for the Rate Reserve Fund and the current balance is $7 million, which ABCWUA anticipates utilizing in Fiscal Year 2011. ABCWUA plans to begin funding the Rate Reserve Fund again in Fiscal Year 2012. Any expenditure from this Rate Reserve Fund will require an appropriation approved by the ABCWUA Board.

Additional Charges in Effect

The following variable charges are in effect for all accounts to which the specific criteria for each charge apply.

Water Commodity Charge: Water usage metered or estimated is at a rate of $1.4094 per unit (1 unit = 100 cubic feet or 748 gallons).

Water Conservation Charge: Annually, the average water usage for the months of December through March is calculated and used in determining the surcharge during the months of April through October. The surcharge amount added for each unit exceeding 300% of the customer’s individual winter mean water usage is equal to 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable water supply charge per unit. A second tier surcharge for each unit exceeding 400% of the customer’s individual winter mean water usage is equal to an additional 50% of the commodity charge, and is added to the base commodity charge, the water conservation fee charged by the State and the sustainable water supply charge per unit.

Sewer Commodity Charge: All wastewater discharged is charged at a rate of $0.822 per unit for residential, commercial, industrial and institutional customers and $0.579 per unit for wholesale customers based on either 95% of the average metered or estimated volume of water for the previous winter months of December through March, or based on 95% of the actual water used if that amount is less.

Rate Comparisons

ABCWUA continues to keep water and sewer rates at a competitive level. Based on results for the 2008 Water and Wastewater Rate Survey, extracted from the water/wastewater survey by the American Water Works Association, ABCWUA was ranked (from lowest to highest) at or below average for water and sewer rates, based upon a usage of 11,200 gallons for water and 7,480 gallons for sewer.

Water/Sewer Billing and Collections

ABCWUA imposes all rates and charges through a water and sewer rate ordinance. Charges are billed to the property and are the responsibility of the property owner (except in cases of leased property for which ABCWUA is notified that the tenant will have payment responsibility). Property liens may be filed and foreclosed as provided by State law.

ABCWUA performs all meter reading services in connection with the System. Meters are read and billed once each month. Customers are billed within the same approximate time frame each month depending upon the location of the customer. Customers are billed the same day their meters are read. The payment is delinquent if not made within 15 days following the due date on a utility statement. ABCWUA may cause the water supply to be turned off and discontinue service to the property if any charge remains unpaid for a period of 30 days from the original due date on the customer's utility statement. A penalty of 1.5% per month may be imposed on any delinquent account.

ABCWUA has made efforts to reduce delinquencies through aggressive collection attempts with changes in the method of assigning turn-off crews work assignments and the use of a check collection vendor. The delinquency rate has historically been less than 1.2% and is currently at that level.

Rates and Charges of the System

ABCWUA has mandated that the operation and maintenance of the System be self-sustaining. Consistent with this mandate, the System is budgeted as a self-sustaining enterprise fund for the purpose of determining costs associated with providing water and sewer services. Ordinances authorizing issuance of System bonds prohibit Net Revenues of the System from being transferred to other funds of the City or the County, and require that the proceeds shall be used for lawful System purposes including redemption of System obligations or paying costs and expenses relating to administration of System obligations.

The capital and operating budgets for the System are submitted by the Executive Director of ABCWUA to the ABCWUA Board by April of each year for the fiscal year which begins July 1. ABCWUA considers the budgets, together with the rates necessary to finance the operation and capital improvements, and adopts the budget and rates necessary for the next fiscal year no later than May of each year.

The Federal Water Pollution Control Act Amendments of 1974 have a stated goal of restoring and maintaining the chemical, physical and biological integrity of the nation's waters. As a result, each federally funded and publicly owned wastewater treatment facility is required to charge each user a proportionate share of the costs of operation and maintenance. Since ABCWUA receives federal grant funds through the United States Environmental Protection Agency, the requirements under the Amendments must be met. Accordingly, ABCWUA has incorporated the following items into the sewer rate structure:

(i) Costs benefiting both water and sewer operations have been identified, and each cost has been evaluated to determine an appropriate basis for its allocation between water and sewer service.

(ii) Budgeted sewer categories for collection, treatment, disposal and an equitable portion of the administration expenses have been isolated for sewer rate-making purposes.

(iii) A "high-strength sewage treatment surcharge" is imposed in order that each user pay his proportionate share of the operational, maintenance and replacement costs to treat liquid waste discharged with significant levels of pollutants above the domestic level.

Current Levels of Base Rates and Charges.

Customers pay fixed rates for water and sewer services as well as additional charges which vary depending on the volume of water used or discharged. Residential customers pay fixed water rates (depending on service size) between \$11.41 and \$2,168.77, while commercial customers pay between \$11.93 and \$2,249.77. For sewer service, residential customers pay a fixed sewer rate (depending on service size) between $7.49 and $834.31, while commercial customers pay between $9.26 and $1,059.87.

Increases to Rates and Charges.

ABCWUA has increased System rates and charges by the following percentage increases during the past five Fiscal Years as described below and has approved 5% rate increases in Fiscal Years 2012 and 2014:

APPROVED INCREASES IN RATES AND CHARGES

	% Increase		
Fiscal Year	General Operations	WRMS[(1)]	Franchise Fee
2004	4.5	4.5	–
2005	0	0	–
2006	0	0	–
2007[(2)]	1.0	0	4.0
2008	0	0	0
2009	0	0	0
2010	0	0	0
2011	0	0	0

(1) Each effective May 1 of the respective years. These rates were approved to finance capital costs and operating expenses to implement the Albuquerque Water Resource Management Strategy and affect water charges only.
(2) Effective July 1, 2006.
(Source: ABCWUA.)

Customer Information

The following tables set forth historical information regarding the average number of customers of the Water System by meter size and class during Fiscal Years 2006 through 2010. The majority of the customers of the Water System during Fiscal Year 2010 was residential and used a 3/4" meter size.

HISTORY OF WATER USERS BY METER SIZES

Meter Size	2006	2007	2008	2009	2010
¾"	146,843	149,846	151,172	168,632	169,406
1" and 1 ¼"	17,773	17,581	17,621	17,611	17,815
1 ½"	1,945	1,955	1,968	2,169	2,185
2"	2,509	1,816	1,839	2,179	2,223
3"	654	733	766	834	712
4"	244	246	264	275	268
6"	52	53	53	67	60
8" and over	41	40	41	46	41
Total	170,060	172,270	173,724	191,813	192,710

(Source: ABCWUA.)

HISTORY OF WATER USERS BY CLASS

Class	2006	2007	2008	2009	2010
Residential	151,089	152,563	153,959	171,983	172,766
Multi-Family	6,812	7,565	7,644	6,231	6,340
Commercial	10,065	10,049	9,998	11,367	11,282
Institutional	1,981	1,983	2,013	2,119	2,214
Industrial	113	110	110	113	108
Total	170,060	172,270	173,724	191,813	192,710

(Source: ABCWUA.)

According to ABCWUA's records for Fiscal Year 2010, the top ten retail customers of the System in the aggregate accounted for no more than 10.68% of the total billed consumption for the Water System, 7.24% of the total revenue of the Water System, 18.16% of the total billed consumption for the Sewer System and 11.86% of the total revenue of the Sewer System.

During Fiscal Year 2010, 54.93% of billed water consumption was residential, while 16.31% was classified as commercial. The balance consisted of multi-family users consuming 15.04%, institutional users consuming 11.36% and industrial users at 0.7%.

SELECTED WATER/SEWER SYSTEM STATISTICS
(CALENDAR YEAR)

	2006	2007	2008	2009	2010
Estimated Population (Service Area)	530,600	533,253	538,586	543,971	549,411
Number of Meters Billed	171,130	172,394	174,005	194,087	200,498
Estimated Persons Per Meter	3.10	3.09	3.10	2.80	2.74
Annual Pumpage (1,000 Gallons)	31,384,000	32,598,000	31,940,000	33,098,373	33,830,964
Annual Water Billed (1,000 Gallons)	27,942,376	28,573,691	27,816,110	28,844,216	29,949,844
Average Daily Pumpage (Gallons)	85,983,561	89,284,930	87,506,849	90,680,474	92,687,573
Peak Day Pumpage (Gallons)	165,478,800	174,986,400	155,329,700	186,819,804	226,902,542
Average Daily Production Per Meter (Gallons)	502	508	503	467	462
Well Pumping Capacity (per 24-Hour Period)	294,000,000	294,000,000	294,000,000	314,250,000	282,000,000
Storage Capacity (Gallons)	211,000,000	211,000,000	211,000,000	228,700,000	249,000,000
Surface Water Pumping Capacity (Gallons)	–	–	–	140,000,000	140,000,000
Surface Water Storage Capacity (Gallons)	–	–	–	20,000,000	20,000,000
Fire Hydrants	14,093	14,093	14,577	14,778	14,879
Water Reclamation Treatment Capacity (Gallons)	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
Number of Miles of Lines (1)					
Water	2,520	2,520	2,599	2,626	2,636
Sewer	1,820	1,820	1,846	1,858	1,863
Surface Water	–	–	–	37	37

(1) Estimated.

(Source: ABCWUA.)

Budget

Budget Process.

ABCWUA operates on a fiscal year basis, from July 1 through June 30. The ABCWUA's Board has adopted a Budget Ordinance that provides for the formulation and approval of ABCWUA's annual operating and capital budgets. The Budget Ordinance requires the establishment of five-year goals and one-year objectives to guide the budget process. The goals and objectives provide the framework for the delivery of services and implementation of planned capital improvements and to measure performance. The operating budget is prepared on an accrual basis of accounting. The Executive Director submits operating and capital budgets to the Board at the April meeting each year. The Board holds two public hearings with adoption of the budgets at the May meeting. The annual operating and capital budgets determine ABCWUA's appropriations by fund. Expenditures may not legally exceed appropriations. ABCWUA's financial manager and staff are responsible for monitoring and controlling operation and project expenditures to ensure that budgeted appropriations are not exceeded. Financial status reports are presented to the Board quarterly. Budget amendments during or after the end of the fiscal year require approval by the Board, except that the Executive Director has authority to transfer or change line-item expenditures within the operating budget up to 5% or $100,000, cumulatively, whichever is less, provided that no such adjustment shall result in a change in the total expenditures authorized in ABCWUA's budget.

Approved Fiscal Year 2012 Budget.

The approved Fiscal Year 2012 is ABCWUA's financial plan for Fiscal Year 2012. The development of this financial plan was guided by ABCWUA Five-year Goals, One-year Objectives, Performance Plan and the Guiding Principles. This budget is balanced, fiscally conservative, sound and conforms to all adopted policies. The budget will carry out ABCWUA's mission of assuring responsive customer service, providing reliable, high-quality, affordable and sustainable water supply, wastewater collection, treatment, and reuse systems, and supporting a healthy, environmentally sustainable and economically viable community.

For Fiscal Year 2012 the approved budget includes a 5% rate adjustment that had been previously approved by the Board and the implementation of the latest two year rate study as required by Ordinance to maintain rate equity. In the development of this budget ABCWUA has taken a conservative financial approach to provide effective and efficient water and wastewater services balanced against projected resources. As with other governmental entities, ABCWUA continues to weather the results of the recent economic decline. In Fiscal Year 2011 water and wastewater revenue has declined with Utility Expansion Charges ("UEC") also feeling the effect of limited development in the City of Albuquerque and Bernalillo County. Revenue from interest income has not recovered and continues to decline. Expenses increase approximately 3.4% from Fiscal Year 2011 to Fiscal Year 2012. This increase is mainly from increased salaries and benefits and increased cash transfers to capital and debt service.

The Fiscal Year 2012 approved budget is maintenance of effort budget. Staffing levels remain relatively constant with the addition of two net new positions in Fiscal Year 2012. There is a 2% cost of living salary adjustment approved for Fiscal Year 2012 to comply with current labor agreements. Annualized costs associated with the Classification and Compensation study implemented in Fiscal Year 2011 are also included. There is a 2.5% increase in other employee benefits due to increased health insurance costs. General operating expenditures are maintained at Fiscal Year 2011 levels. The most significant expense of ABCWUA continues to be debt service payments which comprise 38% of the total operating expense for Fiscal Year 2012.

Several assumptions have been made in the preparation of this budget these include: a 2% cost of living adjustment for labor in Fiscal Year 2012, ABCWUA debt will be approximately 25 basis points under market rate based on ABCWUA's AAA bond rating, and a 5% rate adjustment and limited development and growth.

Construction of the Southside Municipal Effluent Polishing and Reclamation project will be complete in early Fiscal Year 2012. Connections to the individual users will commence during the Fall/Winter with full operations to begin in irrigation season 2012. The project will provide up to 2,500 acre-feet or non-potable water to more than 40 large turf sites in the southeast heights and south valley of Albuquerque including Isotopes Baseball Park, UNM Championship and Puerto del Sol Golf Course, Bullhead and Vietnam Veterans park and Mesa del Sol.

The San Juan-Chama Drinking Water Project (the "DWP") is expected to increase surface water treatment to provide 60% of water supplied to the service area. ABCWUA will continue to operate two water supply systems, the surface water and the ground water systems. This duel system operation will continue into the future even though the primary source of supply will be the surface water from the DWP. It is anticipated that approximately 70% of the area's future water supply will be surface water from the DWP. ABCWUA continues to adjust the funding for operations of the DWP as a history of operating costs is developed.

Major renovation of the Southside Water Reclamation Plant, under a multi-year upgrade and replacement program, will continue in Fiscal Year 2012. The new Headworks facility and a new solids dewatering facility are currently under design. Construction on these two facilities will begin in the fall of 2011. The funding for these projects will be provided through ABCWUA's Capital Implementation Program.

The approved budget also includes nonrecurring funding for an employee incentive program. This program will reward employees for cost savings due to increased efficiencies or a decrease in work related losses. Funding for this program is contingent on ABCWUA generating the same or a greater amount in savings. This incentive program has been an effective tool in the reduction of ABCWUA's Workers Compensation expense.

General Operating Fund 621

Revenue for Fiscal Year 2012 is estimated to be $183.8 million approximately $9.8 million above the Fiscal Year 2011 approved budget when adjusted for the appropriation of the $7 million Rate Reserve in Fiscal Year 2011. The $9.8 million increase is due mainly to the 5% rate adjustment and the implementation of the latest two year rate study. Proposed operating expenditures, $177.5 million, contain a net increase of $5.9 for Fiscal Year 2012. This includes an increase of $3.5 million in salaries and fringe benefits and an increase in transfers of $2.4 million.

Personnel expenditures include a 2% cost of living adjustment, $831,000, as per labor agreements. Seven new positions were added in Fiscal Year 2011 and five positions were deleted for a net increase of two positions. These Fiscal Year 2011 positions are fully funded in Fiscal Year 2012, $289,000. Annualized costs associated with the Classification and Compensation study implemented in Fiscal Year 2011, approximately $1 million, are also included this budget. There is also a 2.5% increase for other employee benefits, $900,000, due to increased cost of health insurance. Total general operating costs increase by $40,000 and capital costs decrease by $47,000. The internal service charges increase by $2.4 million and include an increase of $1 million in the cash transfer to capital and a $1.4 million increase in the transfer to debt service.

Fiscal Year 2012 revenues are expected to be $6.2 million over proposed expenditures. ABCWUA will use this excess revenue to bring the Working Capital or Fund Balance to $10 million at June 30, 2012 and to add $2 million to the Rate Reserve. In Fiscal Year 2011 the Board approved the transfer of $7 million from the Rate Reserve to the Working Capital or Fund Balance to maintain a $10 million balance. This transfer provided ABCWUA the required funding to operate in Fiscal Year 2011 without a rate adjustment. The Rate Reserve was depleted in Fiscal Year 2011. Working Capital or Fund Balance is estimated to be $5.7 million at the end of Fiscal Year 2011.

Also approved under separate legislation was the Capital Implementation Program ("CIP") budget for Fiscal Year 2012. The approved appropriation for Fiscal Year 2012 is $40.88 million for new projects as well as supplemental appropriations for existing CIP projects to provide additional funding based on current estimates of ongoing projects. By Ordinance, $30 million of annual CIP funding must be used for system rehabilitation. The Fiscal Year 2012 appropriation also includes $3 million for system growth, $3.88 million for Southside Water Reclamation Plant rehabilitation, $3 million for special projects and $1 million for the Fiscal Year 2012 funding increment for the Valley Utilities Projects co-managed with Bernalillo County. There are no appropriations for projects that will be funded with revenues from Fiscal Year 2013 or later.

ABCWUA continues to participate in American Water Works Association's (AWWA) QualServe program. The QualServe program provides a framework for water and wastewater utilities to continually improve using a Plan-Do-Check-Act framework. It currently offers a well-developed toolbox of a benchmarking, self-assessment, and peer review for water and wastewater utilities. The QualServe program has assisted ABCWUA in identifying what it does well and areas where improvement is necessary. ABCWUA has used the information and recommendations gathered from the QualServe program to provide guidance in the one-year objectives, the performance plan and the financial plan presented here. This information and recommendations have also been the basis for operational improvements already implemented in ABCWUA.

ABCWUA has established an asset management program with a steering committee to oversee the program. The program is an extensive, well thought out 'Business Model' that helps utility managers make better acquisition, operations and maintenance, renewal, and replacement decisions. The principles of asset management were developed to address the critical problem of aging public infrastructure and changing utility business environment. ABCWUA has completed several critical projects including the development of an asset register and hierarchy, an asset management information systems strategy, and a capital project validation process. The asset register and hierarchy have been incorporated into ABCWUA's Computer Management and Maintenance System in a manner that supports asset management business objectives. The capital project validation process has been incorporated into ABCWUA's capital project decade plan to assess ABCWUA's infrastructure and financial needs. The primary elements of the decade plan are business risk exposure for critical assets and asset groups and utilizing a triple bottom line approach to prioritize each project. The decade plan is aligned with ABCWUA's recently completed asset management plan which provides a 100-year projection that will allow ABCWUA to budget for renewals and replacements into the future. The asset management plan provides several recommendations for asset management improvement which ABCWUA will continue to work on in line with industry best practices.

This approved budget represents ABCWUA's coordinative effort to bring to the Board a financial plan that will provide the necessary funding to perform all the varied operational and administrative functions, to provide customers with quality water and wastewater service and address ABCWUA's priorities for Fiscal Year 2012 to improvement of services and gain operating efficiencies.

Defined benefit pension plan — Public Employees Retirement Association

Plan Description. Substantially all of the ABCWUA's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit retirement plan. The Plan provides for retirement and disability benefits, survivor benefits and cost of living adjustments to Plan members and beneficiaries.

The Plan suffered as a result of volatility in the financial markets and economic recession from late 2007 into 2009. The Plan lost approximately 30% of its value as of February 2009 and closed Fiscal Year 2009 with a loss of 24.27%. The Plan experienced positive gains in Fiscal Year 2010 with a total fund return of 15.02%. The balance of the fund as of September 30, 2010 was approximately $11.125 billion dollars. The 12-month return for the 12-month period ending September 30, 2010 was 11.66%, primarily attributable to good market conditions and performance of the fund. There are approximately 49,097 active members of PERA, 8,342 inactive members of PERA and approximately 27,089 retirees and beneficiaries receiving benefits from PERA as of June 30, 2010. The State legislature has made significant changes to the existing system, which changes impact future members, in order to address the potential future insolvency of the retirement plan. Under current law, ABCWUA is not responsible for any future deficiencies in the retirement plan.

PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico, 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 13.15% of their gross salary. ABCWUA is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and ABCWUA are established in State statute under Chapter 10, Article 11, NMSA 1978. ABCWUA has elected to make a percentage of the employee's contributions. ABCWUA's employer contribution to PERA for the fiscal years ending June 30, 2010, 2009, and 2008, were $2,404,453, $2,168,754 and $1,880,834 respectively, which equal the amount of the required contributions for each fiscal year.

Defined contribution retirement plan

On March 31, 2004, the ABCWUA Board approved a Declaration of Trust for a 401 qualified defined contribution retirement plan through ICMA Retirement Corporation for ABCWUA employees. Under this defined contribution plan, an employee's eventual retirement benefit is based upon the total contributions made by the employee and employer, plus investment earnings on those contributions. The plan meets the requirements of Section 401(a) of the Internal Revenue Code. Employees have a 30-day election period from the date of initial eligibility to elect to participate in the plan. Participation is not mandatory. Under the plan the employer contributes 19.01% of earnings for full time employees and 7% for part time employees. A mandatory employee participation contribution is required with employees to make a one-time election to contribute one of 3.29%, 5%, 7%, 10% for full time employees and 7% for part time employees, Total contributions to the plan were $140,038 in fiscal year 2010 of which $106,084 were from employer contributions and $33,954 was from employee contributions.

Post-employment benefits

ABCWUA also provides certain health care and life insurance benefits for retired employees. Substantially all of ABCWUA's employees may become eligible for those benefits if they reach the normal retirement eligibility conditions while working for ABCWUA.

Post-employment Life Insurance Benefits.

Plan Description. The Life Insurance Benefit Plan (the "Plan") provided by the City of Albuquerque is a single employer defined benefit plan administered by the City which also includes coverage for the employees of ABCWUA. Insurance benefits are authorized by the City's Merit System Ordinance and Personnel Rules and Regulations. Upon retirement an employee will continue to be covered by the City's plan at no cost to the employee. Coverage will be one-half of the coverage reflected on the most recent annual life insurance adjustment report immediately prior to retirement up to a maximum of $25,000. Effective July 1, 2008 the minimum amount of coverage per retiree will be $12,500. The number of retired employees covered under the life insurance benefit was 3,854 at June 30, 2010, and the amount of life insurance coverage for these retired employees was $80,679,900.

Funding Policy. The City recognizes the cost of providing the life insurance benefits by charging the insurance premiums to expenditures. Life insurance benefits are paid through premiums to an insurance company under an indemnity plan. The insurance company has the right to adjust the premiums based on claims paid. Historically, the claims paid in any one year have not exceeded the premiums. The required contribution is based on projected pay-as-you-go financing requirements. The current rate is .28 per $1,000 face value of life insurance for actives and retires. The life insurance premium costs for the City's retirees for the years ending June 30, 2010, 2009, and 2008 were $262,030, $247,265, and $242,940, respectively. The life insurance and accidental death and dismemberment premium costs for the City's active employees for the years ending June 30, 2010, 2009, and 2008, were $1,178,243, $1,170,789, and $1,074,508, respectively.

Annual OPEB Cost and Net OPEB Obligation. The City's annual postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the Life Insurance Benefit plan.

Net OPEB Obligation at beginning of year	$3,969,105
Plus Projected Annual OPEB Cost:	
Interest on Net OPEB Obligation at beginning of year	158,764
Annual Required Contribution (ARC) for current fiscal year	3,466,815
ARC Adjustment for current fiscal year	(167,453)
	3,458,126
Less Net Employer Contribution	(1,438,000)
Expected Net OPEB Obligation at end of year	$5,989,231

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$3,183,763	37.6%	$1,985,159
6/30/2009	$3,348,091	40.7%	$3,969,105
6/30/2010	$3,458,126	41.6%	$5,989,231

ABCWUA's portion of the Net OPEB Obligation is $251,901 and is carried on the City's books at this time because a significant portion of the obligation for retirees of the ABCWUA was incurred when the ABCWUA was a department of the City.

Funding Status and Funding Progress. As of June 30, 2010, the most recent actuarial valuation date, the plan was 0% percent funded using the criteria established by GASBS 45. The total actuarial accrued liability (AAL) for benefits was $55,613,436 ($15,740,818 for active employees and $39,872,618 for retired employees). There are no plan assets; however, the City has earmarked $4,762,233 in the City's Internal Service Employee Insurance Fund for future plan costs. The covered payroll for ABCWUA (annual payroll of active employees covered by the plan) was $27,047,218 and the ratio of the UAAL to the covered payroll was 4.79%. ABCWUA's ARC as a percent of payroll is 0.54% of which .4% is the normal cost as a percent of payroll. The ARC per active employee is $250. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and changes in life expectancies. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress is presented as required supplementary information following the notes to the financial statements.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the Life Insurance Benefit plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the City's historical pattern of paying for the plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2010, actuarial valuation, the Entry Age Normal (EAN) funding method was used where, for each plan member, the actuarial present value of benefits is levelly spread over the plan member's earnings or service from entry age to assumed exit age. The EAN cost method is generally regarded by actuaries as the most stable of the funding methods. The goal of GASBS 45 is to match recognition of retiree life expense with the periods during which the benefit is earned and the City's actuary believe that EAN funding method effectively meets that goal in most circumstances. Another important issue in these calculations is the treatment of implicit subsidies where retiree coverage is subsidized by active employee costs. The City pays the same insurance premium rates for both active and retired employees, because the retired employees are on average older than active employees, there is an implicit subsidy of retiree coverage by active employee costs, which GASBS 45 generally requires be attributed to the retiree liability. The actuarial assumptions included a 4.0 percent investment rate of return on expected long-term returns on the City's own investments calculated on the funded level of the plan at the valuation date. As of June 30, 2010, the plan has not been funded and no interest was earned on the plan assets during the year. The City intends to amortize the UAAL over a thirty-year period under the level percentage of pay method, beginning in the next fiscal year. The remaining amortization period at June 30, 2010, was 28 years. The ARC was based on a 4.0 percent discount rate, funding will be based on an 8.0 percent discount rate.

Retiree Health Care Act Contributions

Plan Description. ABCWUA contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are; (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy. The Retiree Health Care Act (Section l0-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section l0-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. Through fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
2011	1.666%	0.833%
2012	1.834%	0.917%
2013	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-l NMSA 1978]) the contribution rates will be

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
2011	2.084%	1.042%
2012	2.292%	1.146%
2013	2.500%	1.250%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

ABCWUA's contributions (employer and employee) to the RHCA for the years ended June 30, 2010, 2009, and 2008 were $501,380, $464,425 and $417,796, respectively, which equal the required contributions for each year.

In January 2008, RHCA's fund was projected to be insolvent by June 2014. However, recent actions by the RHCA have improved its financial outlook. The RHCA Board recently approved an 8% premium increase starting in 2011 which is expected to help ensure solvency. On July 9, 2010, RHCA announced that it has applied for $20 million dollars in reimbursements under the recently enacted federal health care reform bill. The funds are available under the early retirement provision and should help lower costs for retirees under 65. These actions, taken together are expected to increase the projected solvency period to the year 2028. RHCA also established, as policy, that premium increases going forward should track medical trend increases. In the past, premium increases were substantially lower than medical inflation, which was a leading contributor to declining solvency. Under current law, the City is not responsible for any future deficiencies in RHCA.

INVESTMENT POLICIES AND PROCEDURES

The City has advised the ABCWUA that the ABCWUA funds are invested by the City of Albuquerque Treasurer's Office pursuant to the City's Investment Policy (the "Investment Policy") established and maintained by an Investment Oversight Committee. The Investment Oversight Committee reviews the Investment Policy annually and recommends changes as necessary. The Investment Oversight Committee is established by City ordinance and consists of five voting members. Day-to-day management of the City's Investment Program is delegated to the Treasury Division of the Department of Finance and Administrative Services, and specifically to the Investment Manager of the Treasury Division. According to the Investment Policy, all the investments should be made in accordance with the "Prudent Person" rule (all investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived) and on the basis of competitive bids and/or offers. The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index. Finally, diversification (safety) is accomplished through implementation of a strategic asset allocation, derived from modern portfolio theory concepts.

The Investment Policy seeks to balance three primary objectives for its cash portfolio:

- maintaining sufficient liquidity to meet financial obligations;
- earning a market rate of return (subject to permitted investment constraints); and
- diversifying investments among asset classes to ensure safety of principal.

The Investment Policy permits the City to invest in (a) direct obligations of the United States or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, or in certain certificates or receipts established by the United States Government or its agencies or instrumentalities; (b) obligations of certain specified government-sponsored agencies; (c) accounts, certificates of deposit or time deposits with qualifying banks and savings and loan associations located in Bernalillo County, New Mexico; (d) certificates of deposit, time deposits and banker's acceptances of any qualifying bank or savings and loan association located outside the City; (e) bonds or securities of the State of New Mexico, its agencies, or certain of its subdivisions; (f) certain stripped securities; (g) certain specified repurchase agreements; (h) specified short-term investment and other funds maintained by the State of New Mexico; (i) money market instruments and other securities of commercial banks, brokers-dealers and other specified financial investors; and (j) other investments permitted under statutes of the State of New Mexico. Proceeds of bonds, amounts set aside to pay bonds and reserve funds relating thereto may also be invested in certain tax-exempt obligations and other investments specified in documents relating to the bonds.

LITIGATION

Except as stated in this Appendix G, there is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to ABCWUA's knowledge threatened, involving ABCWUA which may result, either individually or in the aggregate, in final judgments against the ABCWUA which would have a material adverse effect on ABCWUA's existence or its financial condition.

NEW ISSUE – BOOK-ENTRY ONLY **Ratings: S & P "AAA"**
Moody's "Aa1"
(See "RATINGS" herein.)

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel to the Finance Authority, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2012A 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 2012A 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

$24,340,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS, SERIES 2012A

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 2012A (the "Series 2012A 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 2012A 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 2012A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2012A Bonds will be made in book-entry form only, and beneficial owners of the Series 2012A 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 2012A Bonds.

The Series 2012A Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2012A Bonds accrues from the date of initial delivery of the Series 2012A Bonds and is payable on June 1 and December 1 of each year, commencing December 1, 2012. Principal of the Series 2012A Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedules on the inside front cover.

SEE MATURITY SCHEDULES ON INSIDE FRONT COVER

The Series 2012A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity.

Proceeds of the Series 2012A Bonds will be used by the Finance Authority for the purposes of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from certain 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 2012A Bonds. The principal of and premium, if any, and interest on the Series 2012A Bonds and additional bonds issued or to be issued are payable solely from and secured solely by the Trust Estate. The Finance Authority has issued or incurred and expects to issue or incur parity bonds and other obligations pursuant to the Indenture.

The Series 2012A Bonds are special limited obligations of the Finance Authority, payable, together with additional bonds issued or to be issued, solely from and secured solely by the Trust Estate. The Series 2012A Bonds will not constitute or create a general obligation or other indebtedness of the State of New Mexico, the Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 2012A Bonds will be construed or interpreted as a donation by or lending of the credit of the Finance Authority, the State or any Governmental Unit within the meaning of the Constitution of the State. THE FINANCE AUTHORITY HAS NO TAXING POWERS. The Series 2012A Bonds do not constitute or give rise to personal liability on the part of the members, directors or officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

The Series 2012A Bonds were sold to Hutchinson, Shockey, Erley & Co. (the "Purchaser") pursuant to a competitive bidding process held on March 22, 2012.

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 2012A Bonds will be passed on by Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, Bond Counsel to the Finance Authority. Certain legal matters will be passed upon for the Finance Authority by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the Finance Authority, and by Ballard Spahr LLP, Salt Lake City, Utah, Disclosure Counsel to the Finance Authority. The General Counsel of the Finance Authority will deliver a non-litigation certification for the Finance Authority. Western Financial Group, LLC has acted as financial advisor to the Finance Authority in connection with the issuance of Series 2012A Bonds. It is expected that a single certificate for each maturity of each series of the Series 2012A Bonds will be delivered to DTC or its agent on or about April 18, 2012.

This Official Statement is dated March 22, 2012, and the information contained herein speaks only as of that date.

NEW MEXICO FINANCE AUTHORITY

$24,340,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2012A

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2013	$735,000	5.50%	0.35%	64711N RM9
2014	1,160,000	2.00	0.49	64711N RN7
2015	1,180,000	5.50	0.70	64711N RP2
2016	1,250,000	2.00	0.96	64711N RQ0
2017	1,235,000	1.50	1.15	64711N RR8
2018	1,260,000	4.00	1.59	64711N RS6
2019	1,310,000	2.25	1.86	64711N RT4
2020	1,570,000	2.50	2.12	64711N RU1
2021	1,500,000	5.00	2.35	64711N RV9
2022	1,580,000	4.00	2.55 (c)	64711N RW7
2023	1,600,000	3.00	2.75 (c)	64711N RX5
2024	1,625,000	3.00	3.00	64711N RY3
2025	515,000	3.00	3.05	64711N RZ0
2026	530,000	3.10	3.15	64711N SA4
2027	545,000	3.20	3.25	64711N SB2
2028	515,000	3.30	3.35	64711N SC0
2029	535,000	3.40	3.45	64711N SD8
2030	550,000	3.50	3.55	64711N SE6

$2,390,000 4.00% Term Bonds Due June 1, 2034; Price 102.145% (c); CUSIP 64711N SF3

$2,755,000 4.00% Term Bonds Due June 1, 2038; Price 100.604% (c); CUSIP 64711N SG1

(c) Yield/priced to call on June 1, 2021.

† 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 2012A Bonds. Neither the Finance Authority, the Trustee nor the Financial Advisor are responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2012A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2012A 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 Finance Authority, 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 Finance Authority, or in any other information contained herein since the date hereof.

No dealer, broker, salesman or any other person has been authorized by the Finance Authority or the Financial Advisor 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 2012A 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 Finance Authority which they may reasonably require in connection with the decision to purchase any of the Series 2012A 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 2012A 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 2012A Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2012A Bonds. Such transactions, if commenced, may be discontinued at any time.

The Finance Authority 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 2012A Bonds.

THE SERIES 2012A 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 2012A 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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Facsimile copy: (505) 984-0002

Members
Denise K. Baker, Chairperson
William F. Fulginiti, Vice-Chairman
Paul Gutierrez, Secretary
Blake Curtis, Treasurer[(1)]
Jon Barela
John Bemis
Tom Clifford
Jerry Jones[(1)]
Lonnie Marquez [(2)]
David Martin
Terry White

Chief Executive Officer
Richard May

Finance Authority 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

(1) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate. See "NEW MEXICO FINANCE AUTHORITY—Governing Body and Key Staff Members" for a discussion of the effect of senate confirmations on their respective terms.
(2) Term has expired but continues to serve until replaced or reappointed.

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

$24,340,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS, SERIES 2012A

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 $24,340,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2012A (the "Series 2012A Bonds") being issued by the New Mexico Finance Authority (the "Finance Authority" or the "NMFA"). The Series 2012A Bonds, together with additional bonds the Finance Authority 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 Eighty-Third Supplemental Indenture of Trust, dated as of March 1, 2012 (the "Eighty-Third Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the Finance Authority and The Bank of New York Mellon Trust Company, N.A., Denver, Colorado, as successor 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 Finance Authority, 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 Finance Authority, see "NEW MEXICO FINANCE AUTHORITY" and the Finance Authority's financial statements for the fiscal year ended June 30, 2011 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 2012A 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 2012A Bonds will be used by the Finance Authority for the purposes of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from certain 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 2012A Bonds. See "THE PLAN OF FINANCING" for more information with respect to the sources and uses of proceeds of the Series 2012A 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 2012A Bonds. Such Governmental Units whose Loans are being financed with proceeds of the Series 2012A Bonds are sometimes referred to herein as the "2012A Governmental Units."

Parity Obligations

Bonds with a lien on the Trust Estate on a parity with the lien of the Series 2012A 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 2012A Bonds

The Series 2012A Bonds will be dated the date of their initial delivery. Interest on the Series 2012A Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2012. The Series 2012A 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 2012A 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 2012A 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 2012A 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 2012A Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2012A 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 2012A 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 Finance Authority, the Trustee, the Registrar or the Paying Agent will be given only to DTC.

Redemption

The Series 2012A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "THE SERIES 2012A BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2012A Bonds, are special limited obligations of the Finance Authority 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 Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE FINANCE AUTHORITY HAS NO TAXING POWERS. No provision of the Series 2012A Bonds will be construed or interpreted as a donation or lending of the credit of the Finance Authority, 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 2012A Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the

general credit of the State, the Finance Authority or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

Common Debt Service Reserve Fund. The Finance Authority has established a Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011, and as of March 22, 2012, the Common Debt Service Reserve Fund was funded in the amount of $27,710,124. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds—Common Debt Service Reserve Fund."

Additional Bonds. The Finance Authority 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 2012A Bonds. The Finance Authority 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 Finance Authority has undertaken for the benefit of the Series 2012A Bond Owners that, so long as the Series 2012A Bonds remain outstanding, the Finance Authority will provide certain annual financial information, operating data and audited financial statements with respect to the Finance Authority and each Governmental Unit expected by the Finance Authority 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 Finance Authority, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2012A 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 2012A 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 2012A Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel to the Finance Authority, will deliver its opinion in the form included in APPENDIX D. Certain legal matters will be passed upon for the Finance Authority by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the Finance Authority, and by Ballard Spahr LLP, Salt Lake City, Utah, Disclosure Counsel to the Finance Authority. The General Counsel of the Finance Authority will deliver a non-litigation certification for the Finance Authority. Western Financial Group, LLC, Lake Oswego, Oregon has acted as financial advisor to the Finance Authority (the "Financial Advisor") in connection with its issuance of the Series 2012A Bonds. See "FINANCIAL ADVISOR."

The Finance Authority's audited financial statements for the fiscal year ended June 30, 2011, 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 2012A Bonds

The Series 2012A 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 2012A Bonds will be delivered to DTC or its agent on or about April 18, 2012. The Series 2012A Bonds were sold to the Purchaser pursuant to a competitive bidding process held on March 22, 2012.

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 Finance Authority, may be obtained during the offering period, upon request to the Finance Authority and upon payment to the Finance Authority 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 Finance Authority and any purchaser or holder of Series 2012A Bonds.

THE SERIES 2012A BONDS

General

The Series 2012A Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2012A 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, 2012. The Series 2012A 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 2012A 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 2012A 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 2012A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2012A Bonds will be made in book-entry only form, and beneficial owners of the Series 2012A 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 2012A 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 2012A Bonds maturing on and after June 1, 2022 are subject to optional redemption at any time on and after June 1, 2021, in whole or in part, in such order of maturity as may be selected by the Finance Authority and by lot within each maturity within each Series (if in part, in integral multiples of $5,000), at the option of the Finance Authority, upon notice as provided in the General Indenture and at the redemption price of 100% of the principal amount of the Series 2012A Bonds to be redeemed, but without premium.

Mandatory Sinking Fund Redemption. The Series 2012A Bonds maturing on June 1, 2034 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 2012A 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	$570,000
2032	595,000
2033	600,000
2034†	625,000

† Final Maturity

The Series 2012A 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 2012A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2035	$650,000
2036	675,000
2037	700,000
2038†	730,000

† Final Maturity

If less than all of the Series 2012A Bonds maturing on June 1, 2034 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 2012A Bonds, in such order as may be directed by the Finance Authority.

Notice of Redemption. In the event any of the Series 2012A Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2012A 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 Series 2012A Bonds is to be given by the Trustee at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 2012A Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 2012A 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 Series 2012A 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 Series 2012A Bonds or portions thereof redeemed but who failed to deliver Series 2012A 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 Series 2012A Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 2012A Bonds.

Partially Redeemed Bonds. In case any Series 2012A Bond is redeemed in part, upon the presentation of such Series 2012A Bond for such partial redemption, the Finance Authority 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 Finance Authority, a Series 2012A Bond or Series 2012A Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2012A Bond. A portion of any Series 2012A 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 Series 2012A Bonds for redemption, the Trustee will treat each such Series 2012A Bond as representing that number of Series 2012A Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 2012A 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 2012A Bonds, are special limited obligations of the Finance Authority payable solely from the Trust Estate. The Series 2012A Bonds do not constitute nor create a general obligation or other indebtedness of the State, the Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE FINANCE AUTHORITY HAS NO TAXING POWERS. No provision of the Series 2012A Bonds will be construed or interpreted as a donation by or lending of the credit of the Finance Authority, 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 2012A Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority 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 Finance Authority 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 Finance Authority 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 Finance Authority. Under each Loan Agreement or issue of Securities, the respective Governmental Unit pledges to the Finance Authority 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 Finance Authority 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 2012A Governmental Units and the allocable portions of the Loans financed with the Series 2012A 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 2011-2012. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

Type of Revenue	FY 2011-2012 Amounts	% of Total Agreement Revenues
Enterprise System Revenues	$31,926,198	31.23%
Local Gross Receipts Tax	27,721,992	27.11
General Obligation (ad valorem taxes)	14,137,621	13.83
Local Special Tax	13,430,300	13.14
State Gross Receipts Tax	6,448,479	6.31
Fire Protection Funds	3,778,763	3.70
Governmental Gross Receipts Tax	2,550,401	2.49
Special Assessments	1,909,652	1.87
Law Enforcement Protection Funds	218,272	0.21
Mill Levy	117,097	0.11
Total	$102,238,775	100.00%

Note: Totals may not add due to rounding. Assumes that the Loans funded with proceeds of the Series 2012A Bonds are executed and delivered.

(Source: The Finance Authority.)

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 2011-2012 and assuming no further prepayments of any Agreements, are expected to generate the largest amount of Agreement Revenues in fiscal year 2011-2012. The Agreement Revenues generated from such Agreements account for 49.53% of projected Agreement Revenues for fiscal year 2011-2012.

AGREEMENTS EXPECTED TO GENERATE THE LARGEST AGREEMENT REVENUES[1]

Borrower	FY 2011-2012 Debt Service	% of Total Pledged Agreement Revenues[1]
Albuquerque Bernalillo Water Utility Authority (Enterprise System Revenues)	$13,863,414	13.56%
City of Albuquerque (Enterprise System Revenues)	7,668,311	7.50
General Services Department (State Gross Receipts Taxes)	6,408,221	6.27
New Mexico Spaceport Authority (Gross Receipts Tax)	5,646,571	5.52
Gadsden Independent Schools (Ad Valorem Property Tax)	3,783,598	3.70
City of Albuquerque (Gross Receipts Tax)	3,522,508	3.45
City of Santa Fe (Gross Receipts Tax)	2,635,670	2.58
State Parks and Recreation Department (Governmental Gross Receipts Tax)	2,550,401	2.49
New Mexico Highlands University (Enterprise System Revenues)[2]	2,353,701	2.30
Department of Health (Cigarette Taxes)	2,207,198	2.16
Total	$50,639,593	49.53%

(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.

(Source: The Finance Authority.)

Although Agreement Revenues are received at various times throughout the year, they are held under the Indenture until June 1 of each year to be applied to pay debt service on the Bonds. For more information with respect to the Governmental Units with the largest repayment obligations, see "APPENDIX F—2012A GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS."

The Finance Authority 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 Finance Authority may make loans from or purchase securities with available funds in the Public Project Revolving Fund. At its option, the Finance Authority 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 Finance Authority 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 Finance Authority 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 Finance Authority. 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 2006-2007 through 2010-2011.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2006-2007 THROUGH 2010-2011

	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011
Total Net Receipts	$27,936,430	$29,186,583	$29,370,303	$30,375,481	$32,872,185
NMFA Portion of the Governmental Gross Receipts Tax	$21,335,908	$21,431,489	$21,493,438	$23,053,051	$24,518,214

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

Data that identifies the top payers of the governmental gross receipts tax for recent fiscal years is not publicly available from the State of New Mexico Taxation and Revenue Department. Based upon data provided by individual governmental entities in previous fiscal years, the payers of the governmental gross receipt tax whose payments accounted for at least 5% of the total net receipts from the governmental gross receipts tax were the Albuquerque Bernalillo County Water Utility Authority, the City of Albuquerque, the City of Santa Fe and the City of Las Cruces. Although the Finance Authority has not verified and does not guarantee the accuracy of such information, the Finance Authority does not have any reason to believe that the list of entities providing at least 5% of the governmental gross receipts tax has changed in any material respect in recent fiscal years.

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), a Common Debt Service Reserve Fund, 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 Finance Authority 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: to 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: in the event the Common Debt Service Reserve Fund has been used to satisfy amounts due under a Loan Agreement or in relation to certain Securities, then to the extent Loan Payments are received as to that specific Loan Agreement or Securities, to the Common Debt Service Reserve Fund to the extent necessary to cause the payments to the Common Debt Service Reserve Fund to equal the amounts withdrawn from the Common Debt Service Reserve Fund to satisfy amounts due under the Loan Agreement or as to such Securities.
>
> Fourth: 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 2012A 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.

On the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the next Business Day preceding such third day), if the amount on deposit in any Governmental Unit's account of the Debt Service Fund is insufficient, after applying any applicable Agreement Reserve Account or other source for the

payment of Debt Service, the Trustee shall transfer the amount of such deficiency from the Common Debt Service Reserve Fund. See "Common Debt Service Reserve Fund" below under this caption.

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 Finance Authority 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 Finance Authority 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 (5%) 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 Finance Authority 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 Finance Authority 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) and to make any deposits to the Common Debt Service Reserve Fund (as described below), the Finance Authority 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.

Common Debt Service Reserve Fund. The Finance Authority has established the Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011, and, as of March 22, 2012, the Common Debt Service Reserve Fund was funded in the amount of $27,710,124.

The Finance Authority shall determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The Finance Authority shall deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the Finance Authority of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the Finance Authority by the trustee under the Subordinated Indenture on June 16.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit shall be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the Finance Authority, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the Finance Authority has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the Finance Authority shall not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount shall be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee shall transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

Investment Earnings. All income earned from the investment of moneys in the respective Accounts held by the Finance Authority 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 returned to the Governmental Units or 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 2012A Bonds. The Finance Authority covenants pursuant to the Eighty-Third Supplemental Indenture, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to the Loans reimbursed or originated with proceeds of the Series 2012A Bonds with debt service payable on the Series 2012A Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2012A 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 Series 2012A 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 Finance Authority 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 Series 2012A Bonds from which the Loan relating to the Prepayment was initially funded and which Series 2012A 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 2012A BONDS—Redemption."

The Finance Authority 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 Finance Authority has received prepayments (including Prepayments under the Indenture as well as prepayments of obligations under the Subordinated Indenture) 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 Finance Authority 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	23	6,945,375
2010-2011[(1)]	58	124,271,480
2011-2012[(1)]	41	86,645,447

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(1) Reflects prepayments received for the period of July 1, 2010 through March 22, 2012, including Prepayments under the Indenture as well as prepayments under the Subordinated Indenture. The large amount of prepayments is attributable to a favorable interest rate climate that permitted governmental units to refinance their respective loans. As discussed above under "Covenants Applicable to the Series 2012A Bonds," the Finance Authority may originate additional Loans, redeem outstanding Bonds that related to the prepaid Loans, if such Bonds are subject to redemption, or defease outstanding Bonds that relate to the prepaid Loans. As of the date of this Official Statement, the Finance Authority has applied $111,153,693 of the proceeds of such prepayments to originate additional loans which, pursuant to Pledge Notifications, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The Finance Authority has also applied $41,583,172 of such prepayments to redeem obligations under the Indenture or the Subordinated Indenture. There remains $58,180,062 of prepayments that have yet to be applied. However, the Finance Authority has identified additional loans that it can originate that will allocate $55,593,999 of such prepayments.

(Source: The Finance Authority.)

Additional Bonds

Additional Bonds or other indebtedness, bonds or notes of the Finance Authority 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 Finance Authority 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 Finance Authority (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 Finance Authority 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 2012A 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 2012A Bonds

No additional indebtedness, bonds or notes of the Finance Authority 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 22, 2012:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of March 22, 2012[(2)]
2002A	$55,610,000	$6,455,000
2003A	39,945,000	2,342,000
2003B	25,370,000	12,495,000
2004A-1	28,410,000	1,825,000
2004B-1	48,135,000	27,670,000
2004B-2	1,405,000	835,000
2004C	168,890,000	117,965,000
2005A	19,015,000	10,815,000
2005B	13,500,000	7,180,000
2006B	38,260,000	31,825,000
2006D	56,400,000	49,005,000
2007E	61,945,000	49,560,000
2008A	158,965,000	144,475,000
2008B	36,545,000	30,930,000
2008C	29,130,000	26,170,000
2009A	18,435,000	16,840,000
2009C	55,810,000	51,880,000
2009D-1	13,570,000	12,355,000
2009D-2	38,845,000	38,230,000
2009E	35,155,000	29,345,000
2010A-1	15,170,000	12,425,000
2010A-2	13,795,000	13,795,000
2010B-1	38,610,000	37,080,000
2010B-2	17,600,000	17,600,000
2011A	15,375,000	15,375,000
2011B-1	42,735,000	42,735,000
2011B-2	14,545,000	14,545,000
2011C	53,400,000	53,400,000
Total	$1,154,570,000	$875,152,000

(1) The official statements for the various Series of Outstanding Parity Bonds are available at the Internet site of the Finance Authority, http://www.nmfa.net, under "NMFA Investor Resources."
(2) Bonds mature on June 1.
(Source: The Finance Authority.)

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 2011-2012 and assuming no further prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2011-2012.

Outstanding Subordinate Lien Bonds

Pursuant to a Subordinated General Indenture of Trust and Pledge dated as of March 1, 2005 (the "Subordinated Indenture"), the Finance Authority 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 Finance Authority 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 22, 2012:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of March 22, 2012[(2)]
2005C[(3)]	$50,395,000	$44,770,000
2005E	23,630,000	23,630,000
2005F	21,950,000	19,195,000
2006A	49,545,000	46,265,000
2006C	39,860,000	32,770,000
2007A	34,010,000	25,645,000
2007B	38,475,000	30,140,000
2007C	131,860,000	115,785,000
Total	$389,725,000	$338,200,000

(1) The official statements for the various series of Subordinate Lien Bonds are available at the Internet site of the Finance Authority, http://www.nmfa.net, under "NMFA Investor Resources."

(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 Finance Authority.)

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

The Finance Authority 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 2012A 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 Finance Authority 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 Finance Authority 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 2012A Bonds will be used by the Finance Authority for the purpose of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from the 2012A Governmental Units that will be or were used to finance certain Projects for such 2012A Governmental Units, and (ii) paying costs incurred in connection with the issuance of the Series 2012A Bonds. See APPENDIX F for a list of the 2012A Governmental Units and the amount of the Loans expected to be financed with the Series 2012A 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 2012A Bonds.

Sources of Funds

Principal Amount	$24,340,000.00
Net Original Issue Premium[(1)]	979,143.07
Finance Authority Contribution	356,186.58
Total Sources	**$25,675,329.65**

Uses of Funds

Deposit to Program Fund Accounts of the 2012A Governmental Units[(2)]	$25,187,329.65
2012A Governmental Units' Costs of Issuance[(3)]	175,000.00
Finance Authority Administrative Fee	150,000.00
Finance Authority Costs of Issuance[(4)]	163,000.00
Total Uses	**$25,675,329.65**

(1) Net of original purchaser's discount of $193,186.58.

(2) Amounts in the Program Fund Accounts will be used to reimburse or fund the Loans to or purchase securities from certain of the 2012A Governmental Units at or about the same time as the issuance of the Series 2012A Bonds. See "APPENDIX F—2012A GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS."

(3) 2012A Governmental Units' costs of issuance include legal and financial advisory fees and other miscellaneous costs.

(4) Finance Authority costs of issuance include legal fees, rating agency fees, Trustee fees, financial advisory fees, and other miscellaneous costs.

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2012A 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	Series 2012A Bonds Principal	Series 2012A Bonds Interest	Outstanding Parity Bonds(2)	Total Annual Debt Service
2012	–	–	$95,875,644	$95,875,644
2013	$735,000	$935,497	97,837,271	99,507,768
2014	1,160,000	795,255	94,442,667	96,397,922
2015	1,180,000	772,055	92,228,572	94,180,627
2016	1,250,000	707,155	88,995,131	90,952,286
2017	1,235,000	682,155	75,539,324	77,456,479
2018	1,260,000	663,630	74,422,977	76,346,607
2019	1,310,000	613,230	70,894,951	72,818,181
2020	1,570,000	583,755	63,631,051	65,784,806
2021	1,500,000	544,505	61,939,321	63,983,826
2022	1,580,000	469,505	58,212,560	60,262,065
2023	1,600,000	406,305	53,733,678	55,739,983
2024	1,625,000	358,305	47,463,382	49,446,687
2025	515,000	309,555	41,693,240	42,517,795
2026	530,000	294,105	40,074,612	40,898,717
2027	545,000	277,675	38,042,594	38,865,269
2028	515,000	260,235	35,240,788	36,016,023
2029	535,000	243,240	29,498,305	30,276,545
2030	550,000	225,050	22,799,615	23,574,665
2031	570,000	205,800	20,943,027	21,718,827
2032	595,000	183,000	19,988,766	20,766,766
2033	600,000	159,200	17,825,818	18,585,018
2034	625,000	135,200	16,168,240	16,928,440
2035	650,000	110,200	14,548,616	15,308,816
2036	675,000	84,200	12,432,810	13,192,010
2037	700,000	57,200	1,834,340	2,591,540
2038	730,000	29,200	1,825,842	2,585,042
2039	–	–	58,523	58,523
Total	$24,340,000	$10,105,212	$1,288,191,664	$1,322,636,876

(1) Assumes the Series 2012A Bonds are issued and Outstanding. Totals may not add due to rounding.
(2) Includes principal and interest.
(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 2012A 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 projected 2010-2011 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 "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.

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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[3]	Estimated Annual Coverage Ratios[5]
2012	$24,518,214	$102,238,775	$126,756,989	$95,875,644	1.32x
2013	24,518,214	107,376,368	131,894,582	99,507,768	1.33x
2014	24,518,214	104,195,837	128,714,051	96,397,922	1.34x
2015	24,518,214	102,084,905	126,603,119	94,180,627	1.34x
2016	24,518,214	100,541,511	125,059,725	90,952,286	1.38x
2017	24,518,214	83,269,751	107,787,965	77,456,479	1.39x
2018	24,518,214	82,448,060	106,966,274	76,346,607	1.40x
2019	24,518,214	77,381,589	101,899,803	72,818,181	1.40x
2020	24,518,214	76,059,761	100,577,975	65,784,806	1.53x
2021	24,518,214	68,637,178	93,155,392	63,983,826	1.46x
2022	24,518,214	65,559,574	90,077,788	60,262,065	1.49x
2023	24,518,214	61,511,600	86,029,814	55,739,983	1.54x
2024	24,518,214	55,175,814	79,694,028	49,446,687	1.61x
2025	24,518,214	50,026,788	74,545,002	42,517,795	1.75x
2026	24,518,214	45,827,693	70,345,907	40,898,717	1.72x
2027	24,518,214	41,342,744	65,860,958	38,865,269	1.69x
2028	24,518,214	39,758,896	64,277,110	36,016,023	1.78x
2029	24,518,214	40,457,302	64,975,516	30,276,545	2.15x
2030	24,518,214	25,198,373	49,716,587	23,574,665	2.11x
2031	24,518,214	22,701,209	47,219,423	21,718,827	2.17x
2032	24,518,214	20,921,050	45,439,264	20,766,766	2.19x
2033	24,518,214	20,581,745	45,099,959	18,585,018	2.43x
2034	24,518,214	18,950,954	43,469,168	16,928,440	2.57x
2035	24,518,214	17,328,651	41,846,865	15,308,816	2.73x
2036	24,518,214	15,193,644	39,711,858	13,192,010	3.01x
2037	24,518,214	4,578,920	29,097,134	2,591,540	11.23x
2038	24,518,214	4,101,361	28,619,575	2,585,042	11.07x
2039	24,518,214	457,591	24,975,805	58,523	426.77x

(1) Assumes the Series 2012A Bonds are issued and Outstanding.
(2) Reflects NMFA Portion of the Governmental Gross Receipts Tax collections from July 1, 2010 through June 30, 2011.
(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. Includes any Prepayments that have been received by the Finance Authority up to March 22, 2012. As previously discussed, the Finance Authority has received prepayments of certain loans under the Indenture as well as under the Subordinated Indenture. Pursuant to the terms of the Indenture, the Finance Authority has the option to originate new Loans with debt service payments that approximate the debt service of the prepaid Loans or defease the Bonds that relate to such prepaid Loans. As of the date of this Official Statement, the Finance Authority has applied $111,153,693 of the proceeds of such prepayments received in fiscal year 2011-2012 to originate additional loans which, pursuant to Pledge Notifications, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The Finance Authority has also applied $41,583,172 of such prepayments to redeem obligations under the Indenture or the Subordinated Indenture. There remains $58,180,062 that have yet to be applied. However, the Finance Authority has identified additional loans that it can originate that will allocate $55,593,999 of such prepayments. The Finance Authority does not expect the new Loans to have a significant impact on the coverage ratio since the amount of any new Loan Payments will be substantially similar to the prepaid Loan Payments.
(4) Amounts are rounded to the nearest dollar.
(5) Calculated using the fiscal year 2010-2011 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 Finance Authority and Western Financial Group LLC.)

NEW MEXICO FINANCE AUTHORITY

General Information

The Finance Authority is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality of the State. The Finance Authority 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 Finance Authority and its corporate existence will continue until terminated by law, provided that no such law will take effect so long as the Finance Authority has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The Finance Authority is comprised of 11 members who also constitute the Finance Authority'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 Finance Authority, subject to the policies, control and direction of the Finance Authority.

The Finance Authority staff provides a full range of services to its borrowers and other parties benefiting from or otherwise interested in the Finance Authority's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the Finance Authority'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 Finance Authority 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 Finance Authority 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 Finance Authority;

(c) to accept, administer, hold and use all funds made available to the Finance Authority 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 Finance Authority has no authority to impose or collect taxes.

Organization and Governance

The Finance Authority is composed of 11 members who serve as the governing body of the Finance Authority. Six 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 six 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), 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 Finance Authority exercises and oversees the exercise of the powers of the Finance Authority. The governing body of the Finance Authority satisfies those responsibilities through monthly meetings and through the standing committees that the governing body has established. A quorum of the governing body exists when a majority of the members then serving are present. A majority vote of a quorum of the members present may transact any business of the Finance Authority. A vacancy in the membership of the governing body does not impact the ability of a quorum to exercise all rights and duties of the Finance Authority. The committees are advisory and have no authority to act on behalf of the governing body, except that the Contracts Committee has authority to award certain contracts and the Investment Committee has authority to authorize certain investments. Each committee reviews and makes recommendations to the governing body concerning matters assigned to it by the governing body.

The Executive Committee provides oversight and direction relating to the operations of the Finance Authority. Other committees include the Finance and Loan Committee, the Audit Committee, the Economic Development Committee, the Investment Committee, and the Contracts Committee. The committees typically meet monthly.

The governing body has also established written policies concerning the exercise of the powers of the Finance Authority, 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 Finance Authority.

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Governing Body and Key Staff Members

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

Name	Occupation	Term Expires
Denise K. Baker [3] (Chairperson)	Chief Executive Officer, D.R.B. Electric, Inc., Albuquerque, New Mexico	01/01/13
William F. Fulginiti[1] (Vice-Chairman)	Executive Director, New Mexico Municipal League	not applicable
Paul Gutierrez[1] (Secretary)	Executive Director, New Mexico Association of Counties	not applicable
Blake Curtis [2] [3] (Treasurer)	Senior Vice President, Curtis & Curtis, Inc., Clovis, New Mexico	01/01/16
Jon Barela [1] [3]	Secretary Designate, Economic Development Department, State of New Mexico	not applicable
John Bemis [1] [3]	Secretary Designate, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Tom Clifford [1] [3]	Secretary Designate, Department of Finance and Administration	not applicable
Jerry Jones [2] [3]	Chief Executive Officer, Stolar Research Corporation, Raton, New Mexico	01/01/13
Lonnie Marquez[3] [4]	Vice President for Administration and Finance, New Mexico Institute of Mining and Technology	01/01/12
David Martin[1] [3]	Secretary, Environment Department, State of New Mexico	not applicable
Terry White[3] [4]	Chief Executive Officer of Sunwest Trust, Inc., Albuquerque, New Mexico	01/01/16

(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 Finance Authority. *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) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate during the 2013 session of the New Mexico Legislature, and will continue to serve until the expiration of such session if no confirmation is received.

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

(4) Continues to serve until replaced or reappointed.

Presented below is certain information concerning key staff members of the Finance Authority involved in the issuance of the Series 2012A Bonds and the administration of the Finance Authority's financing programs.

Richard May, Chief Executive Officer. Mr. May joined the Finance Authority as the Chief Executive Officer in September 2011 after serving as Cabinet Secretary for the New Mexico Department of Finance and Administration. Mr. May has more than 33 years of experience in government finance and public policy while serving in various positions at the state and federal levels of government, as well as in the private sector. In addition to being a Cabinet Secretary in the New Mexico executive branch, Mr. May has held the positions of Staff Director at the House Budget Committee in the U.S. Congress; Legislative Director for former U.S. Rep. John Kasich; Legislative Assistant in the Ohio Senate; and Tax and Appropriations Analyst in the New Mexico House of

Representatives. He has also held the positions of Federal Affairs Counsel for the National Conference of State Legislatures and as Manager of Federal Relations with Sandia National Laboratories. Mr. May's private sector experience includes working as a government relations representative for two firms in Washington, D.C. Mr. May received both his Bachelor of Science in Education degree and his Master of Arts degree in political science from Ohio University.

John T. Duff, Chief Operating Officer and Chief Financial Officer. Mr. Duff joined the Finance Authority 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 was appointed Interim Chief Executive Officer in March, 2011, when the prior Chief Executive Officer resigned and served in that position until September 6, 2011, when the current Chief Executive Officer assumed the position. 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 Financial Strategist. Mr. Zavelle joined the Finance Authority 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.

Gregory Campbell, Controller. Mr. Campbell joined the Finance Authority as an accountant in October 2005 and became the Controller in December 2007. Mr. Campbell has over 20 years of experience in the accounting profession, 9 of which, as an accountant with the New Jersey Economic Development Authority ("NJEDA") an agency with similar business characteristics as the Finance Authority. During his tenure with the NJEDA, Mr. Campbell's responsibilities included accounting for the projects financed through the Real Estate Development division as well as full accounting responsibilities, including financial statements preparation, for the operations of the NJEDA. Mr. Campbell has a Bachelor Arts degree in Accounting from Upsala College.

Marquita Russel, Chief of Programs. Ms. Russel joined the Finance Authority 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 Finance Authority, 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 Finance Authority in April, 2007 as General Counsel. Prior to joining the Finance Authority, 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 and has handled complex litigation cases. 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 Finance Authority, and in that connection it, among other things: (i) meets on a regular basis to receive and review reports from the Finance Authority and to review and approve regulations proposed for adoption pursuant to the Act; (ii) monitors and provides assistance and advice on the public project financing program of the

Finance Authority; (iii) oversees and monitors State and local government capital planning and financing; (iv) provides advice and assistance to the Finance Authority 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 Finance Authority 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 March 22, 2012, the Finance Authority had made 1,023 PPRF loans totaling approximately $2.1 billion. To implement the PPRF Program, the Finance Authority 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 Finance Authority;

(b) to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Finance Authority 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 or hold securities at prices and in a manner the Finance Authority 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 Finance Authority 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 Finance Authority 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 Finance Authority, 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 Finance Authority;

(g) to the extent permitted under its contracts with the holders of bonds of the Finance Authority, 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 Finance Authority 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 Finance Authority;

(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 Finance Authority 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 Finance Authority established a contingency account (the "Contingent Liquidity Account"). Although it will not be pledged to the Series 2012A Bonds, or any other Finance Authority bonds, the Contingent Liquidity Account is intended to enhance the Finance Authority'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 Finance Authority bonds; however, such use is within the sole discretion of the Finance Authority and such funds may also be used for other purposes, including but not limited to payments of unforeseen expenses of the Finance Authority, urgent economic development projects, loan originations, or addressing other purposes as determined by the Finance Authority. As of March 22, 2012, the Contingent Liquidity Account was funded to an amount of approximately \$21,928,965. Upon approval of the Finance Authority, the Contingent Liquidity Account may receive increases. The Finance Authority plans to annually evaluate the level of the Contingent Liquidity Account to determine the amount, if any, of subsequent deposits.

Temporary Borrowing. The Finance Authority has entered into an arrangement (the "Wells Fargo Short-Term Borrowing") with Wells Fargo Bank, National Association ("Wells Fargo") for Wells Fargo to provide to the Finance Authority an amount up to \$50,000,000 to reimburse the Finance Authority for Loans made to eligible entities that are incurred prior to the issuance of a Series of Bonds or to make Loans to eligible entities by using funds drawn from the Wells Fargo Short-Term Borrowing. Once the amounts are advanced, the Finance Authority has up to 180 days to repay the advancement. The Wells Fargo Short-Term Borrowing is scheduled to expire on October 31, 2014. The Wells Fargo Short-Term Borrowing is secured by proceeds of Bonds that are anticipated to be issued subsequent to the advances. The Finance Authority has entered into Wells Fargo Short-Term Borrowing to assist it with its cash flows. The Wells Fargo Short-Term Borrowing is not secured by the Trust Estate.

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Other Bond Programs and Projects

The Finance Authority 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 March 22, 2012.

Program	Project	Original Principal Amount	Outstanding as of March 22, 2012	Scheduled Final Maturity
Worker's Compensation	Administrative Building	$4,310,000	$1,565,000	9/1/2016
Cigarette Tax	University of New Mexico Health Sciences Building	39,035,000	15,055,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	1,875,000	5/1/2026
Transportation	Highways	700,000,000	248,310,000	6/15/2024
Transportation	Highways	182,315,000	92,920,000	6/15/2014
Transportation	Highways	150,000,000	149,760,000	12/15/2026
Transportation	Highways	40,085,000	26,675,000	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	71,715,000	6/15/2017
Transportation	Highways	95,525,000	89,480,000	12/15/2024
Transportation	Highways	79,100,000	79,100,000	12/15/2021
Transportation	Highways	461,075,000	461,075,000	6/15/2024

(Source: The Finance Authority.)

LITIGATION

To the knowledge of the Finance Authority, 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 2012A 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 Finance Authority to pay debt service on the Series 2012A Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2012A Bonds, the Indenture, or any proceeding and authority of the Finance Authority taken with respect to the foregoing. The Finance Authority will deliver a non-litigation certification as to the foregoing prior to the issuance of the Series 2012A Bonds. See APPENDIX F for information concerning pending litigation to which the Finance Authority and one of the Governmental Units are parties.

SALE OF SERIES 2012A BONDS

The Series 2012A Bonds were sold to the Purchaser at an aggregate purchase price of $25,512,329.65 (being the par amount of the Series 2012A Bonds plus a net original issue premium of $1,172,329.65). The Series 2012A Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2012A Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside front cover pages of this Official Statement and such public offering prices may be changed from time to time.

TAX MATTERS

Tax-Exempt Series 2012A 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 2012A 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 2012A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2012A Bonds. The Finance Authority 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 2012A 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 2012A Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2012A 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 2012A 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 Finance Authority and the Governmental Units. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the Finance Authority and the Governmental Units. In addition, Bond Counsel has not been engaged, and will not undertake, to monitor the Finance Authority'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 2012A Bonds may affect the federal tax-exempt status of the interest on the Series 2012A Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2012A Bonds maturing on June 1 in the years 2025 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 2012A 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 2012A 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 2012A Bonds maturing on June 1 in the years 2013 through 2023, both dates inclusive, and June 1, 2034 and June 1 2038 (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

2012A 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 2012A 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 2012A 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 2012A Bonds. Prospective purchasers of the Series 2012A 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 2012A Bonds may affect the tax status of interest on the Series 2012A 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 2012A 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 2012A Bonds, or the interest thereon, if any action is taken with respect to the Series 2012A 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 2012A Bonds is excluded from gross income for federal income tax purposes, a Series 2012A Bondholder's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2012A Bonds. The nature and extent of these other tax consequences will depend upon the Series 2012A Bondholder’s other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2012A 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 2012A 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 2012A Bonds, (iii) interest on the Series 2012A 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 2012A 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 2012A Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Unless separately engaged, Bond Counsel is not obligated to defend the Finance Authority, the Governmental Units or the Series 2012A Bondholders regarding the tax-exempt status of the Series 2012A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Finance Authority, the Governmental Units and their respective appointed counsel, including the Series 2012A 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 Finance Authority or the Governmental Units legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2012A 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 2012A Bonds, and may cause the Finance Authority, the Governmental Units or the Series 2012A Bondholders to incur significant expense.

Bond Counsel is of the opinion that interest on the Series 2012A 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 2012A 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 2012A Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel to the Finance Authority, will deliver its opinion in substantially the form included in APPENDIX D. Certain legal matters will be passed upon for the Finance Authority by Virtue Najjar & Brown PC, Santa Fe, New Mexico, Issuer's Counsel to the Finance Authority. Certain legal matters will be passed upon for the Finance Authority by Ballard Spahr LLP, Salt Lake City, Utah, Disclosure Counsel to the Finance Authority. General Counsel to the Finance Authority will deliver a non-litigation certification for the Finance Authority. The counsels involved in this transaction have not participated in any independent verification of the information concerning the financial condition or capabilities of the Finance Authority contained in this Official Statement.

FINANCIAL ADVISOR

The Finance Authority 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 2012A 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 Finance Authority for the year ended June 30, 2011, 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 December 10, 2011. 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 Finance Authority in this Official Statement.

CONTINUING DISCLOSURE UNDERTAKING

The Finance Authority will execute and deliver a Continuing Disclosure Undertaking in connection with the issuance of the Series 2012A 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 2012A 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 2006-2007 Through 2010-2011" 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 Finance Authority, 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 Finance Authority 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 Finance Authority, any Governmental Unit meeting the 20% Test and each additional Governmental Unit designated by the Finance Authority, 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, but not more than ten business days after the occurrence of the event, 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 2012A Bonds:

1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;

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

5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2012A Bonds;

6. defeasances;

7. tender offers;

8. bankruptcy, insolvency, receivership or similar proceedings; and

9. rating changes.

- in a timely manner, but not more than ten business days after the occurrence of the event, 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 2012A Bonds, if material:

1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

2. appointment of a successor or additional trustee or the change of the name of a trustee;

3. non-payment related defaults;

4. modification of rights of owners of the Series 2012A Bonds;

5. bond calls; and

6. release, substitution, or sale of property securing repayment of the Series 2012A Bonds.

The Finance Authority 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 Finance Authority, such other event is material with respect to the Series 2012A Bonds. However, the Finance Authority does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The Finance Authority 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 Finance Authority; provided that, the Finance Authority has agreed that any such modification will be done in a manner consistent with the Rule. The Finance Authority 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 2012A 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 Finance Authority's obligations, and any failure by the Finance Authority to comply with the provisions of the undertaking will not be an event of default with respect to the Series 2012A 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 2012A Bonds. See APPENDIX F for a discussion of Loans to Governmental Units with the largest outstanding principal loan balances.

The Finance Authority 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 Rating Services ("S&P") and Moody's Investors Service ("Moody's") have assigned ratings of "AAA" and "Aa1," respectively, to the Series 2012 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 2012A 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 2012A Bonds may have an adverse effect on the market price of the Series 2012A Bonds. The Financial Advisor has not undertaken any responsibility to bring to the attention of the owners of the Series 2012A Bonds any proposed revision or withdrawal of the ratings on the Series 2012A Bonds, or to oppose any such proposed revision or withdrawal. The Finance Authority 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 2012A Bonds.

INVESTMENT CONSIDERATIONS

Availability of Revenues

The amount of Revenues actually received by the Finance Authority may be affected by several factors. Among other things, the amount of governmental gross receipts taxes that will be collected and distributed to the

Finance Authority 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 Finance Authority. 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 Finance Authority 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 2012A 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 future 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 Finance Authority, may be obtained during the offering period, upon request to the Finance Authority and upon payment to the Finance Authority 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 Finance Authority and the purchasers or holders of any of the Series 2012A Bonds.

NEW MEXICO FINANCE AUTHORITY

By /s/ Denise K. Baker
Denise K. Baker,
Chairperson

By /s/ Richard E. Mary
Richard E. May,
Chief Executive Officer

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE FINANCE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NEW MEXICO FINANCE AUTHORITY
Santa Fe, New Mexico

Financial Statements
June 30, 2011 and 2010

NEW MEXICO FINANCE AUTHORITY

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NEW MEXICO FINANCE AUTHORITY

Official Roster

Year Ended June 30, 2011

Governing Board

Denise Baker, Chairman
William F. Fulginiti, Vice Chairman
John Barela, Member
John Bemis, Member
Tom Clifford, Member
Blake Curtis, Member
Paul Gutierrez, Member
Jerry L. Jones, Member
Lonnie Marquez, Member
David Martin, Member
Terry White, Member

Chief Executive Officer
Richard May

Chief Operating Officer
John Duff

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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 years ended June 30, 2011 and 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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, 2011 and 2010, 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, 2011 and 2010 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.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 10, 2011, 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

Member of HLB International

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 presented on pages 41 to 53 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 as presented on page 15 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
December 10, 2011

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, 2011 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, 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 2011	FY 2010	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2009
Assets					
Cash and equivalents:					
Unrestricted	$ 113,770,321	$ 121,171,671	$ (7,401,350)	-6.1%	$ 112,650,499
Restricted	222,682,493	267,498,861	(44,816,368)	-16.8%	373,125,553
Loans receivable, net of allowance	1,223,421,679	1,252,122,229	(28,700,550)	-2.3%	1,113,608,650
Intergovernmental receivable	140,811,240	147,842,525	(7,031,285)	-4.8%	154,793,087
Other accounts receivable	15,512,481	14,730,932	781,549	5.3%	16,645,090
Capital assets	205,244	273,500	(68,256)	-25.0%	197,829
Other assets	48,233,030	11,798,047	36,434,983	308.8%	11,679,176
Total Assets	**$ 1,764,636,488**	**$ 1,815,437,765**	**$ (50,801,277)**	**-2.8%**	**$ 1,782,699,884**
Liabilities					
Bonds payable, net	$ 1,223,042,042	$ 1,233,720,390	$ (10,678,348)	-0.9%	$ 1,132,954,148
Undisbursed loan proceeds	74,525,962	116,020,137	(41,494,175)	-35.8%	182,920,935
Borrowers' reserve deposits	77,601,800	72,757,754	4,844,046	6.7%	58,605,363
Accounts payable	3,566,832	2,814,579	752,253	26.7%	1,556,622
Other liabilities	4,720,755	4,775,270	(54,515)	-1.1%	12,520,395
Total Liabilities	1,383,457,391	1,430,088,130	(46,630,739)	-3.3%	1,388,557,463
Net Assets					
Invested in capital assets	205,244	273,500	(68,256)	-25.0%	197,829
Restricted for debt service	8,769,929	8,996,556	(226,627)	-2.5%	8,962,320
Restricted for program commitments	261,755,999	255,497,112	6,258,887	2.4%	273,605,421
Restricted for program use	110,447,925	120,582,467	(10,134,542)	-8.4%	111,376,851
Total Net Assets	**381,179,097**	**385,349,635**	**(4,170,538)**	-1.1%	**394,142,421**
Total Liabilites and Net Assets	**$ 1,764,636,488**	**$ 1,815,437,765**	**$ (50,801,277)**	**-2.8%**	**$ 1,782,699,884**

New Mexico Finance Authority
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30

	FY 2011	FY 2010	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2009
Operating Revenues					
Appropriation revenue	$ 34,826,387	$ 32,722,377	$ 2,104,010	6.4%	$ 52,379,730
Grant revenue	42,848,310	42,184,646	663,664	1.6%	36,494,181
Administrative fees	6,816,487	8,621,728	(1,805,241)	-20.9%	7,670,438
Interest on loans	55,585,061	56,663,765	(1,078,704)	-1.9%	47,590,234
Interest on investments	406,973	1,343,523	(936,550)	-69.7%	2,890,589
Total Operating Revenues	140,483,218	141,536,039	(1,052,821)	-0.7%	147,025,172
Expenses					
Grant expense	70,476,210	81,106,858	(10,630,648)	-13.1%	59,785,210
Bond issuance costs	697,665	1,840,185	(1,142,520)	-62.1%	1,604,245
Professional services	2,379,233	4,727,242	(2,348,009)	-49.7%	3,642,940
Salaries and benefits	4,200,029	3,808,883	391,146	10.3%	3,860,505
Debt service - interest expense	56,634,591	55,622,227	1,012,364	1.8%	49,418,130
Other expense	2,776,533	1,911,215	865,318	45.3%	2,208,819
Total Operating Expenses	137,164,261	149,016,610	(11,852,349)	-8.0%	120,519,849
Operating Income	3,318,957	(7,480,571)	10,799,528	-144.4%	26,505,323
Gain (Loss) on investments	(402,747)	(6,758,315)	6,355,568	0.0%	8,205,430
Income (loss) before transfers	3,721,704	(722,256)	4,443,960	-615.3%	18,299,893
Transfers to other agencies	7,892,242	8,070,530	(178,288)	-2.2%	12,687,198
Increase (decrease) in net assets	(4,170,538)	(8,792,786)	4,622,248	-52.6%	5,612,695
Net Assets, beginning of year	385,349,635	394,142,421	(8,792,786)	-2.2%	388,529,726
Net Assets, end of year	$ 381,179,097	$ 385,349,635	$ (4,170,538)	-1.1%	$394,142,421

Analysis of the Authority's overall financial position and results of operations

- The Authority's unrestricted cash fell by $7.4 million in 2011 primarily due to the receipt of the Governmental Gross Receipts Tax of approximately $24.5 million, the transfer of $23.2 million to fund the Common Debt Service Reserve and reversion of approximately $7.9 million of Authority program funds to the State General Fund to assist in State Budget shortfalls. Restricted cash decreased by $44.8 million in 2011, primarily due to draw downs of loans funded in the prior year and $18 million in grant program expenditures of funds appropriated by the legislature in previous years for local road construction projects (the "GRIP II" program).

- Loans receivable decreased by $28.7 million in 2011 primarily as a result of new loans made during the year totaling $211.7 million less loan payments received of $240.2 million.

- Bonds payable decreased by $10.7 million in 2011 resulting from the issuance of $71.6 million of new bonds, principal payments on outstanding bonds of $80.9 million, and amortization of bond premium of $1.4 million.

- The Authority's revenues decreased by $1 million in 2011 compared to 2010. The decline was principally due to a $1.8 million decrease in administrative fees received on PPRF loans which is result of early payoffs on $111.2 million in loans which contained an annual administrative fee as well as a lower volume of loans closed in FY 2011 compared to FY 2010.

- The Authority's net assets decreased by $4.1 million in 2011.

- During fiscal year 2011, the Authority invested, net of depreciation, a total of $205,244 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 2011, the total amount outstanding was $1.22 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 $71.6 million in PPRF debt, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Authority Programs

The Authority accounts for each of its programs as a separate fund, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund is highlighted in the following discussion 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 882 loans totaling $1.77 billion.

The PPRF makes loans of less than $5 million from its own funds on hand. It then replenishes 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 at the same time a reimbursement bond issue closes, thus ensuring a precise matching of loan and bond interest rates.

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 2011	FY 2010	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2009
Assets					
Cash and equivalents					
Unrestricted	$ 96,102,757	$ 105,121,159	$ (9,018,402)	-8.6%	$ 100,357,207
Restricted	178,948,496	193,799,257	(14,850,761)	-7.7%	252,014,194
Accounts receivable	15,633,223	15,355,773	277,450	1.8%	16,111,757
Loans receivable, net of allowance for uncollectable accounts	1,140,391,615	1,175,365,082	(34,973,467)	-3.0%	1,050,541,321
Intergovernmental Receivables	120,521,240	124,242,525	(3,721,285)	-3.0%	124,242,525
Capital assets	205,244	273,500	(68,256)	-25.0%	3,723,588
Other assets	47,602,986	11,080,561	36,522,425	329.6%	10,874,247
Total assets	**$ 1,599,405,561**	**$ 1,625,237,857**	**$ (25,832,296)**	**-1.6%**	**$ 1,557,864,839**
Liabilities					
Accounts payable and accrued liabilities	4,791,143	5,538,673	(747,530)	-13.5%	4,678,001
Undisbursed loan proceeds	74,472,266	115,755,852	(41,283,586)	-35.7%	181,136,484
Due to other state agencies	-	-	-	0.0%	7,466,162
Borrowers' debt service and reserve deposits	77,326,315	72,235,741	5,090,574	7.0%	58,347,644
Line of credit payable	-	-	-	0.0%	-
Bonds payable, current, net	1,199,649,242	1,206,727,970	(7,078,728)	-0.6%	1,102,203,109
Total Liabilities	**1,356,238,966**	**1,400,258,236**	**(44,019,270)**	**-3.1%**	**1,353,831,400**
Net Assets					
Invested in capital assets	205,244	273,500	(68,256)	-25.0%	118,026
Restricted for program commitments	147,390,140	120,696,057	26,694,083	22.1%	104,571,517
Restricted for program use	95,571,211	104,010,064	(8,438,853)	-8.1%	99,343,896
Total net assets	**243,166,595**	**224,979,621**	**18,186,974**	**8.1%**	**204,033,439**
Total liabilities and net assets	**$ 1,599,405,561**	**$ 1,625,237,857**	**$ (25,832,296)**	**-1.6%**	**$ 1,557,864,839**

New Mexico Finance Authority
Public Projects Revolving Fund
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30

	FY 2011	FY 2010	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2009
Interest Income					
Loans	$ 52,828,553	$ 53,236,068	$ (407,515)	-0.8%	$ 45,103,592
Investments	242,447	1,147,112	(904,665)	-78.9%	1,118,311
Total Interest Income	**53,071,000**	**54,383,180**	**(1,312,180)**	**-2.4%**	**46,221,903**
Interest Expense					
Bonds	55,170,397	53,958,235	1,212,162	2.2%	47,591,765
Short-term borrowing	114,063	124,354	(10,291)	-8.3%	60,833
Total Interest Expense	**55,284,460**	**54,082,589**	**1,201,871**	**2.2%**	**47,652,598**
Net Interest Income					
Interest income less interest expense	(2,213,460)	300,591	(2,514,051)	-836.4%	(1,430,695)
Less Provision for loan losses	1,164,526	445,867	718,659	161.2%	299,113
Net Interest Income After Provision for Loan Losses	**(3,377,986)**	**(145,276)**	**(3,232,710)**	**2225.2%**	**(1,729,808)**
Noninterest Income					
Loan administration fees	3,142,505	4,212,544	(1,070,039)	-25.4%	4,689,716
Appropriation revenues	26,909,639	24,314,901	2,594,738	10.7%	25,645,568
Total Noninterest income	**30,052,144**	**28,527,445**	**1,524,699**	**5.3%**	**30,335,284**
Noninterest Expense					
Salaries and benefits	2,431,964	2,169,436	262,528	12.1%	2,215,043
Professional services	1,348,373	2,423,424	(1,075,051)	-44.4%	2,020,995
Bond issuance costs	610,222	1,752,742	(1,142,520)	-65.2%	1,190,439
Loss on Investments	(142,254)	(3,089,576)	2,947,322	100.0%	3,729,142
Other	1,543,300	846,618	696,682	82.3%	869,286
Total Noninterest Expense	**5,791,605**	**4,102,644**	**1,688,961**	**41.2%**	**10,024,905**
Excess of revenues over expenditures	**20,882,553**	**24,279,525**	**(3,396,972)**	**-14.0%**	**18,580,571**
Transfers from (to) other Funds or Agencies	**(2,695,574)**	**(3,333,345)**	**637,771**	**-19.1%**	**(5,728,447)**
Increase (decrease) in Fund Net Assets	**18,186,979**	**20,946,180**	**(2,759,201)**	**-13.2%**	**12,852,124**
Net Assets, Beginning of Year	**224,979,616**	**204,033,436**	**20,946,180**	**10.3%**	**191,181,312**
Net Asets, End of year	**$ 243,166,595**	**$ 224,979,616**	**$ 18,186,979**	**8.1%**	**$ 204,033,436**

Analysis of the PPRF's overall financial position and results of operations:

Loan volume:

	2011	2010	Since Inception
Amount of loans made	$168.2 million	$195.2 million	$1.940 billion
Number of loans made	84	92	966
Average loan size	$2.0 million	$2.1 million	$2.0 million

Both average loan size and the number of loans made in 2011 decreased from the previous year.

Loans receivable:

There were no defaults on PPRF loans during 2011 and no delinquencies as of June 30, 2011, or at the date of these financial statements.

Bond issuance:

During fiscal 2011, the PPRF issued 2 series of bonds, with a total par value of $71.6 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. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2011, the PPRF had net interest expense of $3.38 million, compared to $145 thousand in 2010. This is a result of market conditions in which $111.2 million in PPRF loans exercised their early call provisions and the Authority relent those loan repayments at moderately lower interest rates. This approach resulted in a much lower cost to the Authority (see Note 16 Contingencies – Loan Prepayment and Bond Call Provisions).

Recovery of investment loss:

In 2009, management recorded an estimated loss of $3.7 million on a money market mutual fund in which the PPRF had invested. During 2011, the PPRF received liquidating distributions of $142 thousand, resulting in an overall actual, realized loss on this investment of approximately $560 thousand.

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 $24,518,214 in 2011, a $1,465,162 increase from the $23,053,051 received in 2010. The GGRT 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.

Other Programs:

The PPRF accounts for a large portion of total Authority activity. At June 30, 2011 and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	$1.599 billion	$1.764 billion	90.6%
Net assets	$243.2 million	$381.2 million	63.8%
Revenues	$ 83.1 million	$140.5 million	59.1%

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 2011 and 2010 was as follows:

Program	FY 2011	FY 2010	Net Increase (Decrease)	Percentage Increase / (Decrease)	FY 2009
Drinking Water Revolving Fund	$ 14,139,399	$ 13,319,573	$ 819,826	6.2%	$ 22,139,294
Local Transportation Infrastructure Fund	1,274,234	1,189,778	84,456	7.1%	969,543
Water Projects Fund	29,333,983	33,026,435	(3,692,452)	-11.2%	22,728,950
Economic Development Fund	-	1,650,000	(1,650,000)	-100.0%	222,447
Local Gov't Transportation Fund	14,573,054	27,011,683	(12,438,529)	-46.0%	34,827,691
Child Care Revolving Loan Fund	-	6,938	(6,938)	-100.0%	36,466
Behavioral Health Cigarette Tax Revenue Bond Fund	-	69,578	(69,578)	-100.0%	471,509
Water Wastewater Grant Fund	1,919,081	537,448	1,381,633	257.1%	3,210,290
Local Gov't Planning Grant Fund	286,773	207,842	78,931	38.0%	268,420
Total Activity	**$ 61,526,524**	**$ 77,019,275**	**$(22,492,751)**	**-21.1%**	**$ 84,874,610**

In FY 2011, the Authority transferred $18.4 million in funds from various programs to the State's General Fund to assist the State in meeting budget shortfalls. This one-time transfer of funds did not affect the PPRF program but will result in limited activity loan and grant activity in some of the Authority's other programs going forward such as the Local Transportation Infrastructure Fund, the Economic Development fund and the Child Care Revolving Loan Fund.

The decreased funding of Water Projects Fund projects resulted primarily from a policy change that requires, as a condition for approval, that a project be ready to begin construction immediately upon approval. This policy change significantly accelerated the funding process in FY 2010 to bring more current the projects receiving authorization and approval in the current funding cycle.

The decline in grant volume for the Local Government Transportation Fund occurred because most of the funds were appropriated to the Authority on a one-time basis. Most of the funds have been expended, and the program is in its final stages with expected final disbursements by June 2013.

Similar to the Local Government Transportation Fund, the increase in the Water and Wastewater Project Grant Fund grant activity reflects the fact that the program is closing out its one-time appropriation received from the state legislature and with final expenditures for projects expected by December 2011.

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 its first award of tax credits for $15.5 million. During 2011, the Authority made one additional award totaling $12.5 million bringing total awards to date over $58.3 million. Subsequent to June 30, 2011, the Authority has made two additional awards totaling $18 million. 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. Substantial additional information is available on the Authority's website at www.nmfa.net. 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, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 113,770,321	$ 121,171,671
Restricted cash	222,682,493	267,498,861
Interest receivable	9,077,480	9,798,411
Grant and other receivables	6,033,887	4,371,646
Administrative fees receivable	401,114	560,875
Loans receivable, current, net	84,034,901	74,586,190
Intergovernmental receivables, current	7,065,435	7,031,285
Restricted asset - escrow	37,561,521	821,293
Other Assets	57,442	57,442
Total current assets	480,684,594	485,897,674
NONCURRENT ASSETS		
Capital assets, net of depreciation	205,244	273,500
Loans receivable, net of allowance	1,139,386,778	1,177,536,039
Intergovernmental receivables	133,745,805	140,811,240
Deferred cost, net of accumulated amortization	10,614,067	10,919,312
Total noncurrent assets	1,283,951,894	1,329,540,091
TOTAL ASSETS	$ 1,764,636,488	$ 1,815,437,765
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 3,566,832	$ 2,814,579
Accrued payroll	121,640	161,995
Compensated absences	295,994	210,339
Fund held for others	74,525,962	116,020,137
Accrued Interest	4,303,121	4,402,936
Debt service payable	77,601,800	72,757,754
Bonds Payable, current, net	72,699,000	65,371,000
Total current liabilities	233,114,349	261,738,740
Noncurrent liabilities:		
Bonds payable, non-current, net of bond discount/premium	1,150,343,042	1,168,349,390
Total noncurrent liabilities	1,150,343,042	1,168,349,390
TOTAL LIABILITIES	1,383,457,391	1,430,088,130
NET ASSETS:		
Invested in capital assets	205,244	273,500
Restricted for debt service	8,769,929	8,996,556
Restricted for program commitments	261,755,999	255,497,112
Restricted for program use	110,447,925	120,582,467
TOTAL NET ASSETS	381,179,097	385,349,635
TOTAL LIABILITIES AND NET ASSETS	$ 1,764,636,488	$ 1,815,437,765

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

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Appropriation Revenue	$ 34,826,387	$ 32,722,377
Grant revenue	42,848,310	42,184,646
Administrative fees	6,816,487	8,621,728
Interest on loans	55,585,061	56,663,765
Interest on investments	406,973	1,343,523
Total operating revenues	140,483,218	141,536,039
OPERATING EXPENSES		
Grant expense	70,476,210	81,106,858
Bond issuance costs	697,665	1,840,185
Administrative fee	271,317	217,298
Professional services	2,379,233	4,727,242
Salaries and fringe benefits	4,200,029	3,808,883
In-state travel	78,302	80,602
Out-of-state travel	43,613	37,399
Operating costs	870,235	932,221
Provision for Loan Losses	1,421,066	445,867
Debt service - interest expense	56,634,591	55,622,227
Total operating expenses	137,072,261	148,818,782
Operating income (loss) before depreciation	3,410,957	(7,282,743)
Depreciation	92,000	197,828
Total operating income (loss)	3,318,957	(7,480,571)
NON-OPERATING REVENUES (EXPENSES)		
Gain (loss) on investments	402,747	6,758,315
Income (loss) before transfers	3,721,704	(722,256)
TRANSFERS		
Transfers from (to) other state agencies	(7,892,242)	(8,070,530)
CHANGE IN NET ASSETS	(4,170,538)	(8,792,786)
TOTAL NET ASSETS, BEGINNING OF YEAR	385,349,635	394,142,421
TOTAL NET ASSETS, END OF YEAR	$ 381,179,097	$ 385,349,635

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

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for employee services	$ (4,154,728)	$ (3,833,373)
Cash paid to vendors for services	(7,131,806)	(5,865,375)
Bond issuance costs	(757,284)	(1,631,038)
Interest expense paid	(58,147,754)	(56,075,453)
Grants awarded	(67,648,870)	(81,086,913)
Appropriation Revenue	62,031,542	64,877,271
Cash received from federal government for revolving loans	13,865,920	14,013,108
Interest income received	56,712,962	56,457,679
Administrative fees received	6,807,110	8,343,249
Net cash flows provided by (used in) operating activities	1,577,092	(4,800,845)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash paid to sub recipients for services	(6,961,845)	(8,070,530)
Cash provided (used) by funds held for others	(41,494,178)	(66,900,796)
Net cash used in noncapital financing activities	(48,456,023)	(74,971,326)
CASH FLOWS FROM CAPITAL AND RELATED		
Investment in Partnership	-	(99,010)
Loans funded	(211,735,549)	(212,174,131)
Loan payments received	247,182,873	80,165,247
Bonds issued	71,585,000	172,345,000
Payment of bonds	(80,850,000)	(70,580,000)
Debt service	(31,900,114)	6,524,733
Recovery payments from loss on investments	402,747	6,758,315
Capital asset purchases	(23,744)	(273,500)
Net cash used in capital financing activities	(5,338,787)	(17,333,346)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(52,217,718)	(97,105,517)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	388,670,532	485,776,049
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 336,452,814	$ 388,670,532
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES - OPERATING INCOME:	$ 3,318,957	$ (7,480,571)
Adjustments to operating income:		
Depreciation and amortization	(76,398)	(626,434)
(Increase) decrease in prepaid and receivables	(3,456,432)	907,916
Increase (decrease) in payables and other accrued liabilities	1,790,965	2,398,244
NET CASH PROVIDED BY (USED) OPERATING ACTIVITIES	$ 1,577,092	$ (4,800,845)

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

Agency Funds – Statement of Assets and Liabilities
Year Ended June 30, 2011

ASSETS:	
Cash at Trustee:	
Program funds	$ 113,243,138
Expense funds	269,390
Bond reserve funds	42,270,244
TOTAL ASSETS	$ 155,782,772
LIABILITIES:	
Accounts payable	$ 1,809,392
Debt service payable	51,426,134
Funds held for the NM Department of Transportation	102,547,246
TOTAL LIABILITIES	$ 155,782,772

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 (the Authority). The purpose of the New Mexico Authority Act (the 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 other 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 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 Authority is subject to the Open Meetings Act and the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Authority is exempt 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 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 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 record its assets, liabilities, net assets, revenues, expenditures or expenses and other financing transactions.

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 Program – 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 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 set 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 the 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 provide 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 – Provides 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.

- **Agency Funds**

Agency Funds are used to report resources held by the Authority in a purely custodial capacity. These funds result from transactions associated with the Authority acting as fiscal agent for the New Mexico Department of Transportation ("Department") on several of the Department's bond transactions. The amounts reflected as Agency Funds do not belong to the Authority and are held in separate accounts on the Authority's books in the name of the Department. Accordingly, all assets held and reported in the Agency Fund are offset by a liability to the Department on whose behalf the funds are being held.

- **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. When restricted resources meet the criteria to be available for use and unrestricted resources are also available, it is the Authority's policy to use restricted resources first, and then unrestricted resources as needed.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

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

Expenditures 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.

- **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 Bank of Albuquerque, Wells Fargo Bank and with the Bank of New York Mellon acting as bond trustee. .

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. Earnings from cash equivalents are considered non-operating revenues.

- **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 based on factors including payment history and economic factors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Loans Receivable**

Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. 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, 2011 and 2010, the allowance for loan losses was $3,554,017 and $2,132,950, respectively.

- **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. No allowance has been established as all such receivables are considered collectable.

- **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 individually 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Compensated Absences**

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

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

- **Undisbursed Loan Proceeds**

Undisbursed loan proceeds represent loan proceeds held by the Trustee which are awaiting disbursement to the loan recipient. 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 loans of the PPRF program.

- **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 borrower. 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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

- **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.

- **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 are reported 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 to the current year presentation.

- **New Accounting Pronouncements**

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* became 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. While the Authority has entered into interest rate exchange agreements in its role as agent for the Department of Transportation, the derivative instruments are not considered to be transactions of the Authority, are not reflected in the financial statements of the Authority, and are not, therefore subject to the requirements of GASB Statement No. 53.

The Authority also adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* GASB No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets and recognized in the statement of net assets only if considered identifiable. Existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. For fiscal year 2010 the Authority did not have any intangible assets subject to GASB Statement No. 51.

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.

	2011	2010
State Treasurer Local Government Investment Pool	$ -	$110,742,869
The Primary Care Capital Fund held at the State Treasurer's Office	243,212	2,230,037
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts	179,083,169	71,585,834
Bank of Albuquerque trust accounts	646,702	645,733
Bank of New York Mellon	154,514,313	168,041,218
Reserve on Bond Payable held in Bank of America	-	-
Wells Fargo operating accounts	1,965,418	35,424,841
Cash held at The Reserve Primary money market fund	-	-
Total	$336,452,814	$388,670,532

Cash and cash equivalents are reflected in the Statements of Net Assets as follows:

	2011	2010
Cash and cash equivalents	$113,770,321	$121,171,671
Restricted cash	222,682,493	267,498,861
Total	$336,452,814	$388,670,532

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. FDIC limits for the year ended June 30, 2010 equaled $250,000 per financial institution. In accordance with State Law, 6-10-17 NMSA 1978, at least one half of all public money is required to be collateralized. The Authority meets the requirements of State Law, but is not fully collateralized as the Wells Fargo operating accounts are uncollateralized to the extent of $1,919,616. All 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. There were no concentrations meeting this criteria at June 30, 2011.

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 Loans (Years)	Rates	2010	Additions	Payments	2011
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$1,177,178,032	$ 201,505,803	$ 235,314,744	$1,143,369,091
Drinking Water State Revolving Loans	1 to 30	0% to 4%	60,230,182	5,227,754	2,795,352	62,662,584
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	149,250	2,919,170	20,883	3,047,537
Primary Care Capital Fund Loans	10 to 20	3%	5,563,586	-	818,834	4,744,752
Water Projects Fund Loan Grants	10 to 20	0%	6,501,166	3,219,378	1,001,729	8,718,815
Smart Money Participation Loans	3 to 20	2% to 5%.	3,547,224	-	99,903	3,447,321
Behavioral Health Care Loan	15	3%	304,248	-	34,206	270,042
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	541,087	-	32,295	508,792
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	197,000	-	28,000	169,000
Child Care Revolving Loans	8	3%	43,404	-	5,644	37,760
		Subtotals	1,254,255,179	212,872,105	240,151,590	1,226,975,694
		Less: Allowance for loan losses	(2,132,950)	(1,421,066)	-	(3,554,016)
		Totals	$1,252,122,229	$ 211,451,039	$ 240,151,590	$1,223,421,678

3. LOANS RECEIVABLE (CONTINUED)

Program	Length of Loan (Years)	Rates	As Restated 2009	Additions	Payments	2010
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,051,908,405	$ 195,206,131	$ 69,936,504	$ 1,177,178,032
Drinking Water State Revolving Loans	1 to 30	0% to 3%	51,848,151	10,384,433	2,002,402	60,230,182
Drinking Water State Revolving Loans	1 to 20	0% to 3%	-	149,250	-	149,250
Primary Care Capital Fund Loans	10 to 20	3%	6,094,410	-	530,824	5,563,586
Water Projects Fund Loan Grants	10 to 20	0%	2,270,908	4,672,162	441,904	6,501,166
Smart Money Participation Loans	3 to 20	2% to 5%	1,979,429	1,650,000	82,205	3,547,224
Behavioral Health Care Loan	15	3%	337,455	-	33,207	304,248
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	471,509	100,000	30,422	541,087
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	349,000	-	152,000	197,000
Child Care Revolving Loans	8	3%	36,466	12,155	5,217	43,404
		Subtotals	1,115,295,733	212,174,131	73,536,282	1,254,255,179
		Less: Allowance for loan losses	(1,687,083)	(445,867)	-	(2,132,950)
		Totals	$ 1,113,608,650	$ 211,728,264	$ 73,536,282	$ 1,252,122,229

The following is a summary of the future loan payments to be collected on the loan repayment schedules as of June 30, 2011.

Totals – Loans Receivable, Net of Allowance

Fiscal year ending June 30:	Principal	Interest	Total
2012	$ 84,034,901	$ 46,089,971	$ 130,124,872
2013	88,161,287	43,875,326	132,036,613
2014	86,590,827	41,223,627	127,814,454
2015	85,032,909	38,569,295	123,602,204
2016	84,207,984	35,803,141	120,011,125
2017 - 2021	336,981,531	138,936,769	475,918,300
2022 - 2026	247,135,333	82,510,352	329,645,685
2027 - 2031	137,642,548	35,342,737	172,985,285
2032 - 2036	69,773,880	11,456,641	81,230,521
2037 - 2041	7,414,494	499,618	7,914,112
Subtotals	1,226,975,694	$ 474,307,477	$ 1,701,283,171
Less: Allowance for Loan Losses	(3,554,016)		
Loans Receivable, net	$ 1,223,421,678		

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.

At June 30, 2011, the intergovernmental receivables are comprised of the following:
The intergovernmental receivables activity for the year ending June 30, 2010 was as follows:

State Entity	Revenue Pledge	Rates	Terms	2010	Payments	2011	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.0%	06/15/2025	$ 46,950,000	$ 2,180,000	$ 44,770,000	$ 2,285,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.875% to 5.0%	06/15/2025	23,630,000	-	23,630,000	-
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.0%	06/01/1936	46,715,000	745,000.00	45,970,000	780,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.0%	04/01/2019	17,405,000	2,350,000.00	15,055,000	2,190,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	04/01/2019	6,947,525	796,285.00	6,151,240	785,435
Worker's Compensation Administration	Worker's Compensation administrative fee	5.35% to 5.60%	09/01/2016	2,080,000	250,000.00	1,830,000	265,000
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	03/15/2015	4,115,000	710,000.00	3,405,000	760,000
			Totals	$ 147,842,525	$ 7,031,285	$140,811,240	$ 7,065,435

The following is a summary of the future loan payments to be collected on the intergovernmental receivables as of June 30, 2011.

	Principal	Interest	Total
Fiscal year ending June 30:			
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	7,656,438	5,820,394	13,476,832
2016	7,214,184	5,453,302	12,667,486
2017 - 2021	38,282,593	21,996,590	60,279,183
2022 - 2026	38,380,000	11,922,100	50,302,100
2027 - 2031	12,085,000	5,727,000	17,812,000
2032 - 2036	15,515,000	2,404,750	17,919,750
Intergovernmental Receivables	$ 140,811,240	$ 72,942,631	$ 213,753,871

5. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2010	Additions	Adjustments/ Deletion	Balance June 30, 2011
Depreciable assets:				
Furniture and fixtures	$ 204,320	$ 23,148	$	$ 227,468
Computer hardware and software	834,276	596		834,872
Machinery and equipment	49,117			49,117
Leasehold improvement	48,490			48,490
	1,136,203	23,744		1,159,947
Accumulated depreciation:				
Furniture and fixtures	(198,803)			(198,803)
Computer hardware and software	(566,293)	(92,000)		(658,293)
Machinery and equipment	(49,117)			(49,117)
Leasehold improvement	(48,490)			(48,490)
	(862,703)	(92,000)		(954,703)
Net total	$ 273,500	$ (68,256)	$	$ 205,244

	Balance June 30, 2009	Additions	Adjustments/ Deletion	Balance June 30, 2010
Depreciable assets:				
Furniture and fixtures	$ 198,802	$ 5,518	$ -	$ 204,320
Computer hardware and software	566,294	267,982	-	834,276
Machinery and equipment	49,117	-	-	49,117
Leasehold improvement	48,490	-	-	48,490
	862,703	273,500	-	1,136,203
Accumulated depreciation:				
Furniture and fixtures	(159,733)	(39,070)	-	(198,803)
Computer hardware and software	(426,720)	(139,573)	-	(566,293)
Machinery and equipment	(39,464)	(9,653)	-	(49,117)
Leasehold improvement	(38,958)	(9,532)	-	(48,490)
	(664,875)	(197,828)	-	(862,703)
Net total	$ 197,828	$ 75,672	$ -	$ 273,500

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, Workers' Compensation Fees and Income from Land Grant Permanent Fund.

6. BONDS PAYABLE (CONTINUED)

Bonds payable consist of the following at June 30:

Bond Series	Rate	Maturities	2011	2010
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt				
2002 A	4.400% to 5.000%	June 1, 2012 to June 1, 2023	$ 10,255,000	$ 14,610,000
2003 A	3.550% to 4.750%	June 1, 2012 to June 1, 2032	15,786,000	18,808,000
2003 B	3.500% to 5.000%	June 1, 2012 to June 1, 2021	12,495,000	14,865,000
2004 A-1	3.050% to 4.625%	June 1, 2012 to June 1, 2031	6,310,000	14,350,000
2004 A-2	4.625% to 5.875%	June 1, 2012 to June 1, 2027	11,590,000	12,045,000
2004 B-1	4.250% to 5.500%	June 1, 2012 to June 1, 2033	27,670,000	30,505,000
2004 B-2	5.630% to 6.010%	June 1, 2012 to June 1, 2018	835,000	1,020,000
2004 C	3.500% to 5.250%	June 1, 2012 to June 1, 2024	117,965,000	128,895,000
2005 A	3.750% to 5.000%	June 1, 2012 to June 1, 2025	10,815,000	12,045,000
2005 B	3.500% to 4.500%	June 1, 2012 to June 1, 2020	8,035,000	10,375,000
2006 B	4.250% to 5.000%	June 1, 2012 to June 1, 2036	31,825,000	33,635,000
2006 D	4.250% to 5.000%	June 1, 2012 to June 1, 2036	49,005,000	49,965,000
2007 E	4.250% to 5.000%	June 1, 2012 to June 1, 2032	49,560,000	53,005,000
2008 A	3.000% to 5.000%	June 1, 2012 to June 1, 2038	144,475,000	149,240,000
2008 B	4.000% to 5.250%	June 1, 2012 to June 1, 2035	30,930,000	32,745,000
2008 C	4.250% to 6.000%	June 1, 2012 to June 1, 2033	26,170,000	27,575,000
2009 A	2.250% to 5.000%	June 1, 2012 to June 1, 2038	16,840,000	17,685,000
2009 B	2.750% to 5.500%	June 1, 2012 to June 1, 2039	28,085,000	30,115,000
2009 C	2.500% to 5.250%	June 1, 2012 to June 1, 2029	51,880,000	53,785,000
2009 D-1	3.000% to 4.500%	June 1, 2012 to June 1, 2030	12,355,000	13,215,000
2009 D-2	2.320% to 6.070%	June 1, 2012 to June 1, 2036	38,230,000	38,845,000
2009 E	3.000% to 4.500%	June 1, 2012 to June 1, 2019	29,345,000	32,425,000
2010 A-1	3.000% to 4.500%	June 1, 2012 to June 1, 2034	12,425,000	15,170,000
2010 A-2	3.777% to 6.406%	June 1, 2016 to June 1, 2039	13,795,000	13,795,000
2010 B-1	2.000% to 5.000%	June 1, 2012 to June 1, 2035	37,080,000	-
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2035	17,600,000	-
2011 A	2.000% to 4.000%	June 1, 2012 to June 1, 2016	15,375,000	-
			826,731,000	**818,718,000**
Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt				
2005 C	3.625% to 5.000%	June 15, 2011 to June 15, 2025	44,770,000	46,950,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	4.000% to 5.000%	June 15, 2011 to June 15, 2025	19,195,000	19,640,000
2006 A	4.000% to 5.000%	June 15, 2011 to June 15, 2035	46,265,000	47,240,000
2006 C	4.000% to 5.000%	June 15, 2011 to June 15, 2026	32,770,000	34,295,000
2007 A	4.000% to 5.000%	June 15, 2011 to June 15, 2027	25,645,000	27,930,000
2007 B	4.250% to 5.000%	June 15, 2011 to June 15, 2034	30,140,000	32,140,000
2007 C	4.250% to 5.250%	June 15, 2011 to June 15, 2027	115,785,000	120,190,000
			338,200,000	**352,015,000**
		Subtotal - PPRF Bonds	**1,164,931,000**	**1,170,733,000**

6. BONDS PAYABLE (CONTINUED)

Bond Series	Rate	Maturities	2011	2010
Pooled Equipment Certificates of Participation				
1995 A	6.30%	October 1, 2015	130,000	152,000
1996 A	5.80%	April 1, 2016	39,000	45,000
		Subtotals	**169,000**	**197,000**
Workers' Compensation Administration Building Revenue Bonds				
1996	5.50% to 5.60%	Sept. 1, 2011 to Sept. 1, 2016	1,830,000	2,080,000
State Capitol Building Improvement Revenue Bonds				
1999	7.0%	Sept. 15, 2011 to Mar. 15, 2015	3,405,000	4,115,000
Cigarette Tax Revenue Bonds - UNM Health Sciences Center Project				
2004A	4.0% to 5.0%	April 1, 2012 to April 1, 2019	15,055,000	17,405,000
Cigarette Tax Revenue Bonds - Behavioral Health Projects				
2006	5.51%	May 1, 2012 to May 1, 2026	1,875,000	2,000,000
	Total bonds outstanding		**$ 1,187,265,000**	**$ 1,196,530,000**
	Add: Net unamortized premium		37,290,457	38,811,216
	Less: Deferred charge on refunding		(1,513,415)	(1,620,826)
	Total bonds payable, net		1,223,042,042	1,233,720,390
	Less: Current portion of bonds payable		(72,699,000)	(65,371,000)
	Noncurrent portion of bonds payable		**$ 1,150,343,042**	**$ 1,168,349,390**

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30th;			
2012	$ 72,699,000	$ 56,715,142	$ 129,414,142
2013	76,763,000	53,714,522	130,477,522
2014	76,753,000	50,426,549	127,179,549
2015	77,835,000	47,055,063	124,890,063
2016	76,929,000	43,575,832	120,504,832
2017-2021	331,821,000	167,799,010	499,620,010
2022-2026	261,370,000	92,131,174	353,501,174
2027-2031	124,475,000	40,602,867	165,077,867
2032-2036	81,805,000	13,854,780	95,659,780
2037-2040	6,815,000	579,455	7,394,455
	1,187,265,000	566,454,394	1,753,719,394
Add: Unamortized premium	37,290,457		
Less: Deferred charge on refunding	(1,513,415)		
Bonds payable, net	**$ 1,223,042,042**		

6. BONDS PAYABLE (CONTINUED)

The bonds payable activity for the years ending June 30, 2011 and 2010 was as follows:

2011	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$1,196,530,000	$ 71,585,000	(80,850,000)	$1,187,265,000	$ 72,699,000
Add: Unamortized Premium	38,811,216	839,770	(2,360,530)	37,290,457	-
Less: Deferred charge on refunding	(1,620,826)		107,412	(1,513,415)	-
Total	$1,233,720,390	$ 72,424,770	$ (83,103,118)	$1,223,042,042	$ 72,699,000

2010	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$1,094,765,000	$172,345,000	$ (70,580,000)	$1,196,530,000	$ 65,371,000
Add: Unamortized premium	39,917,386	1,245,562	(2,351,732)	38,811,216	-
Less: Deferred charge on refunding	(1,728,238)	-	107,412	(1,620,826)	-
Total	$1,132,954,148	$173,590,562	$ (72,824,320)	$1,233,720,390	$ 65,371,000

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 a 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 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 borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. Debt service payable was $77,601,800 and $72,757,754 at June 30, 2011 and 2010, 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 LIBOR rate at June 30, 2011 and 2010 was .186 and .347, respectively. 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, 2011 and 2010.

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, 2011 and 2010 were $398,181 and $379,044, respectively.

Future minimum lease payments for these leases are as follows:

Years ending June 30:	
2012	$ 401,489
2013	401,489
2014	400,891
2015	394,314
2016	276,906
Total	$ 1,875,090

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 $461,193 and $435,373 for the years ended June 30, 2011 and 2010, 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, 2011 and 2010 were $25,235 and $38,135, respectively.

11. COMPENSATED ABSENCES

The following changes occurred in the compensated absences liabilities:

Balance June 30, 2009	226,830
Additions	222,400
Deletions	(238,891)
Balance June 30, 2010	210,339
Additions	97,292
Deletions	(11,637)
Balance June 30, 2011	$ 295,994

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 through June 30, 2009, a loss of $8.2 million, the entire unrecovered balance, was recorded in the Statement of Revenues, Expenses, and Changes in Net Assets. To date the Authority has received funds from the liquidation process totaling $7.2 million, leaving a maximum potential loss of $1million.

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.

Loan Prepayment and Bond Call Provisions

Certain loans included in loans receivable contain provisions that allow for prepayment of the loan after one year whereas the related bond used to fund the loan cannot be called for up to 10 years. In the event of a loan prepayment prior to the tenth year, the Authority's bond indenture requires the substitution of a loan with similar cash flow characteristics or the defeasance of the related bond. If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow with respect to the prepayment transaction. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. This variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately $593 million and the related bonds total approximately $473 million at June 30, 2010. During FY 2011, loans totaling $111.2 million have exercised this call provision, with another $40.7 in loans exercising this call provision subsequent to year end.

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.

14. CONTINGENCIES (CONTINUED)

During the year, there were no significant reductions in commercial insurance coverage. For the past five years, no insurance settlements exceeded commercial insurance coverage.

Obligating Events

For fiscal year 2011, the Authority has not committed or been the subject of any obligating events which would result in an accrued liability or capitalized asset, including environmental remediation.

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 $171,901,266.

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.

In revising the financial statements, certain errors were noted that have also been corrected in this restatement. These errors included reporting of escrows for defeased bonds, intergovernmental receivables not recorded, and defeased bonds recorded in error. The net change in net assets was an increase of $162,373,702 as a result of this restatement.

17. SUBSEQUENT EVENTS

The following is a summary of loans and bonds that have closed since the Statement of Net Assets date as of June 30, 2011:

- Closed 30 loans totaling $103,120,547 in the Public Project Revolving Fund program.
- Issued two Public Project Revolving Fund Revenue Bond totaling $112,896,043
- Closed two loans for the Drinking Water State Revolving Fund totaling $623,138
- Closed 24 loan/grant projects totaling $32,193,030 out of the Water Projects Fund.

18. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will become effective for the Authority in fiscal 2011. 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. The Authority is in the process of assessing the impact of the Statement on its financial reporting practices.

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 2012A Bonds, copies of the Indenture will be available at the principal office of the Financial Advisor. Subsequent to the offering of the Series 2012A 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.

"Annual Common Debt Service Reserve Deposit Amount" means the lesser of (a) the positive difference, if any, between the Required Common Debt Service Reserve Funding Level and the amount then on deposit in the Common Debt Service Reserve (and if there is no positive difference, then the amount under this clause (a) shall be deemed to be zero), and (b) twenty-five percent (25%) of the remaining NMFA Portion of the Governmental Gross Receipts Tax for a given Bond Fund Year that was distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture, through the process described in the Indenture.

"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 2012A Bonds, $5,000 or any integral multiple thereof and with respect to the Loans that are subject to the Eighty-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 2012A Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on 2012A Bonds and otherwise exercise ownership rights with respect to Series 2012A 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 2012A Bonds.

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

"Common Debt Service Reserve Fund" means the fund by that name which is created and established by the Indenture.

"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 2012A 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 Fund and the Accounts created in therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, the Bond Fund, and the Common Debt Service Reserve 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 2012A Bonds, each June 1 and December 1, commencing December 1, 2012.

"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.

"Maximum Debt Service Year" means the Bond Fund Year in which the aggregate annual Principal Component and Interest Component due in relation to all Loans is at its greatest, less any reserves, sinking fund redemption deposits or other funds deposited with the Trustee to the extent such reserves, sinking fund redemption deposits or funds may be used as a matter of right for such payments (as opposed to other reserves that are available for the payment of debt service solely in the event of non-performance of a party), for the payment of the Principal Component and Interest Component due, provided, however, amounts within the Agreement Reserve Fund shall in no event be accounted for in any calculation of the Maximum Debt Service Year.

"NMFA" means the New Mexico Finance Authority.

"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 2012A Bonds, the date of delivery thereof.

"Original Purchaser" means, with respect to the Series 2012A Bonds, Hutchinson, Shockey, Erley & Co.

"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 2012A Bonds as Securities Depository.

"Paying Agent," when used with respect to the Series 2012A Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2012A 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 Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund, the Rebate Fund, and the Common Debt Service Reserve 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) U.S. 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(f)(2) of the Code and defined as “Rebate Amount” in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

“Register” means the record of ownership of the Series 2012A 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.

“Required Common Debt Service Reserve Funding Level” means an amount (unless amended pursuant to the provisions of this definition of Required Common Debt Service Reserve Funding Level), rounded up to the nearest thousand dollars, equal to the sum of:

(i) 0% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans secured by revenue pledges classified by the NMFA as fire protection fund, law enforcement protection fund, governmental gross receipts tax, or state gross receipts tax (collectively, “Risk Group One”);

(ii) 20% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as general obligation, limited mill levy (limited general obligation), or gross receipts tax (other than governmental gross receipts tax, or state gross receipts tax) (collectively, “Risk Group Two”);

(iii) 35% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as enterprise system revenues, special assessments or a local special tax such as a lodgers’ tax, cigarette tax, gasoline tax, special fuel excise tax, pari-mutuel tax, or court facilities fees (collectively, “Risk Group Three,” and together with Risk Group One and Risk Group Two, “Risk Groups”).

Pursuant to the following provisions, the NMFA may revise the method of calculating the Required Common Debt Service Reserve Funding Level. The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, add or revise revenue pledge categories in addition to those included above. New revenue pledge categories either may be included in one of the three Risk Groups identified above or included in a new Risk Group established using a different Risk Group calculation percentage (a “Factor”). The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, adjust the funding percentages of the Risk Group Factors, adjust the Risk Group in which a revenue pledge is categorized and add or revise revenue pledge categories within Risk Groups as to any future Bond issuances. As to any Bonds outstanding at the time a supplemental indenture as described above is entered into, the Risk Groups and Risk Group Factors as they existed prior to the supplemental indenture shall continue to be applied to such Bonds. In the event of any adjustment pursuant to a supplemental indenture whereby the Required Common Debt Service Reserve Level is decreased over time below the amount that is currently on deposit in the Common Debt Service Reserve Fund, then as provided in the Indenture, the excess amount shall remain on deposit in the Common Debt Service Reserve Fund unless used for shortfalls in any Governmental Unit’s Account of the Debt Service Fund, or to redeem or defease Bonds. The NMFA’s and the Trustee’s ability to enter into supplemental indentures for the foregoing purposes without the consent of the Owners is an integral term and condition of subjecting the Common Debt Service Reserve Fund to the Indenture, and the Trustee is authorized to execute any such supplemental indentures, and the provisions of Article XIII of the Indenture shall not apply to such supplemental indentures as long as such supplemental indentures comply with the terms of this definition of "Required Common Debt Service Reserve Funding Level." In conjunction with executing such supplemental indentures, the Trustee shall not be required to make any determination as to whether such a supplemental indenture is materially adverse to the interests of the Owners or any other party; whether such a supplemental indenture otherwise is permitted pursuant to Article XIII of the Indenture; or any other determination.

"Revenue Fund" means the Governmental Gross Receipts Tax, Additional Pledged Loan Revenue 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, (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), and (v) all 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 643I(b) of the Code in relation to 'build America bonds' (as such term is defined in such section of the Code).

"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 2012A 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 2012A Bonds" means the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2012A, in an initial aggregate principal amount of $24,340,000.

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

"Subordinated Indenture" means that certain Subordinated General Indenture of Trust and Pledge between the NMFA and The Bank of New York Mellon Trust Company, N.A., as successor trustee to the Bank of Albuquerque, N.A., dated as of March 1, 2005, and all supplemental indentures supplementing or amending such Subordinated Indenture.

"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 portion of the interest rate, if any, retained by the NMFA in lieu of an upfront payment as an administrative fee for the payment of Program Costs. The administrative fee is calculated as .015% of the loan amount, capped at $75,000, or the NPV equivalent of .015% if the administrative fee is included in the interest rate) 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 Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

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

(e) an Expense Fund;

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

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

(h) a Common Debt Service Reserve Fund.

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

Flow of Funds

All Funds 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, except that Accounts may be consolidated within one or more special trust accounts within funds. Any amount deposited pursuant to a consolidation shall remain traceable and sufficiently distinguishable in relation to each Agreement and Governmental Unit to permit any applicable arbitrage, yield restriction or similar calculations to be made. 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." The following paragraphs supplement that discussion.

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 (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 related Loan Agreement, Grant Agreement or Securities; and (b) any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the relevant Outstanding Series of 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.

Common Debt Service Reserve Fund

Pursuant to a Supplemental Indenture, the NMFA has established the Common Debt Service Reserve Fund, which is currently funded in the amount of $27,710,124 (as of March 22, 2012). The NMFA will determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The NMFA will deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the NMFA of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture. The disbursement of the NMFA Portion of the Governmental Gross Receipts Tax becomes available to the NMFA pursuant to the following process: (i) at the end of each Bond Fund Year, amounts remaining in the Revenue Fund are disbursed to the NMFA pursuant to the Indenture, (ii) pursuant to the Subordinated Indenture, the NMFA is obligated to transfer such amounts to the trustee under the Subordinated Indenture on June 1 of each year, (iii) the trustee under the Subordinated Indenture applies such amounts as required under the Subordinated Indenture, and (iv) the trustee under the Subordinated Indenture transfers the remaining balance of the revenue fund under the Subordinated Indenture to the NMFA on June 16 of each year.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit will be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the NMFA, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the NMFA has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the NMFA will not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount will be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee will transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

If all of the following are true: (i) amounts in the Common Debt Service Reserve Fund have been disbursed to pay Principal Component or and Interest Component due under a Loan Agreement or in relation to Securities, (ii) at a Bond Fund Year end following such disbursement, a portion of the Annual Common Debt Service Reserve Deposit Amount that was funded into the Common Debt Service Reserve Fund was attributable to disbursements that should have been restored by a Governmental Unit prior to such Bond Fund Year end (a "CDSR Restorative Funding"), (iii) the relevant Governmental Unit later came into compliance as to certain delinquent payments that had been covered by Common Debt Service Reserve Fund disbursements (a "CDSR Compliance Restoration"), and (iv) the amount in the Common Debt Service Reserve Fund exceeds the Required Common Debt Service Reserve Funding Level; then no more frequently than every three months, the Trustee, upon the written request of the NMFA (which written request will also certify that the foregoing conditions have been satisfied) will disburse to the NMFA the amount by which aggregate CDSR Compliance Restoration amounts exceed the aggregate CDSR Restorative Funding amounts.

If no Bonds remain outstanding (or all Bonds have been defeased), then upon the request of the NMFA, any amount remaining in the Common Debt Service Reserve Fund will be disbursed by the Trustee to the NMFA, and the disbursed amounts may be used by the NMFA for any purpose described in the Indenture.

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, the Bond Fund or the Common Debt Service Reserve 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.

<u>Remedies of the Trustee</u>. 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.

<u>Non-Waiver</u>. 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.

<u>Remedies Not Exclusive</u>. 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 Finance Authority payable solely from the Trust Estate. THE FINANCE AUTHORITY HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2012A Bonds do not constitute or give rise to a personal liability on the part of the directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority 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 Finance Authority 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 2010 United States Census was 2,059,179. From 2000 to 2010, the State's population grew 13.2 percent, while the national population grew 9.7 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
2001-2010

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2001	1,828,437	285,049,647	0.4%	1.0%
2002	1,849,187	287,745,630	1.1	0.9
2003	1,868,121	290,242,027	1.0	0.9
2004	1,890,215	292,936,109	1.2	0.9
2005	1,914,699	295,618,454	1.3	0.9
2006	1,940,631	298,431,771	1.4	1.0
2007	1,966,357	301,393,632	1.3	1.0
2008	1,984,179	304,177,401	0.9	0.9
2009	2,007,315	306,656,290	1.2	0.8
2010	2,033,875	309,050,816	1.3	0.8

(Source: U.S. Census Bureau, Population Division; last updated February 2011.)

Major industries in the State include oil and natural gas production, manufacturing service, 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 2001-2010.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Growth 2009-2010	Growth 2001-2010
Total employment	968,929	979,946	999,286	1,023,303	1,046,746	1,076,098	1,100,589	1,103,123	1,070,984	1,064,422	(0.6)%	9.8%
Wage and salary employment	791,927	800,588	812,914	829,861	845,127	868,119	878,205	881,348	848,392	839,600	(1.0)	6.0
Proprietors employment	177,002	179,358	186,372	193,442	201,619	207,979	222,384	221,775	222,592	224,842	1.0	27.0
Farm proprietors employment	17,825	14,530	16,045	15,632	15,588	15,255	18,193	17,745	17,581	18,003	2.4	1.0
Nonfarm proprietors employment	159,177	164,828	170,327	177,810	186,031	192,724	204,191	204,030	205,011	206,839	0.9	30.0
Farm employment	24,355	20,845	22,838	22,619	23,262	22,829	25,804	24,416	24,549	24,649	0.4	1.2
Nonfarm employment	944,574	959,101	976,448	1,000,684	1,023,484	1,053,269	1,074,785	1,078,707	1,046,435	1,039,793	(0.6)	10.2
Private employment	739,416	750,194	762,831	783,120	804,832	838,993	864,918	865,478	830,307	822,486	(0.9)	11.2
Forestry, fishing, related activities, and other[1]	5,163	5,096	4,979	5,181	5,239	5,136	5,164	5,332	5,131	5,326	3.8	3.2
Mining[2]	19,612	17,957	18,576	19,245	21,171	23,726	25,165	28,359	24,470	25,954	6.0	32.3
Utilities	4,249	4,078	4,114	4,040	4,075	4,121	4,418	4,570	4,805	4,560	(5.1)	7.3
Construction[3]	63,293	61,864	64,135	68,382	73,978	79,826	80,568	77,969	67,210	62,437	(7.1)	(1.4)
Manufacturing	45,621	43,908	41,544	40,542	41,106	42,710	42,753	40,600	36,358	37,192	2.3	(18.4)
Durable goods manufacturing[4]	32,327	30,838	28,715	27,857	28,451	29,821	29,719	27,979	24,358	23,873	(2.0)	(26.1)
Nondurable goods manufacturing[5]	13,294	13,070	12,829	12,685	12,655	12,889	13,034	12,621	12,000	11,831	(9.0)	(11.0)
Wholesale trade	27,801	27,232	26,633	27,285	28,377	29,288	29,951	28,705	26,657	26,805	0.6	(3.6)
Retail trade[6]	110,010	111,167	112,445	114,169	116,097	116,750	118,998	118,176	114,066	111,834	(2.0)	1.7
Transportation and warehousing[7]	23,977	24,229	24,158	24,961	25,321	25,953	27,312	26,672	24,317	24,710	1.6	3.1
Information[8]	19,438	18,578	17,927	17,163	17,299	18,445	18,648	18,749	17,313	16,876	(2.5)	(13.1)
Finance and insurance[9]	30,848	31,251	31,544	31,769	32,039	32,172	33,357	34,809	36,160	36,646	1.3	18.8
Real estate and rental and leasing[10]	29,363	30,229	31,922	34,715	38,209	40,313	42,406	41,858	40,019	39,700	(0.8)	35.2
Professional and technical services	59,391	59,834	62,534	65,461	66,337	73,827	81,546	81,578	80,716	79,140	(2.0)	33.3
Management of companies and enterprises	6,049	6,129	5,440	5,354	6,354	6,425	6,076	5,912	5,571	5,510	(1.1)	(8.9)
Administrative and waste services[11]	53,226	54,229	53,292	54,598	55,224	58,489	60,429	60,315	55,858	55,522	(0.6)	4.3
Educational services	11,853	12,765	13,932	14,888	15,384	15,919	15,767	15,986	16,152	16,756	3.7	41.4
Health care and social assistance[12]	87,694	94,469	99,899	103,691	105,151	108,016	111,935	114,850	118,184	120,085	1.6	36.9
Arts, entertainment and recreation[13]	18,646	19,994	20,376	20,987	21,463	21,795	22,952	23,311	23,251	23,405	0.7	25.6
Accommodation and food services[14]	76,263	77,972	79,682	80,465	81,343	84,403	85,141	84,022	81,722	81,627	(0.1)	7.1
Other services, except public administration[15]	46,919	49,213	49,699	50,224	50,665	51,679	53,332	53,705	52,347	50,889	(2.8)	8.52
Government and government enterprises[16]	205,158	208,907	213,617	217,564	218,652	214,276	209,867	213,229	216,128	217,307	0.5	5.9

(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 September 2011.)

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
2001-2010

	Civilian Labor Force (Thousands)		Number of Employed (Thousands)		Unemployment Rate		
Year	New Mexico[1]	United States[1]	New Mexico[1]	United States[1]	New Mexico[1]	United States[1]	N.M. as % of U.S. Rate
2001	864	143,734	821	136,933	4.9%	4.7%	104%
2002	872	145,066	823	136,426	5.5	6.0	92
2003	888	146,729	836	138,441	5.9	5.7	104
2004	902	148,059	850	140,125	5.8	5.4	107
2005	913	150,030	866	142,752	5.2	4.9	106
2006	925	152,732	887	145,970	4.1	4.4	93
2007	934	153,936	902	146,272	3.4	5.0	68
2008	952	154,669	910	143,324	4.5	7.3	62
2009	942	153,172	876	137,960	7.0	9.9	71
2010	956	153,690	874	139,206	8.6	9.4	91

[1] Details may not add to total because of rounding. Figures rounded to nearest thousand.
(Source: Bureau of Business and Economic Research, University of New Mexico; last revised February 2011.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2001-2010

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2001	45,335,681	8,878,830,000	9.4%	3.8%
2002	46,340,515	9,054,702,000	2.2	2.0
2003	48,139,404	9,369,072,000	3.9	3.5
2004	51,578,691	9,928,790,000	7.1	6.0
2005	55,341,826	10,476,669,000	7.3	5.5
2006	59,274,367	11,256,516,000	7.1	7.4
2007	63,043,607	11,899,853,000	6.4	5.7
2008	66,724,334	12,379,745,000	5.8	4.0
2009	66,744,715	12,165,474,000	0.0	(1.7)
2010	69,675,815	12,357,113,000	0.4	0.0

(Source: U.S. Department of Commerce and Bureau of Business and Economic Research, University of New Mexico; last revised August 9, 2011.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2001-2010

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	New Mexico.	United States
2001	24,751	31,157	80%	8.8%	2.8
2002	24,977	31,481	80	0.9	1.0
2003	25,639	32,295	80	2.7	2.6
2004	27,092	33,909	80	5.7	5.0
2005	28,641	35,452	82	5.7	4.6
2006	30,209	37,725	81	5.5	6.4
2007	31,675	39,506	81	4.9	4.7
2008	33,505	40,947	83	5.8	3.6
2009	32,394	38,846	84	(3.3)	(5.1)
2010	33,368	39,945	84	3.0	2.8

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of Business and Economic Research, University of New Mexico; last revised September 22, 2011.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
2000-2010

NAICS Earnings by Place of Work[1] Applicable to 2000-2010	New Mexico (Dollars in Thousands)		United States (Dollars in Millions)		Average Annual Percent Change 2000–2010		Distribution of 2010 Wages & Salaries	
	2010	2000	2010	2000	N.M.	U.S.	N.M.	U.S.
Farm Wage and Salary	$259,852	$175,927	$23,958	$16,974	47.7%	41.1%	0.8%	0.4%
Non-farm Wage and Salary	33,484,889	21,768,869	6,376,376	4,806,753	53.8	32.7	99.2	99.6
Private Wage and Salary	24,014,545	15,499,869	5,202,622	4,036,501	55.0	28.9	71.2	81.3
Forestry, Fishing, related activities, and other	61,309	48,710	13,095	9,881	25.9	32.5	0.2	0.2
Mining	1,387,603	655,321	58,698	29,596	74.4	98.3	4.1	0.9
Utilities	319,804	216,386	48,962	38,553	47.8	27.0	0.9	0.8
Construction	1,901,821	1,329,587	289,253	256,653	43.0	12.7	5.6	4.5
Manufacturing	1,557,409	1,608,961	674,177	744,469	6.8	5.6	4.6	10.5
Wholesale Trade	1,107,646	810,747	356,373	282,226	36.6	26.3	3.3	5.6
Retail Trade	2,378,805	1,859,564	402,405	345,355	27.9	16.5	7.0	6.3
Transportation and Warehousing	813,820	672,520	198,222	164,529	21.0	20.5	2.4	3.1
Information	620,037	528,684	205,165	213,363	17.3	6.2	1.8	3.2
Finance and Insurance	1,171,675	789,215	487,074	348,707	48.5	39.7	3.5	7.6
Real Estate and Rental and Leasing	344,010	241,608	89,609	67,824	42.4	32.1	1.0	1.4
Professional, Scientific, and Technical Services	3,844,579	1,875,284	593,609	404,183	50.1	46.9	11.4	9.3
Management of Companies and Enterprises	309,509	227,540	185,820	120,606	36.0	54.1	0.9	2.9
Administrative and Waste Services	1,380,887	883,242	257,471	189,320	56.3	36.0	4.1	4.0
Educational Services	323,596	185,864	118,483	62,931	74.1	88.3	1.0	1.9
Health Care and Social Assistance	3,990,102	1,955,118	730,408	413,244	40.8	76.7	11.8	11.4
Arts, Entertainment, and Recreation	194,489	136,637	71,072	47,977	42.3	48.1	0.6	1.1
Accommodations and Food Services	1,323,915	858,820	219,094	151,741	54.2	44.4	3.9	3.4
Other Services, Except Public Administration	983,529	633,074	203,632	145,543	55.4	39.9	2.9	3.2
Government and Government Enterprises	9,470,344	6,268,322	1,173,754	770,252	51.1	52.4	28.0	18.3
Total	$91,244,175	$59,229,869	$17,979,332	$13,667,181				

(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, September 22, 2011.)

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 2012A

We have acted as bond counsel in connection with the issuance by the New Mexico Finance Authority (the "Finance Authority" or the "NMFA") of its Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2012A in the aggregate principal amount of $24,340,000 (the "Series 2012A Bonds"). The Series 2012A Bonds are being issued for the purpose of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from certain governmental units (the "Governmental Units") that will be or were used to finance or refinance certain Projects for such Governmental Units (the "Loans"); and (ii) paying costs incurred in connection with the issuance of the Series 2012A Bonds.

The Finance Authority 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 2012A 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 an Eighty-Third Supplemental Indenture of Trust dated as of March 1, 2012 (together with the General Indenture, the "Indenture"), by and between the Finance Authority 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 Finance Authority, 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 Finance Authority 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 2012A Bonds.

2. The Indenture has been duly authorized, executed and delivered by the Finance Authority, is valid and binding upon the Finance Authority 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 2012A 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 2012A 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 Finance Authority, payable solely

from the Trust Estate and do not constitute a debt or liability of the State, the Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

4. The interest on the Series 2012A 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 2012A Bonds.

5. The interest on the Series 2012A 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 2012A 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 2012A Bonds or any other offering material relating to the Series 2012A 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 Finance Authority and the Financial Advisor believe to be reliable, but the Finance Authority and the Financial Advisor 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 2012A Bonds, payment of principal, premium, if any, interest on the Series 2012A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2012A 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 2012A Bonds. The Series 2012A 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 2012A Bond certificate will be issued for each maturity of the Series 2012A 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 rating of AA+. 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.

Purchases of Series 2012A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012A 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 2012A 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 2012A Bonds, except in the event that use of the book-entry system for the Series 2012A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012A 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 2012A 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 2012A Bonds; DTC's records reflect only the identity of

the Direct Participants to whose accounts such Series 2012A 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 2012A 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 2012A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Finance Authority 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 2012A 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 2012A 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 Finance Authority 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 Finance Authority, 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 Finance Authority 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 2012A Bonds at any time by giving reasonable notice to the Finance Authority 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 Finance Authority 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 Finance Authority does not have responsibility for distributing such notices to the Beneficial Owners.

The Finance Authority 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 2012A Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2012A 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 2012A Bonds.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Finance Authority and the Financial Advisor believe to be reliable, but the Finance Authority and the Financial Advisor take no responsibility for the accuracy thereof.

APPENDIX F

2012A GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS AND SPECIAL CONSIDERATIONS

2012A Governmental Units

As previously stated, a portion of the proceeds of the Series 2012A Bonds is being used to originate Loans to be made to the 2012A Governmental Units or to reimburse the Finance Authority for Loans made to 2012A Governmental Units. The 2012A 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
Western New Mexico University	$12,245,000	$760,805	6/1/2038
City of Farmington	10,655,000	–	6/1/2024
Socorro Consolidated School District	419,906	–	5/1/2032
Valencia County	248,574	–	5/1/2023
Lincoln County	243,600	–	5/1/2022
Mora County	177,735	–	5/1/2032
Mountainair Public School District	163,668	–	5/1/2027
Town of Red River	117,576	14,660	5/1/2016
Lincoln County	109,620	–	5/1/2022
TOTAL	$24,380,679	$775,465	

(1) The Finance Authority 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 Finance Authority.)

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 Finance Authority totaling $171,815,000, the ABCWUA pledged to the Finance Authority, 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 Finance Authority 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 June 1, 2036. The current outstanding principal amount of the ABCWUA Loan Agreements is $139,855,000.

State of New Mexico General Services Department. The Finance Authority 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 $90,888,593 and are scheduled to mature on June 1, 2039.

New Mexico Spaceport Authority. The Finance Authority has previously issued a series of bonds and has applied certain Prepayments of Loans 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 Regional Spaceport District from gross receipts taxes imposed by Dona Aña and Sierra Counties which are pledged by the Regional Spaceport District and the Spaceport Authority to pay the Spaceport Authority Securities. The Spaceport Authority Securities are currently outstanding in the aggregate principal amount of $72,440,000 and are scheduled to mature on December 1, 2029.

City of Albuquerque – Enterprise Systems. The Finance Authority has entered into various obligations with the City of Albuquerque (the "Albuquerque Enterprise Obligations") in which enterprise system revenues of the City are used to secure the debt obligations. The proceeds of the Albuquerque Enterprise Obligations were used to finance various projects including the refinancing of approximately $49,855,000 in debt obligations issued to fund projects for improvement to the Albuquerque Airport. These obligations are payable from and secured by the net operating revenues of the Albuquerque Airport and have a current outstanding principal amount of $41,008,558. The last of the Albuquerque Enterprise Obligations is scheduled to mature on July 1, 2019.

City of Albuquerque – Gross Receipts Taxes. The Finance Authority has previously entered into various obligations with the City of Albuquerque (the "Albuquerque Gross Receipts Tax Obligations"). The Albuquerque Gross Receipts Tax Obligations were used to finance or refinance certain infrastructure projects in the City of Albuquerque. The Albuquerque Gross Receipts Tax Obligations have a current outstanding principal amount of $34,310,000 and are payable from and secured by certain gross receipt taxes. The last of the Albuquerque Gross Receipts Tax Obligations is scheduled to mature on July 1, 2028.

Special Consideration Concerning an Action Involving Previously Executed Loan Agreements

The Finance Authority has 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 with completion expected in September 2011. The Angel Fire Loans are outstanding in the aggregate principal amount of $24.25 million and are scheduled to mature in August 2038.

An action was filed against the Angel Fire District, and others, including the Finance Authority, which challenged the creation of the Angel Fire District (the "Angel Fire Litigation"). The plaintiffs in the case ("Plaintiffs/Appellants") originally filed a Complaint for Declaratory Relief requesting the court to declare the Angel Fire District a nullity by attacking the validity of the formation election held on April 21, 2008 and claiming errors in the election procedure. Plaintiffs then filed a First Amended Complaint for Declaratory Relief on July 18, 2009. That Complaint was dismissed by the court in ruling from the bench on June 22, 2009, and an order formalizing the dismissal was entered on July 15, 2009. Notice of Appeal to the Court of Appeals of New Mexico was filed by the Plaintiffs/Appellants on July 17, 2009 (the "Appeal"). A Motion to Dismiss was filed by the Defendant/Appellee Angel Fire District on November 1, 2010. Angel Fire District's Motion to Dismiss the Appeal and the merits of the Appeal were argued before the Court of Appeals on February 25, 2011. On June 16, 2011, the Court of Appeals issued its written opinion, concluding that (i) the Angel Fire District Act's formation election provisions incorporate the New Mexico Election Code's election contest procedures, and thus requires a direct appeal to the New Mexico Supreme Court, and (ii) the Court of Appeals lacks jurisdiction and therefore transferred the case to the New Mexico Supreme Court. The New Mexico Supreme Court allowed further briefings by the parties, which were filed on September 9, 2011. Oral argument was heard before the New Mexico Supreme Court on October 11, 2011.

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 Finance Authority 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.

NEW ISSUE – BOOK-ENTRY ONLY

Ratings: S & P: "AAA"
Moody's: "Aa1"
(See "RATINGS" herein.)

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel to the Finance Authority, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2013A 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 2013A 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

$44,285,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS, SERIES 2013A

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 2013A (the "Series 2013A 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 2013A 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 2013A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2013A Bonds will be made in book-entry form only, and beneficial owners of the Series 2013A 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 2013A Bonds.

The Series 2013A Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2013A Bonds accrues from the date of initial delivery of the Series 2013A Bonds and is payable on June 1 and December 1 of each year, commencing December 1, 2013. Principal of the Series 2013A Bonds is payable on the dates, and interest is payable at the rates, shown on the Maturity Schedules on the inside front cover.

SEE MATURITY SCHEDULES ON INSIDE FRONT COVER

The Series 2013A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity.

Proceeds of the Series 2013A Bonds will be used by the Finance Authority for the purposes of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from certain 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 2013A Bonds. The principal of and premium, if any, and interest on the Series 2013A Bonds and additional bonds issued or to be issued are payable solely from and secured solely by the Trust Estate. The Finance Authority has issued or incurred and expects to issue or incur parity bonds and other obligations pursuant to the Indenture.

The Series 2013A Bonds are special limited obligations of the Finance Authority, payable, together with additional bonds issued or to be issued, solely from and secured solely by the Trust Estate. The Series 2013A Bonds will not constitute or create a general obligation or other indebtedness of the State of New Mexico, the Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 2013A Bonds will be construed or interpreted as a donation by or lending of the credit of the Finance Authority, the State or any Governmental Unit within the meaning of the Constitution of the State. THE FINANCE AUTHORITY HAS NO TAXING POWERS. The Series 2013A Bonds do not constitute or give rise to personal liability on the part of the members, directors or officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority 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 2013A Bonds will be passed on by Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, Bond Counsel to the Finance Authority. Certain legal matters will be passed upon by the General Counsel of the Finance Authority. Certain matters relating to disclosure will be passed upon by Ballard Spahr LLP, Salt Lake City, Utah, Disclosure Counsel to the Finance Authority. Certain legal matters will be passed upon for the Underwriters by Hogan Lovells US LLP. Western Financial Group, LLC has acted as financial advisor to the Finance Authority in connection with the issuance of Series 2013A Bonds. It is expected that a single certificate for each maturity of each series of the Series 2013A Bonds will be delivered to DTC or its agent on or about June 13, 2013.

This Official Statement is dated May 23, 2013, and the information contained herein speaks only as of that date.

BofA Merrill Lynch **J.P. Morgan** **Piper Jaffray & Co.**

NEW MEXICO FINANCE AUTHORITY

$44,285,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2013A

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2014	$3,040,000	2.000%	0.21%	64711N SH9
2015	3,335,000	3.000	0.36	64711N SJ5
2016	3,340,000	4.000	0.57	64711N SK2
2017	3,370,000	5.000	0.79	64711N SL0
2018	3,095,000	5.000	1.03	64711N SM8
2019	3,240,000	4.000	1.30	64711N SN6
2020	2,990,000	5.000	1.56	64711N TD7
2021	3,215,000	4.000	1.80	64711N SP1
2022	3,160,000	5.000	1.96	64711N SQ9
2023	3,030,000	5.000	2.11	64711N SR7
2024	1,880,000	5.000	2.26 c	64711N SS5
2025	2,265,000	5.000	2.38 c	64711N ST3
2026	1,160,000	5.000	2.49 c	64711N SU0
2027	1,150,000	3.000	3.04	64711N SV8
2028	740,000	3.000	3.17	64711N SW6
2029	765,000	3.125	3.30	64711N SX4
2030	775,000	3.250	3.36	64711N SY2
2031	770,000	3.250	3.42	64711N SZ9
2032	795,000	3.375	3.48	64711N TA3
2033	805,000	3.375	3.54	64711N TB1

$1,365,000 3.625% Term Bonds Due June 1, 2038; Price 97.508%; CUSIP 64711N TC9

c Priced to redemption on June 1, 2023.

† 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 2013A Bonds. Neither the Finance Authority, the Trustee, the Underwriters nor the Financial Advisor are responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2013A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2013A 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 Finance Authority, 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 Finance Authority, or in any other information contained herein since the date hereof.

No dealer, broker, salesman or any other person has been authorized by the Finance Authority or the Financial Advisor 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 2013A 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 Finance Authority which they may reasonably require in connection with the decision to purchase any of the Series 2013A 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 2013A 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 2013A Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2013A Bonds. Such transactions, if commenced, may be discontinued at any time.

The Finance Authority 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 2013A Bonds.

THE SERIES 2013A 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 2013A 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

Members
Nann M. Winter, Chair
Paul Gutierrez, Vice Chair
William F. Fulginiti, Secretary
Tom Clifford, Treasurer
Jon Barela[(1)]
Ryan Flynn[(1)]
Blake Curtis
Jerry L. Jones[(1)]
David Martin
Katherine Ulibarri[(1)]
Terry White

Interim Chief Executive Officer
John Gasparich

Finance Authority General Counsel
Daniel C. Opperman

Financial Advisor
Western Financial Group, LLC
Portland, 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
BOKF, NA, dba Bank of Albuquerque
Albuquerque, New Mexico

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(1) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate. See "NEW MEXICO FINANCE AUTHORITY—Governing Body" for a discussion of the effect of senate confirmations on their respective terms.

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

$44,285,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS, SERIES 2013A

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 $44,285,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2013A (the "Series 2013A Bonds") being issued by the New Mexico Finance Authority (the "Finance Authority" or the "NMFA"). The Series 2013A Bonds, together with additional bonds the Finance Authority 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 Eighty-Fourth Supplemental Indenture of Trust, dated as of June 1, 2013 (the "Eighty-Fourth Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the Finance Authority and BOKF, NA, dba Bank of Albuquerque, 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 Finance Authority, 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 Finance Authority, see "NEW MEXICO FINANCE AUTHORITY" and the Finance Authority's financial statements for the fiscal year ended June 30, 2012 included as APPENDIX A hereto, which are the most recent audited financial statements available at this time. See "FINANCIAL STATEMENTS" herein.

During the past year, the Finance Authority has addressed a variety of issues relating to its fiscal year 2011 audit. Please see "RECENT DEVELOPMENTS" for a discussion of those issues.

Authority and Purpose

The Series 2013A 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 2013A Bonds will be used by the Finance Authority for the purposes of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from certain 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 2013A Bonds. See "THE PLAN OF FINANCING" for more information with respect to the sources and uses of proceeds of the Series 2013A 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 2013A Bonds. Such Governmental Units whose Loans are being financed with proceeds of the Series 2013A Bonds are sometimes referred to herein as the "2013A Governmental Units."

Parity Obligations

Bonds with a lien on the Trust Estate on a parity with the lien of the Series 2013A 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 2013A Bonds

The Series 2013A Bonds will be dated the date of their initial delivery. Interest on the Series 2013A Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2013. The Series 2013A 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 2013A 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 2013A 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 2013A 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 2013A Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2013A 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 2013A 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 Finance Authority, the Trustee, the Registrar or the Paying Agent will be given only to DTC.

Redemption

The Series 2013A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "THE SERIES 2013A BONDS—Redemption."

Security and Sources of Payment for the Bonds

The Bonds, including the Series 2013A Bonds, are special limited obligations of the Finance Authority 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 Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE FINANCE AUTHORITY HAS NO TAXING POWERS. No provision of the Series 2013A Bonds will be construed or interpreted as a donation or lending of the credit of the Finance Authority, 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 2013A Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

Common Debt Service Reserve Fund. The Finance Authority has established a Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011, and as of May 15, 2013, the Common Debt Service Reserve Fund was funded in the amount of $30,210,195. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds—Common Debt Service Reserve Fund."

Additional Bonds. The Finance Authority 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 2013A Bonds. The Finance Authority 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 Finance Authority has undertaken for the benefit of the Series 2013A Bond Owners that, so long as the Series 2013A Bonds remain outstanding, the Finance Authority will provide certain annual financial information, operating data and audited financial statements with respect to the Finance Authority and each Governmental Unit expected by the Finance Authority 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 Finance Authority, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2013A 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 2013A 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 2013A Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel to the Finance Authority, will deliver its opinion in the form included in APPENDIX D. Certain legal matters will be passed upon for the Finance Authority by its General Counsel. Certain matters relating to disclosure will be passed upon by Ballard Spahr LLP, Salt Lake City, Utah, Disclosure Counsel to the Finance Authority. Certain legal matters will be passed upon for the Underwriters by Hogan Lovells US LLP. Western Financial Group, LLC, Portland, Oregon has acted as financial advisor to the Finance Authority (the "Financial Advisor") in connection with its issuance of the Series 2013A Bonds. See "FINANCIAL ADVISOR."

The Finance Authority's audited financial statements for the fiscal year ended June 30, 2012 and for the fiscal year ended June 30, 2011, included in APPENDIX A, have been audited by REDW, LLC, Certified Public Accountants, Albuquerque, New Mexico. See also "FINANCIAL STATEMENTS."

Offering, Sale and Delivery of the Series 2013A Bonds

The Series 2013A 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 2013A Bonds will be delivered to DTC or its agent on or about June 13, 2013. The Series 2013A Bonds will be distributed in the initial offering by Merrill Lynch, Pierce, Fenner & Smith Incorporated, Piper Jaffray & Co. and J.P. Morgan Securities LLC (collectively, the "Underwriters") for which Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as managing underwriter and representative of the Underwriters.

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 Finance Authority, may be obtained during the offering period, upon request to the Finance Authority and upon payment to the Finance Authority of a charge for copying, mailing and handling, at 207 Shelby Street, Santa Fe, New Mexico 87501, Attention: Chief Financial Strategist.

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 Finance Authority and any purchaser or holder of Series 2013A Bonds.

THE SERIES 2013A BONDS

General

The Series 2013A Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2013A 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, 2013. The Series 2013A 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 2013A 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 2013A 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 2013A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2013A Bonds will be made in book-entry only form, and beneficial owners of the Series 2013A 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 2013A Bonds. For a more complete description of the book-entry only system, see "APPENDIX E—BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

<u>Optional Redemption</u>. The Series 2013A Bonds maturing on and after June 1, 2024, are subject to optional redemption at any time on and after June 1, 2023, in whole or in part, in such order of maturity as may be selected by the Finance Authority and by lot within each maturity within each Series (if in part, in integral multiples of

$5,000), at the option of the Finance Authority, upon notice as provided in the General Indenture and at the redemption price of 100% of the principal amount of the Series 2013A Bonds to be redeemed, but without premium.

Mandatory Sinking Fund Redemption. The Series 2013A 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 2013A Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2034	$255,000
2035	265,000
2036	270,000
2037	285,000
2038†	290,000

† Final Maturity

If less than all of the Series 2013A Bonds maturing on June 1, 2038 are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed will be credited toward a part or all of any one or more of any mandatory sinking fund payments for such Series 2013A Bonds, in such order as may be directed by the Finance Authority.

Notice of Redemption. In the event any of the Series 2013A Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2013A 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 Series 2013A Bonds is to be given by the Trustee at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 2013A Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 2013A 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 Series 2013A 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 Series 2013A Bonds or portions thereof redeemed but who failed to deliver Series 2013A 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 Series 2013A Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 2013A Bonds.

Partially Redeemed Bonds. In case any Series 2013A Bond is redeemed in part, upon the presentation of such Series 2013A Bond for such partial redemption, the Finance Authority 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 Finance Authority, a Series 2013A Bond or Series 2013A Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2013A Bond. A portion of any Series 2013A 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 Series 2013A Bonds for redemption, the Trustee will treat each such Series 2013A Bond as representing that number of Series 2013A Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 2013A 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 2013A Bonds, are special limited obligations of the Finance Authority payable solely from the Trust Estate. The Series 2013A Bonds do not constitute nor create a general obligation or other indebtedness of the State, the Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE FINANCE AUTHORITY HAS NO TAXING POWERS. No provision of the Series 2013A Bonds will be construed or interpreted as a donation by or lending of the credit of the Finance Authority, 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 2013A Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority 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 Finance Authority 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 Finance Authority 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 Finance Authority. Under each Loan Agreement or issue of Securities, the respective Governmental Unit pledges to the Finance Authority 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 Finance Authority 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 2013A Governmental Units and the allocable portions of the Loans financed with the Series 2013A 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 2012-2013. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

Type of Revenue	FY 2012-2013 Amounts	% of Total Agreement Revenues
Enterprise System Revenues	$35,280,770	32.7%
Gross Receipts Tax	29,363,854	27.3
General Obligation (ad valorem taxes)	13,262,447	12.3
Local Special Tax	12,353,686	11.5
State Gross Receipts Tax	6,743,258	6.3
Fire Protection Funds	4,112,533	3.8
Special Assessments	3,673,960	3.4
Governmental Gross Receipts Tax State	2,559,293	2.4
Law Enforcement Protection Funds	219,363	0.2
Mill Levy	158,443	0.1
Total	$107,727,607	100.00%

Note: Totals may not add due to rounding. Assumes that the Loans funded with proceeds of the Series 2013A Bonds are executed and delivered.
(Source: The Finance Authority.)

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 2012-2013 and assuming no further prepayments of any Agreements, are expected to generate the largest amount of Agreement Revenues in fiscal year 2012-2013. The Agreement Revenues generated from such Agreements account for 48.6% of projected Agreement Revenues for fiscal year 2012-2013.

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

Borrower	FY 2012-2013 Debt Service	% of Total Pledged Agreement Revenues[(1)]
Albuquerque Bernalillo County Water Utility Authority	$16,744,040	15.5%
City of Albuquerque (Enterprise System Revenue)	7,702,861	7.2
General Services Department	6,577,701	6.1
New Mexico Spaceport	5,646,810	5.2
City of Albuquerque (Gross Receipts Tax)	3,674,710	3.4
City of Santa Fe (Gross Receipts Tax)	2,636,235	2.4
Gadsden Independent Schools	2,416,078	2.2
State Parks and Recreation Department (GGRT)	2,393,196	2.2
Jicarilla Apache Nation	2,363,535	2.2
New Mexico Highlands University[(2)]	2,304,039	2.2
Total	$52,459,205	48.6%

(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.
(Source: The Finance Authority.)

Although Agreement Revenues are received at various times throughout the year, they are held under the Indenture until June 1 of each year to be applied to pay debt service on the Bonds. For more information with respect to the Governmental Units with the largest repayment obligations, see "APPENDIX F—2013A GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS."

The Finance Authority 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 Finance Authority may make loans from or purchase securities with available funds in the Public Project Revolving Fund. At its option, the Finance Authority 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 Finance Authority 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 Finance Authority 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, or 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 State's 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 Finance Authority. 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 2007-2008 through 2012-2013[1].

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2007-2008 THROUGH 2012-2013

	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013[1]
Total Net Receipts	$28,575,319	$28,657,917	$30,375,481	$32,872,185	$35,551,700	$36,200,000
NMFA Portion of the Governmental Gross Receipts Tax	$21,431,489	$21,493,438	$23,053,051	$24,654,140	$26,663,775	$27,100,000

(1) Projected; subject to change.
(Source: State of New Mexico Taxation and Revenue Department.)

Data that identifies the top payers of the governmental gross receipts tax for recent fiscal years is not publicly available from the State of New Mexico Taxation and Revenue Department. Based upon data provided by individual governmental entities in the previous fiscal years, the payers of the governmental gross receipt tax whose payments accounted for at least 5% of the total net receipts from the governmental gross receipts tax were the Albuquerque Bernalillo County Water Utility Authority, the City of Albuquerque, the City of Santa Fe and the City of Las Cruces. Although the Finance Authority has not verified and does not guarantee the accuracy of such information, the Finance Authority does not have any reason to believe that the list of entities providing at least 5% of the governmental gross receipts tax has changed in any material respect in recent fiscal years.

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), a Common Debt Service Reserve Fund, 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 Finance Authority 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: to 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;

Third: in the event the Common Debt Service Reserve Fund has been used to satisfy amounts due under a Loan Agreement or in relation to certain Securities, then to the extent Loan Payments are received as to that specific Loan Agreement or Securities, to the Common Debt Service Reserve Fund to the extent necessary to cause the payments to the Common Debt Service Reserve Fund to equal the amounts withdrawn from the Common Debt Service Reserve Fund to satisfy amounts due under the Loan Agreement or as to such Securities; and

Fourth: 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 2013A 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.

On the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the next Business Day preceding such third day), if the amount on deposit in any Governmental Unit's account of the Debt Service Fund is insufficient, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, the Trustee shall transfer the amount of such deficiency from the Common Debt Service Reserve Fund. See "Common Debt Service Reserve Fund" below under this caption.

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 Finance Authority 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 Finance Authority 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 (5%) 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 Finance Authority 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 Finance Authority 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) and to make any deposits to the Common Debt Service Reserve Fund (as described below), the Finance Authority 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.

Common Debt Service Reserve Fund. The Finance Authority has established the Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011, and, as of May 15, 2013, the Common Debt Service Reserve Fund was funded in the amount of $30,210,195.

The Finance Authority shall determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The Finance Authority shall deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the Finance Authority of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the Finance Authority by the trustee under the Subordinated Indenture on June 16.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit shall be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the Finance Authority, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the Finance Authority has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the Finance Authority shall not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount shall be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee shall transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

Investment Earnings. All income earned from the investment of moneys in the respective Accounts held by the Finance Authority 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 returned to the Governmental Units or 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 2013A Bonds. The Finance Authority covenants pursuant to the Eighty-Fourth Supplemental Indenture, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to the Loans reimbursed or originated with proceeds of the Series 2013A Bonds with debt service payable on the Series 2013A Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2013A 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 Series 2013A 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 Finance Authority 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 Series 2013A Bonds from which the Loan relating to the Prepayment was initially funded and which Series 2013A 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 2013A BONDS—Redemption."

The Finance Authority 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 Finance Authority has received prepayments (including Prepayments under the Indenture as well as prepayments of obligations under the Subordinated Indenture) 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 Finance Authority in future fiscal years.

Fiscal Year	Number of Prepayments	Aggregate Principal Amount
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	23	6,945,375
2010-2011	58	124,271,480
2011-2012[1]	55	118,727,583
2012-2013[1]	27	27,451,098

(1) Reflects prepayments received for the period of July 1, 2011 through June 1, 2013, including Prepayments under the Indenture as well as prepayments under the Subordinated Indenture. The large amount of prepayments in fiscal years 2011 and 2012 is attributable to a favorable interest rate climate that permitted governmental units to refinance their respective loans. As discussed above under "Covenants Applicable to the Series 2013A Bonds," the Finance Authority may originate additional Loans, redeem outstanding Bonds that related to the prepaid Loans, if such Bonds are subject to redemption, or defease outstanding Bonds that relate to the prepaid Loans. As of the date of this Official Statement, the Finance Authority has applied $79,890,963 of the proceeds of such prepayments to originate additional loans which, pursuant to Pledge Notifications, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The Finance Authority has also applied $61,877,818 of such prepayments to redeem obligations under the Indenture or the Subordinated Indenture. There remains $4,409,900 of prepayments from which the Finance Authority is working to identify new loans.

(Source: The Finance Authority.)

Additional Bonds

Additional Bonds or other indebtedness, bonds or notes of the Finance Authority 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 Finance Authority 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 Finance Authority (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 Finance Authority 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 2013A 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 2013A Bonds

No additional indebtedness, bonds or notes of the Finance Authority 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 May 15, 2013:

Series(1)	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of May 15, 2013(2)
2002A	$55,610,000	$6,170,000
2003A	39,945,000	1,063,000
2003B	25,370,000	10,020,000
2004A-1	28,410,000	1,390,000
2004B-1	48,135,000	24,590,000
2004B-2	1,405,000	735,000
2004C	168,890,000	105,575,000
2005A	19,015,000	9,510,000
2005B	13,500,000	6,025,000
2006B	38,260,000	29,955,000
2006D	56,400,000	48,000,000
2007E	61,945,000	45,765,000
2008A	158,965,000	139,635,000
2008B	36,545,000	29,145,000
2008C	29,130,000	24,520,000
2009A	18,435,000	15,990,000
2009C	55,810,000	49,915,000
2009D-1	13,570,000	11,395,000
2009D-2	38,845,000	37,600,000
2009E	35,155,000	26,265,000
2010A-1	15,170,000	10,795,000
2010A-2	13,795,000	13,795,000
2010B-1	38,610,000	34,265,000
2010B-2	17,600,000	17,600,000
2011A	15,375,000	12,485,000
2011B-1	42,735,000	39,720,000
2011B-2	14,545,000	13,755,000
2011C	53,400,000	52,055,000
2012A	24,340,000	24,340,000
Total	$1,178,910,000	$842,073,000

(1) The official statements for the various Series of Outstanding Parity Bonds are available at the Internet site of the Finance Authority, http://www.nmfa.net, under "Bond & Investor Information."

(2) All series of bonds mature on June 1.

(Source: The Finance Authority.)

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 2012-2013 and assuming no further prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2012-2013.

Outstanding Subordinate Lien Bonds

Pursuant to a Subordinated General Indenture of Trust and Pledge dated as of December 1, 2005 (the "Subordinated Indenture"), the Finance Authority 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 Finance Authority 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 May 15, 2013:

Series[(1)]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of May 15, 2013[(2)]
2005C[(3)]	$50,395,000	$42,485,000
2005E	23,630,000	23,630,000
2005F	21,950,000	18,315,000
2006A	49,545,000	45,230,000
2006C	39,860,000	31,185,000
2007A	34,010,000	23,270,000
2007B	38,475,000	27,970,000
2007C	131,860,000	110,915,000
Total	$389,725,000	$323,000,000

(1) The official statements for the various series of Subordinate Lien Bonds are available at the Internet site of the Finance Authority, http://www.nmfa.net, under "Bond & Investor Information."
(2) All series of 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.
(Source: The Finance Authority.)

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

The Finance Authority 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 2013A 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 Finance Authority 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 Finance Authority 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 2013A Bonds will be used by the Finance Authority for the purpose of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from the 2013A Governmental Units that will be or were used to finance certain Projects for such 2013A Governmental Units, and (ii) paying costs incurred in connection with the issuance of the Series 2013A Bonds. See APPENDIX F for a list of the 2013A Governmental Units and the amount of the Loans expected to be financed with the Series 2013A 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 2013A Bonds.

Sources of Funds

Principal Amount	$44,285,000.00
Net Original Issue Premium	6,084,403.60
Borrower Contributions	818,815.98
Total Sources	**$51,188,219.58**

Uses of Funds

Deposit to Project Accounts and the Public Project Revolving Fund(1)	$50,689,049.14
Finance Authority Administrative Fee	202,875.00
Costs of Issuance(2)	296,295.44
Total Uses	**$51,188,219.58**

(1) Amounts in the Program Fund Accounts will be used to fund the Loans to or purchase Securities from certain of the 2013A Governmental Units at or about the same time as the issuance of the Series 2013A Bonds. Amounts in the Public Project Revolving Fund will be used to reimburse the Finance Authority for Loans previously made to or Securities previously purchased from certain of the 2013A Governmental Units. See “APPENDIX F—2013A Governmental Units, LARGEST REPAYMENT OBLIGATIONS.”

(2) Costs of issuance include Underwriters’ discount and other costs.

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2013A 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	Series 2013A Bonds Principal	Series 2013A Bonds Interest	Outstanding Parity Bonds[2]	Total Annual Debt Service
2013	–	–	$99,507,768	$99,507,768
2014	$3,040,000	$1,773,302	96,397,922	101,211,224
2015	3,335,000	1,773,650	94,180,627	99,289,277
2016	3,340,000	1,673,600	90,952,286	95,965,886
2017	3,370,000	1,540,000	77,456,479	82,366,479
2018	3,095,000	1,371,500	76,346,607	80,813,107
2019	3,240,000	1,216,750	72,818,181	77,274,931
2020	2,990,000	1,087,150	65,784,806	69,861,956
2021	3,215,000	937,650	63,983,826	68,136,476
2022	3,160,000	809,050	60,262,065	64,231,115
2023	3,030,000	651,050	55,739,983	59,421,033
2024	1,880,000	499,550	49,446,687	51,826,237
2025	2,265,000	405,550	42,517,795	45,188,345
2026	1,160,000	292,300	40,898,717	42,351,017
2027	1,150,000	234,300	38,865,269	40,249,569
2028	740,000	199,800	36,016,023	36,955,823
2029	765,000	177,600	30,276,545	31,219,145
2030	775,000	153,694	23,574,665	24,503,359
2031	770,000	128,506	21,718,827	22,617,333
2032	795,000	103,481	20,766,766	21,665,247
2033	805,000	76,650	18,585,018	19,466,668
2034	255,000[3]	49,481	16,928,440	17,232,921
2035	265,000[3]	40,238	15,308,816	15,614,054
2036	270,000[3]	30,631	13,192,010	13,492,641
2037	285,000[3]	20,844	2,591,540	2,897,384
2038	290,000	10,513	2,585,042	2,885,555
2039	–	–	58,523	58,523
Total	$44,285,000	$15,256,840	$1,226,761,232	$1,286,303,072

(1) Assumes the Series 2013A Bonds are issued and Outstanding. Totals may not add due to rounding.
(2) Includes principal and interest.
(3) Payable by mandatory sinking fund installments.
(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 2013A 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 projected 2012-2013 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 "Aggregate Pledged Borrower Payments." See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" and "INVESTMENT CONSIDERATIONS" for a list of some factors which may affect Revenues.

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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[(3)]	Estimated Annual Coverage Ratios[(5)]
2013	$27,100,000	$107,380,212	$134,480,212	$99,507,768	1.35 x
2014	27,100,000	108,750,867	135,850,867	101,211,224	1.34 x
2015	27,100,000	107,437,607	134,537,607	99,289,277	1.36 x
2016	27,100,000	106,554,732	133,654,732	95,965,886	1.39 x
2017	27,100,000	84,721,957	111,821,957	82,366,479	1.36 x
2018	27,100,000	84,460,321	111,560,321	80,813,107	1.38 x
2019	27,100,000	79,941,643	107,041,643	77,274,931	1.39 x
2020	27,100,000	77,716,431	104,816,431	69,861,956	1.50 x
2021	27,100,000	70,403,901	97,503,901	68,136,476	1.43 x
2022	27,100,000	66,898,644	93,998,644	64,231,115	1.46 x
2023	27,100,000	63,631,364	90,731,364	59,421,033	1.53 x
2024	27,100,000	56,011,101	83,111,101	51,826,237	1.60 x
2025	27,100,000	51,930,339	79,030,339	45,188,345	1.75 x
2026	27,100,000	46,517,132	73,617,132	42,351,017	1.74 x
2027	27,100,000	43,521,900	70,621,900	40,249,569	1.75 x
2028	27,100,000	41,191,307	68,291,307	36,955,823	1.85 x
2029	27,100,000	42,843,670	69,943,670	31,219,145	2.24 x
2030	27,100,000	26,613,397	53,713,397	24,503,359	2.19 x
2031	27,100,000	24,087,334	51,187,334	22,617,333	2.26 x
2032	27,100,000	22,308,467	49,408,467	21,665,247	2.28 x
2033	27,100,000	21,603,834	48,703,834	19,466,668	2.50 x
2034	27,100,000	19,330,186	46,430,186	17,232,921	2.69 x
2035	27,100,000	17,804,151	44,904,151	15,614,053	2.88 x
2036	27,100,000	15,666,065	42,766,065	13,492,641	3.17 x
2037	27,100,000	5,049,461	32,149,461	2,897,384	11.10 x
2038	27,100,000	4,571,858	31,671,858	2,885,554	10.98 x
2039	27,100,000	624,097	27,724,097	58,523	473.73 x

(1) Assumes the Series 2013A Bonds are issued and Outstanding.

(2) Reflects NMFA Portion of the Governmental Gross Receipts Tax collections from January 1, 2012 through December 31, 2012.

(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. Includes any Prepayments that have been received by the Finance Authority up to April 10, 2013. As previously discussed, the Finance Authority has received prepayments of certain loans under the Indenture as well as under the Subordinated Indenture. Pursuant to the terms of the Indenture, the Finance Authority has the option to originate new Loans with debt service payments that approximate the debt service of the prepaid Loans or defease the Bonds that relate to such prepaid Loans. As of the date of this Official Statement, the Finance Authority has applied $79,890,963 of the proceeds of such prepayments received from July 1, 2011 through June 1, 2013, to originate additional loans which, pursuant to Pledge Notifications, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The Finance Authority has also applied $61,877,818 of such prepayments to redeem obligations under the Indenture or the Subordinated Indenture. There remains $4,409,900 of prepayments from which the Finance Authority is working to identify new loans. The Finance Authority does not expect the new Loans to have a significant impact on the coverage ratio since the amount of any new Loan Payments will be substantially similar to the prepaid Loan Payments.

(4) Amounts are rounded to the nearest dollar.

(5) Calculated using the calendar year 2012 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 Finance Authority and Western Financial Group LLC.)

NEW MEXICO FINANCE AUTHORITY

General Information

The Finance Authority is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality of the State. The Finance Authority 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 Finance Authority and its corporate existence will continue until terminated by law, provided that no such law will take effect so long as the Finance Authority has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The Finance Authority is comprised of 11 members who also constitute the Finance Authority'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 Finance Authority, subject to the policies, control and direction of the Finance Authority.

The Finance Authority staff provides a full range of services to its borrowers and other parties benefiting from or otherwise interested in the Finance Authority's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the Finance Authority'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 Finance Authority 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 Finance Authority 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 Finance Authority;

(c) to accept, administer, hold and use all funds made available to the Finance Authority 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 Finance Authority has no authority to impose or collect taxes.

Organization and Governance

The Finance Authority is composed of 11 members who serve as the governing body of the Finance Authority. Six 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 six 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), 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 Finance Authority exercises and oversees the exercise of the powers of the Finance Authority. The governing body of the Finance Authority satisfies those responsibilities through monthly meetings and through the standing committees that the governing body has established. A quorum of the governing body exists when a majority of the members then serving are present. A majority vote of a quorum of the members present may transact any business of the Finance Authority. A vacancy in the membership of the governing body does not impact the ability of a quorum to exercise all rights and duties of the Finance Authority. The committees are advisory and have no authority to act on behalf of the governing body, except that the Contracts Committee has authority to award certain contracts and the Investment Committee has authority to authorize certain investments. Each committee reviews and makes recommendations to the governing body concerning matters assigned to it by the governing body.

The Executive Committee provides oversight and direction relating to the operations of the Finance Authority. Other committees include the Finance and Loan Committee, the Audit Committee, the Economic Development Committee, the Investment Committee, and the Contracts Committee. The committees typically meet monthly.

The governing body has also established written policies concerning the exercise of the powers of the Finance Authority, 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 Finance Authority.

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Governing Body and Key Staff Members

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

Name	Occupation	Term Expires
Nann M. Winter (Chair) [(3)]	Attorney, Stelzner, Winter, Warburton, Flores & Dawes, P.A.	01/01/17
Paul Gutierrez[(1)] (Vice Chair)	Executive Director, New Mexico Association of Counties	not applicable
William F. Fulginiti[(1)] (Secretary)	Executive Director, New Mexico Municipal League	not applicable
Tom Clifford [(1) (3)] (Treasurer)	Secretary Designate, Department of Finance and Administration	not applicable
Jon Barela [(1) (3)]	Secretary Designate, Economic Development Department, State of New Mexico	not applicable
Blake Curtis [(3)]	Chief Executive Officer, Senior Vice President, Curtis & Curtis, Inc., Clovis, New Mexico	01/01/16
Ryan Flynn[(1) (3)]	Secretary Designate, Environment Department, State of New Mexico	not applicable
Jerry Jones [(3) (4)]	Chief Executive Officer, Stolar Research Corporation, Raton, New Mexico	01/01/13
David Martin[(1) (3)]	Secretary Designate, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Katherine Ulibarri [(2) (3)]	Vice President for Finance and Operations, Central New Mexico Community College	02/19/2014
Terry White[(3)]	Chief Executive Officer of Sunwest Trust, Inc., Albuquerque, New Mexico	01/01/16

(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 Finance Authority. 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) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate during the 2014 session of the New Mexico Legislature, and will continue to serve until the expiration of such session if no confirmation is received.

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

(4) Term has expired but continues to serve until replaced or reappointed.

Presented below is certain information concerning key staff members of the Finance Authority involved in the issuance of the Series 2013A Bonds and the administration of the Finance Authority's financing programs.

John Gasparich, Interim Chief Executive Officer. Mr. Gasparich joined the Finance Authority as Interim Chief Executive Officer in August 2012 following the discovery that a former Finance Authority employee had not properly completed the Finance Authority's audit for the 2011 fiscal year. At the time of his appointment Mr. Gasparich was the Secretary of the New Mexico State Board of Finance and a fiscal analyst for the Senate Minority Leader. He previously held the position of New Mexico State Budget Director under three governors as well as Deputy Cabinet Secretary of the Department of Finance and Administration and Deputy Director of the Legislative Finance Committee. Mr. Gasparich also served as a gubernatorial appointee to the New Mexico Public School

Capital Outlay Oversight Task Force and as a Senate President Pro Tempore appointee to the Government Restructuring Task Force. Mr. Gasparich received a Bachelor of Arts degree in Psychology and Master of Arts degree in Economics from the University of New Mexico.

The Finance Authority has entered into an agreement with Ralph Anderson & Associates, Rocklin, California, to conduct a national search for a candidate to fill the position of Chief Executive Officer and anticipates the completion of the search within the next couple of months.

Donna Trujillo, Chief Financial Officer. Ms. Trujillo joined the Finance Authority in October 2012 as Chief Financial Officer. She has over 15 years of experience in government financial management, investment management and public accounting. Previously, she served as Chief Financial Officer for the New Mexico Department of Finance and Administration and the New Mexico Department of Workforce Solutions. Both agencies were brought into financial reporting compliance during Ms. Trujillo's service. She earned a Bachelor of Arts in Business Administration from Highlands University and has certification in public accounting and information systems auditing.

Michael J. Zavelle, Chief Financial Strategist. Mr. Zavelle joined the Finance Authority 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.

Robert Brannon, Controller. Mr. Brannon joined the Finance Authority as an accountant in 2008 and was promoted to Controller in 2012. Mr. Brannon has over 12 years of accounting experience, the majority of such time spent with nonprofit community and mission based organizations. Mr. Brannon has a Bachelor of Arts degree in Finance from Temple University, a Bachelor of Arts degree in Psychology from the University of New Mexico, and a Master of Business Administration degree from George Washington University.

Marquita Russel, Chief of Programs. Ms. Russel joined the Finance Authority 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 Finance Authority, 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.

Daniel C. Opperman, General Counsel. Mr. Opperman joined the Finance Authority in November 2010 as Assistant General Counsel and was hired as the chief General Counsel in October 2012. Prior to joining the Finance Authority, Mr. Opperman served as Chief General Counsel for the New Mexico Department of Transportation (NMDOT) for two years. Mr. Opperman obtained his law degree from the University New Mexico School of Law and his Bachelor of Arts degree in Economics from the University of New Mexico, and is a retired professional baseball player with the Los Angeles Dodgers organization.

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 Finance Authority, and in that connection it, among other things: (i) meets on a regular basis to receive and review reports from the Finance Authority and to review and approve regulations proposed for adoption pursuant to the Act; (ii) monitors and provides assistance and advice on the public project financing program of the Finance Authority; (iii) oversees and monitors State and local government capital planning and financing; (iv) provides advice and assistance to the Finance Authority 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 Finance Authority 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 7, 2013, the Finance Authority had made 1,093 PPRF loans totaling approximately $2.34 billion. To implement the PPRF Program, the Finance Authority 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 Finance Authority;

(b) to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Finance Authority 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 or hold securities at prices and in a manner the Finance Authority 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 Finance Authority 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 Finance Authority 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 Finance Authority, 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 Finance Authority;

(g) to the extent permitted under its contracts with the holders of bonds of the Finance Authority, 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 Finance Authority 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 Finance Authority;

(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 Finance Authority 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 Finance Authority established a contingency account (the "Contingent Liquidity Account"). Although it will not be pledged to the Series 2013A Bonds, or any other Finance Authority bonds, the Contingent Liquidity Account is intended to enhance the Finance Authority'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 Finance Authority bonds; however, such use is within the sole discretion of the Finance Authority and such funds may also be used for other purposes, including but not limited to payments of unforeseen expenses of the Finance Authority, urgent economic development projects, loan originations, or addressing other purposes as determined by the Finance Authority. As of March 31, 2013, the Contingent Liquidity Account was funded to an amount of approximately $8,274,079. Upon approval of the Finance Authority, the Contingent Liquidity Account may receive increases. The Finance Authority annually evaluates the level of the Contingent Liquidity Account to determine the amount, if any, of subsequent deposits.

Temporary Borrowing. The Finance Authority has entered into an arrangement (the "Wells Fargo Short-Term Borrowing") with Wells Fargo Bank, National Association ("Wells Fargo") for Wells Fargo to provide to the Finance Authority an amount up to $50,000,000 to reimburse the Finance Authority for Loans made to eligible entities that are incurred prior to the issuance of a Series of Bonds or to make Loans to eligible entities by using funds drawn from the Wells Fargo Short-Term Borrowing. Once the amounts are advanced, the Finance Authority has up to 180 days to repay the advancement. The Wells Fargo Short-Term Borrowing is scheduled to expire on October 31, 2014. The Wells Fargo Short-Term Borrowing is secured by proceeds of Bonds that are anticipated to be issued subsequent to the advances. The Finance Authority has entered into Wells Fargo Short-Term Borrowing to assist it with its cash flows. The Wells Fargo Short-Term Borrowing is not secured by the Trust Estate.

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Other Bond Programs and Projects

The Finance Authority 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 May 15, 2013.

Program	Project	Original Principal Amount	Outstanding as of May 15, 2013	Scheduled Final Maturity
Cigarette Tax	University of New Mexico Health Sciences Building	$39,035,000	$12,865,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	1,750,000	5/1/2026
Transportation	Highways	700,000,000	80,615,000	6/15/2024
Transportation	Highways	237,950,000	63,860,000	6/15/2014
Transportation	Highways	150,000,000	83,525,000	12/15/2026
Transportation	Highways	40,085,000	25,405,000	12/15/2026
Transportation	Highways	115,200,000	35,200,000	6/15/2024
Transportation	Highways	220,000,000	100,000,000	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	49,345,000	6/15/2017
Transportation	Highways	95,525,000	66,360,000	12/15/2024
Transportation	Highways	79,100,000	79,100,000	12/15/2021
Transportation	Highways	461,075,000	451,435,000	6/15/2024
Transportation	Highways	80,000,000	80,000,000	6/15/2024
Transportation	Highways	120,000,000	120,000,000	6/15/2027
Transportation	Highways	220,400,000	220,400,000	6/15/2026

(Source: The Finance Authority.)

LITIGATION

To the knowledge of the Finance Authority, 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 2013A 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 Finance Authority to pay debt service on the Series 2013A Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2013A Bonds, the Indenture, or any proceeding and authority of the Finance Authority taken with respect to the foregoing. The Finance Authority will deliver a non-litigation certification as to the foregoing prior to the issuance of the Series 2013A Bonds.

UNDERWRITING

Pursuant to a Bond Purchase Agreement dated May 23, 2013 (the "Bond Purchase Agreement") between Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative, on behalf of itself, J.P. Morgan Securities, LLC and Piper Jaffray & Co. (collectively, the "Underwriters") and the Finance Authority, the Underwriters have agreed to purchase the Series 2013A Bonds from the Finance Authority at a purchase price equal to $50,269,642.12 (being the aggregate principal amount of the Series 2013A Bonds plus net original issue premium of $6,084,403.60 and less an underwriters' discount of $99,761.48). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2013A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 2013A Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside front cover of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2013A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2013A Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2013A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2013A Bonds that such firm sells.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Series 2013A Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Finance Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Finance Authority.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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 2013A 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 2013A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2013A Bonds. The Finance Authority 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 2013A 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 2013A Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2013A 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 2013A 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 Finance Authority and the

Governmental Units. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the Finance Authority and the Governmental Units. In addition, Bond Counsel has not been engaged, and will not undertake, to monitor the Finance Authority'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 2013A Bonds may affect the federal tax-exempt status of the interest on the Series 2013A Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2013A Bonds maturing on June 1 in the years 2027 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 2013A 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 2013A 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 2013A Bonds maturing on June 1 in the years 2014 through 2026, 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 2013A 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 2013A 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 2013A 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 2013A Bonds. Prospective purchasers of the Series 2013A 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 2013A Bonds may affect the tax status of interest on the Series 2013A 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 2013A 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 2013A Bonds, or the interest thereon, if any action is taken with respect to the Series 2013A 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 2013A Bonds is excluded from gross income for federal income tax purposes, a Series 2013A Bondholder's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2013A Bonds. The nature and extent of these other tax consequences will depend upon the Series 2013A Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2013A 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 2013A 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 2013A Bonds, (iii) interest on the Series 2013A 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 2013A 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 2013A Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Unless separately engaged, Bond Counsel is not obligated to defend the Finance Authority, the Governmental Units or the Series 2013A Bondholders regarding the tax-exempt status of the Series 2013A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Finance Authority, the Governmental Units and their respective appointed counsel, including the Series 2013A 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 Finance Authority or the Governmental Units legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2013A 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 2013A Bonds, and may cause the Finance Authority, the Governmental Units or the Series 2013A Bondholders to incur significant expense.

Bond Counsel is of the opinion that interest on the Series 2013A 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 2013A 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 2013A Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel to the Finance Authority, will deliver its opinion in substantially the form included in APPENDIX D. Certain legal matters will be passed upon for the Finance Authority by its General Counsel. Certain matters relating to disclosure will be passed upon for the Finance Authority by Ballard Spahr LLP, Salt Lake City, Utah, Disclosure Counsel to the Finance Authority. Certain legal matters will be passed upon for the Underwriters by Hogan Lovells US 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 Finance Authority contained in this Official Statement.

FINANCIAL ADVISOR

The Finance Authority 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 2013A 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 financial statements of the Finance Authority for the year ended June 30, 2012 and for the fiscal year ended June 30, 2011, included in APPENDIX A of this Official Statement, have been audited by REDW, LLC, certified public accountants, Albuquerque, New Mexico, as set forth in their reports thereon dated April 24, 2013 and February 5, 2013, respectively. The financial statements for the fiscal year ended June 30, 2012 are the most recently audited financial statements available at this time. REDW, LLC has not been asked to consent to the use of its name and audited financial reports of the Finance Authority in this Official Statement.

RECENT DEVELOPMENTS

In July 2012, the Finance Authority disclosed that what it believed was the audit of its financial statements for the fiscal year ended June 30, 2011 was not completed properly (the "Incomplete Audit"). Upon such discovery, the Finance Authority withdrew the Incomplete Audit. The Finance Authority then initiated an investigation and determined that its former controller had misrepresented the status of the Incomplete Audit and provided financial statements for use with third parties that he falsely represented as "audited."

Based on the discovery of the Incomplete Audit, the New Mexico State Auditor's Office conducted an investigation of the Finance Authority and contracted with PricewaterhouseCoopers LLP to assist with that investigation. The results of those inquiries were summarized in reports which also made suggestions about improving the internal control of the Finance Authority in light of the facts surrounding the Incomplete Audit. However, none of those investigations reveal the loss of any funds nor the manipulation of any of the Finance Authority's accounts. Such reports were made publicly available on December 14, 2012.

The State Auditor also oversaw the completion of the Finance Authority's audits for the fiscal years ended June 30, 2011 and June 30, 2012. The Finance Authority retained REDW, LLC to perform the audit for fiscal year 2011 and fiscal year 2012. Those audits were also recently completed. The audit completed by REDW, LLC for the fiscal year 2011 agreed with the Finance Authority in its application of accounting principles and did not disclose the presence of any missing funds. The final audited financial statements for fiscal years 2012 and 2011 are attached hereto as Appendix A.

The Securities Division of the New Mexico Regulation and Licensing Department (the "Securities Division") also initiated its own investigation with respect to the Incomplete Audit. The Securities Division's investigation led to a plea agreement by the former Controller for forgery and securities fraud. Pursuant to that plea agreement, the former Controller received a sentence of 5 years supervised probation.

The United States Securities and Exchange Commission (the "SEC") issued an inquiry to the Finance Authority regarding the Incomplete Audit (the "SEC Inquiry"), to which the Finance Authority timely responded and provided all the requested information. It is unknown whether the SEC will pursue further action.

The Oversight Committee also initiated its own investigation regarding the Incomplete Audit and hired the firm of Hewitt EnnisKnupp ("Hewitt") to perform that investigation. The findings of that investigation, completed on November 29, 2012, contained an overview of the governance of the Finance Authority and provided various recommendations to improve the governance of the Finance Authority.

The Securities Division also issued a report on the Finance Authority on December 3, 2012 (the "Securities Division Report"). The Securities Division Report contained a discussion of the facts surrounding the Incomplete

Audit and concluded, among other things, that a lack of controls and oversight were factors that were responsible for the existence of the Incomplete Audit.

Both Moody's Investor's Service ("Moody's") and Standard & Poor's Ratings ("S&P") took rating actions on the Finance Authority's Public Project Revolving Fund program ("PPRF") after the Incomplete Audit was disclosed in July 2012. The full Moody's and S&P's rating reports are available on the Finance Authority's website. On July 13, 2012, Moody's placed the Finance Authority's PPRF bonds ratings under review for downgrade. On October 10, 2012, Moody's extended its Watchlist for possible downgrade on the PPRF bonds. On March 26, 2013, Moody's confirmed its ratings on the PPRF bonds, assigned a stable outlook to the bonds and removed the ratings from review for possible downgrade.

On July 18, 2012, S&P placed its ratings on the Finance Authority's PPRF bonds on CreditWatch with negative implications. On October 15, 2012, S&P affirmed its ratings on the Finance Authority's bonds. At the same time, S&P removed the ratings from CreditWatch with negative implications but noted that the outlook is negative, reflecting the timeline for completion of the various audits. On May 7, 2013, S&P revised its ratings on the Finance Authority's PPRF bonds from negative to stable.

The Finance Authority acknowledges the seriousness of the events relating to the Incomplete Audit. In September 2012, the Finance Authority terminated its Chief Executive Officer and Chief Operating Officer. It has since hired an Interim Chief Executive Officer, a new Chief Financial Officer, and has completely restructured its Audit Committee. Based upon its own investigations, the Finance Authority believes and the various investigations and audits confirm that the Finance Authority is financially sound.

CONTINUING DISCLOSURE UNDERTAKING

The Finance Authority will execute and deliver a Continuing Disclosure Undertaking in connection with the issuance of the Series 2013A 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 2013A 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 2007-2008 Through 2012-2013" 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 Finance Authority, 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 Finance Authority 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 Finance Authority, any Governmental Unit meeting the 20% Test and each additional Governmental Unit designated by the Finance Authority, 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, but not more than ten business days after the occurrence of the event, 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 2013A Bonds:

  1. principal and interest payment delinquencies;

  2. unscheduled draws on debt service reserves reflecting financial difficulties;

  3. unscheduled draws on credit enhancements reflecting financial difficulties;

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

  5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2013A Bonds;

  6. defeasances;

  7. tender offers;

  8. bankruptcy, insolvency, receivership or similar proceedings; and

  9. rating changes.

- in a timely manner, but not more than ten business days after the occurrence of the event, 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 2013A Bonds, if material:

  1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

  2. appointment of a successor or additional trustee or the change of the name of a trustee;

  3. non-payment related defaults;

  4. modification of rights of owners of the Series 2013A Bonds;

  5. bond calls; and

  6. release, substitution, or sale of property securing repayment of the Series 2013A Bonds.

The Finance Authority 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 Finance Authority, such other event is material with respect to the Series 2013A Bonds. However, the Finance Authority does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The Finance Authority 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 Finance Authority; provided that, the Finance Authority has agreed that any such modification will be done in a manner consistent with the Rule. The

Finance Authority 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 2013A 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 Finance Authority's obligations, and any failure by the Finance Authority to comply with the provisions of the undertaking will not be an event of default with respect to the Series 2013A 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 2013A Bonds. See APPENDIX F for a discussion of Loans to Governmental Units with the largest outstanding principal loan balances. Previous continuing disclosure undertakings of the Finance Authority required the Finance Authority to provide information with respect to Governmental Units whose Loan repayment obligations exceeded 5% of Revenues. In an effort to promote consistency amongst its continuing disclosure undertakings, in August 2005, the Finance Authority amended many of its disclosure undertakings to change the 5% provision to 20% as set forth above. However, the Finance Authority recently discovered that an undertaking executed in 1999 relating to bonds that were retired in 2009 was not amended. As a result, information with respect to certain Governmental Units was not filed within the previous five years from the date of this Official Statement. That previous undertaking expired in 2009 when the bonds relating to that undertaking were retired.

Prior to the events relating to the Incomplete Audit (see "RECENT DEVELOPMENTS," herein), the Finance Authority had, for the previous five years, filed its audited financial statements in a timely manner in accordance with each undertaking it has entered into pursuant to the Rule. However, due to the Incomplete Audit, the Finance Authority was unable to file timely its audit for the fiscal year 2011. Now that the audit for fiscal year 2011 is complete and is available, the Finance Authority has filed the audit with the MSRB as specified in its disclosure undertakings.

RATINGS

S&P and Moody's have assigned ratings of "AAA" and "Aa1," respectively, to the Series 2013A 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 2013A 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 2013A Bonds may have an adverse effect on the market price of the Series 2013A Bonds. The Financial Advisor has not undertaken any responsibility to bring to the attention of the owners of the Series 2013A Bonds any proposed revision or withdrawal of the ratings on the Series 2013A Bonds, or to oppose any such proposed revision or withdrawal. The Finance Authority 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 2013A Bonds.

INVESTMENT CONSIDERATIONS

Availability of Revenues

The amount of Revenues actually received by the Finance Authority may be affected by several factors. Among other things, the amount of governmental gross receipts taxes that will be collected and distributed to the Finance Authority 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 Finance Authority. 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 Finance Authority 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 2013A 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 future Agreement Revenues will be consistent with historical receipts.

The mandate from the Budget Control Act of 2011 that became effective in March 2013 requires a reduction of federal spending ("Sequestration"). The Finance Authority receives an insignificant amount of federal revenues. In addition, various entities throughout the State of New Mexico have been receiving federal revenues. While some of those entities may experience a reduction in the receipt of federal revenues due to Sequestration, the Finance Authority does not believe that any such reductions will impact the ability of the Finance Authority to pay debt service on its Bonds.

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 Finance Authority, may be obtained during the offering period, upon request to the Finance Authority and upon payment to the Finance Authority 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 Finance Authority and the purchasers or holders of any of the Series 2013A Bonds.

NEW MEXICO FINANCE AUTHORITY

By /s/ Nann M. Winter
Nann M. Winter,
Chair

By /s/ John Gasparich
John Gasparich,
Interim Chief Executive Officer

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE FINANCE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2012 AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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New Mexico Finance Authority

State of New Mexico

Financial Statements
and
Independent Auditors' Report

June 30, 2012

CPAs | Business & Financial Advisors

New Mexico Finance Authority
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New Mexico Finance Authority

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New Mexico Finance Authority

Official Roster

Year Ended June 30, 2012

Governing Board
Denise K. Baker, Chair
William F. Fulginiti, Vice Chair
Paul Gutierrez, Secretary
Blake Curtis, Treasurer
Tom Clifford, Member
Jon Barela, Member
John Bemis, Member
David Martin, Member
Lonnie Marquez, Member
Terry White, Member
Jerry L. Jones, Member

Chief Executive Officer
Richard E. May

Chief Operating Officer/Chief Financial Officer
John Duff

REDW LLC
CPAs | Business & Financial Advisors
INTEGRITY COUNTS®

Independent Auditor's Report

Governing Board
New Mexico Finance Authority
and
Mr. Hector H. Balderas
New Mexico Office of the State Auditor
Santa Fe, NM

We have audited the accompanying basic financial statements of New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of 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.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, and the changes in financial position and cash flows 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 April 24, 2013, on our consideration of 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 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying 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 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

REDW LLC

Albuquerque, New Mexico
April 24, 2013

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2012

Introduction

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 position at June 30, 2012 and its financial performance during the fiscal year then ended. 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, cities, school districts 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 Project 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

The financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles and include the following three statements:

- The *Statement of Net Assets* presents information on the assets and liabilities of the Authority, with the difference between the assets and the liabilities reported as net assets. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the funds are improving or deteriorating.
- The *Statement of Revenues, Expenses and Changes in Net Assets* presents information reflecting how the net assets of the Authority changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.
- The *Statement of Cash Flows* reports the cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities, and the resulting impact on cash and cash equivalents for the fiscal year.

As discussed in Note 1 the basic financial statements herein present the financial position, change in financial position and cash flows of the Authority. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found immediately following the financial statements.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2012

Financial Highlights

- The Authority's overall financial position improved slightly in the past year. The key indicator is total net assets which increased by $33.2 million or 8.7%.
- The Authority's unrestricted cash was reduced by 32.7%. Restricted cash decreased by 21.4% or $28.9 million in 2012.
- Loans receivable increased by $93.1 million or 7.6% in 2012, primarily as a result of new loans made during the year totaling $322.7 million less loan payments received of $231.1 million and allowance for loan loss decrease of $1.5 million. Loan payments include loan payoffs of $12.7 million. The number and amount of early loan payoffs decreased significantly from 2011 as interest rates began to stabilize.
- Bonds payable decreased by $5.9 million in 2012 resulting from the issuance of $135 million of new bonds, principal payments on outstanding bonds of $139.8 million, and increase in unamortized bond premium of $1.2 million and the amortization (reduction) of bond premium and deferred charge of $2.3 million.
- Undisbursed loan proceeds to be provided decreased by $0.7 million during 2012 indicating stable draw requests against loan proceeds from borrowers.
- Appropriation revenue increased by $8.3 million in fiscal year 2012, representing about 23.8% over fiscal year 2011. The increase reflects the fluctuation in the governmental gross receipts taxes.
- A $.54 million or 8.0% increase in administrative and processing fees revenue from $6.8 million in 2011 to $7.4 million in 2012, was experienced.
- Operating expenses (excluding grants to local governments, bond issuance cost, and debt service – interest expense) decreased 34.6% or from $10.7 million in 2011 to $7.0 million in 2012 representing an expected decrease of $3.7 million.
- Grant expense decreased 21.9% or $11.8 million as the Authority leveled its program grant expenses, which were increased in 2011 to recover from previous years' under activity.
- Reversions to the State General Fund for fiscal year 2012 were $3.4 million.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2012

Statement of Net Assets

The following presents condensed, combined statements of net assets as of June 30, 2012 and 2011, with the dollar and percentage change:

	2012	2011	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	$ 80,351,262	$ 119,475,379	$ (39,124,117)	-32.7%
Restricted	106,424,138	135,349,071	(28,924,933)	-21.4%
Investments – restricted	125,496,887	119,189,886	6,307,001	5.3%
Loans receivable, net of allowance	1,315,526,827	1,222,384,290	93,142,537	7.6%
Intergovernmental receivables	132,180,805	140,811,240	(8,630,435)	-6.1%
Other receivables	11,195,806	13,139,725	(1,943,919)	-14.8%
Capital assets	239,589	187,411	52,178	27.8%
Other assets	10,878,718	10,732,577	146,141	1.4%
Total assets	**$ 1,782,294,032**	**$ 1,761,269,579**	**$ 21,024,453**	1.2%
Liabilities				
Bonds payable, net	$ 1,217,118,299	$ 1,223,042,042	$ (5,923,743)	-0.5%
Undisbursed loan proceeds	73,864,493	74,534,357	(669,864)	-0.9%
Advanced loan payments	70,884,890	76,070,383	(5,185,493)	-6.8%
Accounts payable, accrued payroll and compensated absences	571,388	693,147	(121,759)	-17.6%
Other liabilities	6,806,772	7,086,492	(279,720)	-3.9%
Total liabilities	**1,369,245,842**	**1,381,426,421**	**(12,180,579)**	-0.9%
Net Assets				
Invested in capital assets	$ 239,589	187,411	52,178	27.8%
Restricted for debt service	74,009,248	27,721,370	46,287,878	167.0%
Restricted for program commitments	196,844,296	232,903,567	(36,059,271)	-15.5%
Unrestricted	141,955,057	119,030,810	22,924,247	19.3%
Total net assets	**413,048,190**	**379,843,158**	**33,205,032**	8.7%
Total liabilities and net assets	**$ 1,782,294,032**	**$ 1,761,269,579**	**$ 21,024,453**	**1.2%**

The Authority's overall financial position improved slightly in the past year. The key indicator is total net assets which increased by $33.2 million or 8.7%.

Assets

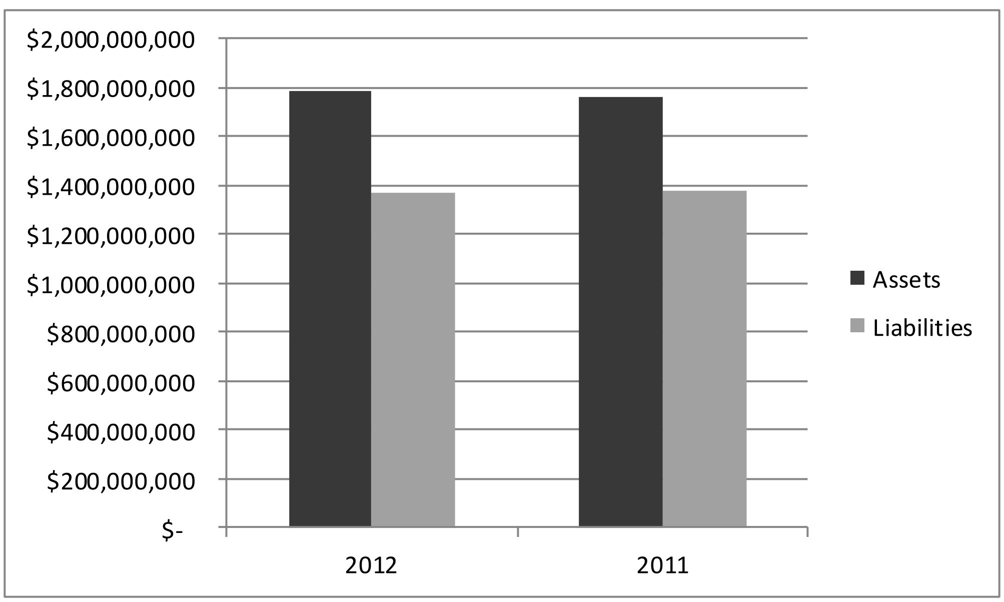
Loans receivable increased by $93.1 million or by 7.6% in 2012. New loans made during the year total $322.7 million; loan payments received were $231.1 million.

The allowance for loans uncollectible loans decreased $1.5 million due to changes in management's estimate of losses, which are supported by risk evaluations performed by a third party. The number and amount of early loan payoffs decreased significantly from 2011 as interest rates began to stabilize.

Total cash and investments declined by 16.5% from $374.0 million in 2011 to $312.3 million in 2012 primarily because new loans made exceeded debt issued during the year. The majority of the new loans will be reimbursed through the issue of new debt in fiscal year 2013.

Liabilities

Bonds payable decreased by $5.9 million in 2012 resulting from the issuance of $135 million of new bonds, principal payments on outstanding bonds of $139.8 million, and amortization of bond premium of $2.3 million. Undisbursed loan proceeds to be provided decreased by $0.7 million during 2012 indicating stable draw requests against loan proceeds from borrowers. Advanced loan payments increased $5.2 million due to increased loans outstanding.
The following chart indicates ratio of assets to liabilities:



Statement of Revenue, Expenses and Changes in Net Assets

The following table presents the condensed combined statement of revenue, expenses and changes in net asset for 2012 and 2011 fiscal years:

	2012	2011	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Operating Revenues				
Administrative fees	$ 7,352,753	$ 6,808,876	$ 543,877	8.0%
Interest on loans	54,459,612	55,572,510	(1,112,898)	-2.0%
Interest on investments	436,387	805,923	(369,536)	-45.9%
Total operating revenues	62,248,752	63,187,309	(938,557)	-1.5%
Expenses				
Grants to local governments	42,063,551	53,887,305	(11,823,754)	-21.9%
Bond issuance costs	1,272,046	697,665	574,381	82.3%
Professional services	2,520,763	2,212,384	308,379	13.9%
Salaries and benefits	3,976,586	4,184,572	(207,986)	-5.0%
Debt service – interest expense	55,005,184	56,681,856	(1,676,672)	-3.0%
Other expense	510,604	4,316,239	(3,805,635)	-88.2%
Total operating expenses	105,348,734	121,980,021	(16,631,287)	-13.6%
Net operating loss	(43,099,982)	(58,792,712)	15,692,730	-26.7%
Nonoperating Revenues (Expenses)				
Appropriation revenue	43,146,845	34,842,554	8,304,291	23.8%
Grant revenue	41,883,216	42,924,828	(1,041,612)	-2.4%
Reversions and transfers	(8,725,047)	(24,481,147)	15,756,100	-64.4%
	76,305,014	53,286,235	23,018,779	43.2%
Increase in net assets	33,205,032	(5,506,477)	38,711,509	-703.0%
Net assets, beginning of year	379,843,158	385,349,635	(5,506,477)	-1.4%
Net assets, end of year	**$ 413,048,190**	**$ 379,843,158**	**$ 33,205,032**	**8.7%**

Operating revenue remained fairly constant at $62.2 million. Interest on investments continued to decline, experiencing 45.9% decline in revenues compared to 2011. Appropriation revenue increased 23.8% while grant revenue remained fairly constant at a decrease of 2.4%.

Overall costs decreased 13.6% due to a change in estimated loan loss which decreased by $4.0 million and decreased grant expense of $11.8 million. The estimate change was made based on third party review of the risk of the outstanding direct equity loans and grant expense leveled after a grant activity recovery effort in fiscal year 2011.

Long-Term Debt

Long-term debt consists of outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2012, the total amount outstanding was $1.2 billion (excluding $1.6 billion in GRIP bonds that 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 7 to the financial statements.

During the fiscal year, the Authority issued $135 million in PPRF debt, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Programs

The Authority accounts for each of its programs separately, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund (PPRF) is highlighted in the following discussion due to the significance of the program.

Public Project Revolving Fund

The Authority was created 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 1,052 loans totaling $2.32 billion.

The PPRF issues loans of less than $5 million from its own funds and then replenishes its cash 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 at the same time a reimbursement bond issue closes, thus ensuring a precise matching of loan and bond interest rates.

The PPRF operates, in many respects, in the same manner as a commercial 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
Management's Discussion and Analysis
June 30, 2012

Public Project Revolving Fund
Statements of Net Assets
June 30

	2012	2011	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	$ 53,637,734	$ 97,054,346	$ (43,416,612)	-45%
Restricted	67,315,479	96,368,542	(29,053,063)	-30%
Restricted investments	125,496,887	119,189,886	6,307,001	5%
Accounts receivable and other	10,494,432	16,714,736	(6,220,304)	-37%
Loans receivable, net of allowance	1,226,886,603	1,140,391,615	86,494,988	8%
Due from the State of New Mexico	111,305,000	114,370,000	(3,065,000)	-3%
Capital assets	205,513	187,411	18,102	10%
Other assets	26,784,977	17,367,540	9,417,437	54%
Total assets	**$ 1,622,126,625**	**$ 1,601,644,076**	**$ 20,482,549**	1%
Liabilities				
Accounts payable and accrued payroll liabilities	$ 5,923,640	$ 7,647,974	$ (1,724,334)	-22.5%
Undisbursed loan proceeds	73,787,401	74,472,265	(684,864)	-0.9%
Borrowers' debt service and reserve deposits	77,039,173	77,020,002	19,171	0.0%
Bonds payable, net	1,198,797,118	1,199,649,242	(852,124)	-0.1%
Total liabilities	**1,355,547,332**	**1,358,789,483**	**(3,242,151)**	-0.2%
Net Assets				
Invested in capital assets	205,513	187,411	18,102	9.7%
Restricted for program funds	144,405,478	145,612,836	(1,207,358)	-0.8%
Unrestricted	121,968,302	97,054,346	24,913,956	25.7%
Total net assets	**266,579,293**	**242,854,593**	**23,724,700**	9.8%
Total liabilities and net assets	**$ 1,622,126,625**	**$ 1,601,644,076**	**$ 20,482,549**	1.3%

Loan Volume

	2012	2011	Since Inception
Amount of loans made	$310.0 million	$168.2 million	$2.32 billion
Number of loans made	86	87	1,052
Average loan size	$3.6 million	$1.9 million	$2.2 million

Public Project Revolving Fund
Statements of Revenue, Expenses and Changes in Net Assets
For the Years Ended June 30

	2012	2011	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Interest Income				
Loans	$ 52,000,267	$ 52,828,553	$ (828,286)	-1.6%
Investments	276,618	384,701	(108,083)	-28.1%
Total interest income	52,276,885	53,213,254	(936,369)	-1.8%
Interest Expense				
Bonds	54,039,449	55,170,397	(1,130,948)	-2.0%
Short-term borrowing	114,479	157,843	(43,364)	-27.5%
Total interest expense	54,153,928	55,328,240	(1,174,312)	-2.1%
Net Interest Income (Loss)				
Interest income (loss) less interest expense	(1,877,043)	(2,114,986)	237,943	-11.3%
Less provision for loan losses	1,633,297	(1,164,527)	2,797,824	-240.3%
Net interest loss after provision for loan losses	(243,746)	(3,279,513)	3,035,767	-92.6%
Noninterest Income				
Loan administration fees	3,366,234	3,134,894	231,340	7.4%
Appropriation revenues	27,405,961	26,909,639	496,322	1.8%
Total noninterest income	30,772,195	30,044,533	727,662	2.4%
Noninterest Expense				
Salaries and benefits	2,543,974	2,421,316	122,658	5.1%
Professional services	1,075,421	1,279,285	(203,864)	-15.9%
Bond issuance costs	1,145,628	610,222	535,406	46.7%
Other	1,283,993	1,883,649	(599,656)	-31.8%
Total noninterest expense	6,049,016	6,194,472	(145,456)	-2.3%
Excess of revenues over expenditures	24,479,433	20,570,548	3,908,885	19.0%
Transfers to other funds or agencies	(754,733)	(2,695,573)	1,940,840	-72.0%
Increase (decrease) in net assets	**23,724,700**	**17,874,975**	**5,849,725**	**32.7%**
Net assets, beginning of year	**242,854,593**	**224,979,618**	**17,874,975**	**7.9%**
Net assets, end of year	**$ 266,579,293**	**$ 242,854,593**	**$ 23,724,700**	**9.8%**

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. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2012, the PPRF had a net interest loss of $.24 million, compared to $3.28 million in 2011. This is a result of a reduction in the allowance for loan losses and market conditions in which $111.2 million in PPRF loans exercised their early call in 2011 provisions and the Authority relent those loan repayments at moderately lower interest rates.

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. Seventy-five percent of GGRT collections are appropriated to the PPRF. The Authority's share of GGRT collections was $26,204,287 in 2012, a $1,686,073 increase from the $24,518,214 received in 2011. The GGRT funds are used as follows:

- ♦ 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.
- ♦ To fund loans to borrowers, especially smaller loans which the Authority may choose to not reimburse in a bond issue.
- ♦ To pay operating expenses of the PPRF.

Other Programs

The PPRF accounts for a large portion of total Authority activity. At June 30, 2012, and for the year then ended, the relationships were as follows:

	PPRF	**Total Authority**	**% PPRF**
Total assets	$1.6 billion	$1.8 billion	89%
Net assets	$266.6 million	$413.0 million	65%
Revenues	$83.0 million	$147.3 million	56%

There are 14 other programs administered by the Authority, some of which are loan programs and some of which are grant programs.

A decline occurred in grant volume for the Local Government Transportation Fund because most of the funds were appropriated to the Authority on a one-time basis. Most of the funds have been expended, and the program is in its final stages with expected final disbursements by June 2013.

Similar to the Local Government Transportation Fund, an increase in the Water and Wastewater Project Grant Fund grant activity reflects the fact that the program is closing out its nonrecurring appropriation received from the state legislature and with final expenditures for projects expected by December 2013.

A for-profit limited liability company operated by the Authority has been awarded a total of $156 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 2012, the Authority made two awards totaling $24 million. Subsequent to June 30, 2012, the Authority has made two additional awards under this program totaling $23 million. 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.

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. Substantial additional information is available on the Authority's website at www.nmfa.net. 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 87501

Financial Statements

Assets	
Current assets	
Cash and equivalents	
Unrestricted	$ 80,351,262
Restricted	106,424,138
Interest receivable	8,452,919
Grants and other receivables	2,440,281
Prepaid rent	19,500
Administrative fees receivable	302,606
Investment in Finance New Mexico LLC	99,010
Loans receivable, net of allowance	91,665,256
Intergovernmental receivables	6,286,962
Total current assets	296,041,934
Noncurrent assets	
Restricted investments	125,496,887
Loans receivable, net of allowance	1,223,861,571
Intergovernmental receivables	125,893,843
Capital assets, net of accumulated depreciation	239,589
Deferred debt issuance cost, net of accumulated amortization	10,760,208
Total assets	$ 1,782,294,032
Liabilities	
Current liabilities	
Accounts payable	$ 199,643
Accrued payroll	94,751
Compensated absences	276,994
Funds held for others	385,495
Bond interest payable	4,287,863
Undisbursed loan proceeds	73,864,493
Advanced loan payments	70,884,890
Bonds payable, net	81,431,000
Costs of loan issuance	984,567
Other liabilities	1,148,847
Total current liabilities	233,558,543
Noncurrent liabilities	
Bonds payable	1,135,687,299
Total liabilities	1,369,245,842
Net Assets	
Invested in capital assets	239,589
Restricted for debt service	74,009,248
Restricted for program commitments	196,844,296
Unrestricted	141,955,057
Total net assets	413,048,190
Total liabilities and net assets	$ 1,782,294,032

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

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

Operating Revenues	
Administrative fees revenue	$ 5,042,154
Processing fees	2,310,599
Interest on loans	54,459,612
Interest on investments	436,387
Total operating revenues	62,248,752
Operating Expenses	
Grants to local governments	42,063,551
Bond issuance costs	1,272,046
Administrative fees	199,650
Professional services	2,520,763
Salaries and benefits	3,976,586
Other operating costs	1,551,350
Depreciation expense	146,719
Bond interest	55,005,184
Provision for loan losses	(1,501,594)
Interest expense	114,479
Total operating expenses	105,348,734
Net operating loss	(43,099,982)
Nonoperating Revenues (Expenses)	
Appropriation revenue	43,146,845
Grant revenue	41,883,216
Transfers to the State of New Mexico	(5,325,047)
Reversions to New Mexico General Fund	(3,400,000)
Increase in net assets	33,205,032
Net assets, beginning of year	379,843,158
Net assets, end of year	$ 413,048,190

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

Cash flows from operating activities	
Cash paid for employee services	$ (4,011,826)
Cash paid to vendors for services	(4,395,069)
Intergovernmental payments received	5,935,198
Loans to local governments received	228,086,281
Loan payments funded	(320,901,262)
Grants to local governments	(42,063,551)
Cash received from federal government for revolving loan funds	9,391,520
Interest on loans	55,085,823
Administrative fees received	7,451,261
Net cash used by operating activities	(65,421,625)
Cash flow From noncapital financing activities	
Reversions to New Mexico General Fund	(3,400,000)
Appropriations received from the State of New Mexico	43,146,845
Cash transfers to the State of New Mexico	27,166,649
Interfund transfers, net	(227,674)
Proceeds from sale of bonds	135,020,000
Payment of bond principal	(139,391,440)
Bond issuance costs	(416,964)
Interest paid	(57,688,472)
Net cash disbursed for program purposes	(785,435)
Net cash provided by noncapital financing activities	3,423,509
Cash flow from capital and related financing activities	
Purchase of capital assets	(198,897)
Net cash used by capital and related financing activities	(198,897)
Cash flow from investing activities	
Purchase of investments	(71,308,651)
Sale of investments	65,020,228
Interest on investments	436,386
Net cash used by investing activities	(5,852,037)
Net decrease in cash and cash equivalents	(68,049,050)
Cash and cash equivalents, beginning of year	254,824,450
Cash and cash equivalents, end of year	$ 186,775,400

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

Reconciliation of operating loss to net cash provided by operating activities

Operating loss	$ (43,099,982)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	146,719
Amortization on bond issuance costs	728,663
Amortization on bond premiums	(2,294,348)
Provision for loan losses	(1,501,594)
Interest on investments	(436,386)
Bond interest paid	57,404,747
Bond issuance costs	543,382
Cash received from federal grants	9,391,520
Changes in operating assets and liabilities	
Loans receivable	(86,080,381)
Prepaids and other receivables	5,986,625
Payables and accrued liabilities	(6,210,590)
Net cash used by operating activities	$ (65,421,625)

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

Assets	
Cash held by Trustee	
Program funds	$ 55,196,512
Revenue funds	7,799,994
Rebate fund	1,540,240
Bond reserve funds	43,067,080
Total assets	$ 107,603,826
Liabilities	
Accounts payable	$ 1,540,240
Debt service payable	50,867,074
Program funds held for the NM Department of Transportation	55,196,512
Total liabilities	$ 107,603,826

1) Nature of Organization

The New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico (the "State"), is a public instrumentality of the State, organized and existing pursuant to the New Mexico Finance Authority Act (the "Act") created by the Laws of 1992 Chapter 61, as amended. The Authority has broad powers to provide financing for an array of infrastructure and economic development projects. The Authority also provides for long-term planning and assessment of state and local capital needs and improves 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 other members who are residents of the State. The appointed members serve at the pleasure of the Governor.

The Authority issues loans to entities pursuant to the rules and regulations governing the Public Projects Revolving Loan Fund Program (PPRF). The PPRF provides low cost financing to local government entities for a variety of infrastructure projects throughout the State. The PPRF Program receives 75% of the Governmental Gross Receipts Tax of the State of New Mexico pursuant to section 7-1-6.1 NMSA, 1978, and may issue bonds in amounts deemed necessary to provide sufficient money for the purposes set forth by the New Mexico Finance Authority Act. Bonds are issued under a Master Indenture as well as individual Series Indentures, proceeds and covenants of which are administered through a trust relationship established by contract with a trust company or bank bearing trust powers (Trustee) and the Authority. The Authority may also serve as conduit issuer of revenue bonds for other governmental agencies.

The Authority manages the Drinking Water State Revolving Loan Fund Program (DWRLF) and the Water Trust Board Program (WTB). The DWRLF 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 is required to match by 20%.

The WTB program provides grant and interest free loans to support water projects which support water use efficiency, resource conservation and protection and fair distribution and allocation of water.

Other significant programs administered by the Authority include:

- The Local Transportation Infrastructure Projects Program which provides for grants and low-cost financial assistance for local governments transportation projects which are not eligible for federal funding and funding for which have not been set by the existing Local Government Road Fund.
- The Economic Development Program provides comprehensive financing tools to stimulate economic development projects statewide.
- The New Markets Tax Credit Program acts as 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.
- The Primary Care Capital Program is a revolving loan program which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide 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.
- The Water and Wastewater Project Grant Program provides grant funding for water and wastewater system projects authorized by legislation.
- The Local Government Planning Grant Program provides grants to qualified entities on a per project basis for water and wastewater related studies, long-term water management plans and economic development plans.
- The 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 UNM Health Sciences Program administers 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.
- The Worker`s 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 2010 Legislature adopted the Colonias Infrastructure Act which appropriates to the Authority 5% of the severance tax bond proceeds for loans and grants to certain communities in southern New Mexico that lack basic infrastructure for water and wastewater, solid waste disposal, flood and drainage control, roads and housing. The Act took effect July 1, 2012.

- Based on a Memorandum of Understanding with the New Mexico Economic Development Department, the Authority received $13.2 million in federal State Small Business Credit Initiative funds to help increase the flow of capital to small businesses by mitigating bank risk. The Authority uses the funds to buy loan participations from banks for economic development projects under a program marketed as the Collateral Support Participation.

Activities for all the programs administered by the Authority are reported in the supplementary schedules to these financial statements.

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 Act. 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 Act does provide for legislative oversight by a committee to be appointed by the Legislative Council Service according to its policies.

2) Summary of Significant Accounting Policies

Accounting Principles
The financial statements of 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 prior to November 30, 1989 are followed unless they conflict with or contradict GASB pronouncements. Subsequent FASB pronouncements are not applied, as permitted by GASB No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Accounting*.

Basis of Presentation
The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. All of the Authority's activities, except those in which the Authority acts as an agent, are reported as an enterprise fund. Enterprise funds are used for activities for which a fee is charged to external users for goods and services.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing financial services in connection with on-going operations. Primary operating revenues includes financing income and fees charged to program borrowers. Operating expenses include interest expense, program support as well as funds granted to others in the form of loan forgiveness and other subsidies to governmental entities.

Nonoperating items consist primarily of governmental gross receipts and other tax distributions reported as appropriations, grant revenue, and transfers-out for excess distributions and reversions of prior year appropriated revenue.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. When restricted resources meet the criteria to be available for use and unrestricted resources are also available, it is the Authority's policy to use restricted resources first. Expenses are recorded when they are incurred. Expenses charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

Agency Funds

Agency funds are used to report resources held by the Authority in a purely custodial capacity. These funds result from transactions associated with the Authority acting as fiscal agent for the New Mexico Department of Transportation (the "Department") on several of the Department's bond transactions. The amounts reported as agency funds do not belong to the Authority and are held in separate accounts on the Authority's books in the name of the Department. Accordingly, all assets held and reported as agency funds are offset by a corresponding liability.

Cash, Cash Equivalents, and Investments

The Authority considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash on deposit with the Bank of Albuquerque, Wells Fargo Bank and Bank of New York Mellon acting as bond trustee. Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment are invested in certain allowable securities. All investments are stated at fair value.

Accounts Receivable

Accounts receivable consists of payments due from governmental entities, administrative fees due from projects, and other receivables arising from the normal course of operations. A reserve for uncollectible accounts is established based on management's estimates based on factors including payment history and economic factors.

Loans Receivable

Loans are carried at principal amount outstanding, net of reserves for loan losses, if any. Loans that become past due as to principal and interest are evaluated for collectability. Generally, loans are not placed on nonaccrual status because they are insured guaranteed, or collateralized.

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.

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. No allowance has been established, as all such receivables are considered collectable.

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 individually exceeding $5,000 that significantly extend the useful life of an asset are capitalized.

Estimated useful life of capital assets is management's estimate of how long the asset is expected to be available 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 with ten years or less employment with the Authority are entitled to fifteen days' vacation leave. Employees with more than ten years' service receive twenty days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid vacation leave.

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.

Undisbursed Loan Proceeds
Program funds to be provided represent loan amounts awaiting disbursement to loan recipients. Funds are not automatically disbursed in their entirety when a loan closes. Proceeds are disbursed as needed to fund the related project costs. The majority of undisbursed loan proceeds relate to loans of the PPRF program.

Net Assets
Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted, based on the following:

Investment in capital assets (*net of related debt*) is intended to reflect the portion of net assets which are associated with capital assets less outstanding capital asset related debt. The Authority has no capital asset related debt.

Restricted net assets 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 net assets represent net assets not otherwise classified as invested in capital assets or restricted net assets.

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.

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.

Budget
The Authority's budget represents a financial plan, not a legal constraint, therefore, budgetary comparison information is not presented in the financial statements or as required supplementary information.

Recently Issued Accounting Standard
GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance previously contained in FASB and AICPA pronouncements issued on or before November 30, 1989 that does not conflict with or contradict GASB pronouncements. The requirements of this Statement will become effective for the fiscal year ended June 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result, the difference between assets/deferred outflows and liabilities/deferred inflows, which is known as "net assets," will now be referred to as "net position." The requirements of this Statement will be effective for the fiscal year ended June 30, 2013.

In August 2011, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities,* which becomes effective for the Authority for the year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. When implemented in fiscal year 2014, net position currently titled net assets will be reduced by $10,760,208, the amount of unamortized debt issuance costs at June 30, 2012.

3) Cash and Cash Equivalents and Investments

The Authority follows GASB No. 40, *Deposit and Investment Risk Disclosures*. This statement requires the disclosure of applicable interest rate, credit, custodial credit, concentration of credit and foreign currency risks.

Investments conform to the provisions of the Statements of Investment Policies, Objectives and Guidelines adopted by the Board on March 26, 2008. The investment policy applies to all of the Authority's funds, including funds the Authority may manage for others, except for those funds where trust indentures, bond resolutions, or other documents or agreements control the investment of funds. This policy is the Authority master investment policy and may be amended or supplemented as applied to specific categories of funds by adoption of addenda by the Board applicable to specific categories of the Authority funds.

Except where prohibited by statute, trust indenture, or other controlling authority, the Authority consolidates cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income is allocated to the various funds based on their respective participation. The primary objectives, in order of priority, of investment activity shall be safety, liquidity and yield.

Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio while mitigating credit risk and interest rate risk.

Credit Risk
The Authority minimizes credit risk (the risk of loss due to the failure of securities issuer or backer) by limiting investments, prequalifying financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Interest Rate Risk
The Authority minimizes interest rate risk (the risk that the market value of securities in the portfolio will decline due to changes in market interest rates) by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market prior to maturity and by investing operating funds primarily in short-term securities limiting the average maturity of the portfolio.

Permitted Investments
As provided in Sections 6-21-6 and 6-21-2 of the Act, money pledged for or securing payment of bonds issued by the Authority shall be deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued. The following table identifies the investment types permitted by the investment policy:

	Description	**Maximum Percentage of Authority Funds** [1]
A	Direct and general U.S. Government Obligations (Treasury Bills, Treasury Notes, Treasury Bonds)	100%
B	Obligations of U.S. Government Agencies (any federal agency or instrumentality notes, bonds, debentures, with implicit guarantee of the United States of America)	75%

[1] Limits do not apply to cash invested by trustee per bond indenture.

	Description	Maximum Percentage of Authority Funds [1]
C	SEC-registered money market funds with total assets at time of deposit in excess of $100,000,000[2]	100%
E	Certificates of deposits and bank deposits[3]	20%
F	Commercial paper issued by corporations organized and operating on the United States and rated A1 P1 or equivalent by two or more rating services.	10%
G	Bonds or notes issued by any municipality, county or school district of the State	10%
H	Overnight repurchase agreements[4]	25%
I	Investment contracts (guaranteed investment contracts (GIC's) and flexible repurchase agreements)[4]	N/A
J	State Treasurer's Short-term Investment Fund	50%

Investment of Bond Proceeds

All or any portion of the proceeds of bonds or other obligations of the Authority may be invested in a GIC or flexible repurchase agreement without regard to the investment allocation ranges set forth in the investment policy, if the GIC or repurchase agreement provides for disbursement upon request of the Authority in amounts necessary to meet expense requirements for the bonds or other obligations.

[1] Limits do not apply to cash invested by trustee per bond indenture.

[2] Money markets must be rated AAA by Standards & Poor or Aaa by Moody and in compliance with the diversification, quality and maturity requirements 2a-7 of the U.S. Securities and Exchange Commission applicable to money markets with no sales load or deferred sales charge.

[3] Interest bearing certificates of deposit or bank deposits must be in banks having a branch location in New Mexico, and all principal and interest must be fully insured by the Federal Deposit Insurance Corporation or secured by obligations described in A) and B) above, registered in the name of the Authority and held by a third party safe-keeping agent, or collateralized as required by 6.10.16 NMSA at 102% of the value of the deposit that is not FDIC insured.

[4] GIC and repurchase agreements investments must be fully secured by obligations described in A) and B) above with all collateral held by an independent third party safekeeping agent.

Cash and equivalents at June 30, 2012, were as follows:

Description	Balance at June 30, 2012	Rated	Percentage of Authority Funds [1]
Primary Care Capital Program funds held with the State Treasurer Fund Investment Pool	$ 168,510	N/A	<1%
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	15,917,787	N/A	<1%
Wells Fargo deposit account	14,250	N/A	<1%
Wells Fargo repurchase agreement	141,660	N/A	<1%
Government Money Market Funds	90,488,496	AAA	58%
U.S. Treasury notes	54,695,529	AAA	6%
Cash invested by trustee per bond indenture	25,349,168[2]	N/A	N/A
Total cash and equivalents	$ 186,775,400		
Cash held in agency fund	$ 107,603,826[3]		

Maturity Restrictions

It is the policy of the Authority to diversify investment maturities based on cash flow requirements. Unless matched to a specific cash flow, the Authority will invest in securities maturing five years or less from date of purchase.

Investments consist of bond proceeds which are restricted to uses specified in the related bond indentures.

Such restricted investments at June 30, 2012, are comprised of the following:

Description	Fair Value at June 30, 2012	Average Years to Maturity	Percentage of Authority Funds [4]
U.S. Treasury notes	$ 65,225,692	1.07	22.01%
Federal Home Loan Mortgage Corporation bonds	60,271,195	1.00	20.34%
Total investments	$ 125,496,887		

[1] Limits do not apply to cash invested by trustee per bond indenture.
[2] As provided in Sections 6-21-6 and 6-21-2 of the Act, money pledged for or securing payment of bonds issued by the Authority is deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued.
[3] All cash held as agent by the Authority is fully collateralized by securities held in the name of the Authority.
[4] Limits do not apply to cash invested by trustee per bond indenture.

4) Loans Receivable

Loans receivable activity for the year ended June 30, 2012, was as follows:

Program Description	Term (Years)	Rates	2011	Increase	Decrease	2012
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,143,369,092	$ 310,043,980	$ 225,143,158	$ 1,228,269,914
Drinking Water State Revolving Loans	1 to 30	0% to 4%	62,662,584	5,888,549	3,925,767	64,625,366
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	3,047,537	(151,161)	121,954	2,774,422
Primary Care Capital Fund Loans	10 to 20	3%	4,744,752	600,000	517,235	4,827,517
Water Projects Fund Loan Grants	10 to 20	0%	8,718,815	6,344,453	1,209,971	13,853,297
Smart Money Participation Loans	3 to 20	2% to 5%.	3,447,322	-	64,888	3,382,434
Behavioral Health Care Loan	15	3%	270,042	-	33,255	236,787
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	508,792	-	35,234	473,558
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	169,000	-	30,000	139,000
Child Care Revolving Loans	8	3%	37,760	-	5,808	31,952
			1,226,975,696	322,725,821	231,087,270	1,318,614,247
Less allowance for loan losses			(4,591,406)	-	(1,503,986)	(3,087,420)
Totals			$ 1,222,384,290	$ 322,725,821	$ 229,583,284	$ 1,315,526,827

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2012.

	Principal	Interest	Total
Fiscal year ending June 30			
2013	$ 92,368,167	$ 46,041,506	$ 138,409,673
2014	97,012,293	43,731,057	140,743,350
2015	95,624,450	41,133,817	136,758,267
2016	94,547,221	38,313,665	132,860,886
2017	80,234,524	35,488,507	115,723,031
2018 – 2022	78,929,329	32,952,435	111,881,764
2023 – 2027	360,845,660	124,616,967	485,462,627
2028 – 2032	237,800,985	64,029,816	301,830,801
2033 – 2037	125,056,710	25,650,888	150,707,598
2038 – 2041	56,194,908	5,499,832	61,694,740
Subtotals	1,318,614,247	$ 457,458,490	$ 1,776,072,737
Less allowance for loan losses	(3,087,420)		
Loans receivable net	$ 1,315,526,827		

5) 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.

Intergovernmental receivables activity during the year ended June 30, 2012, was as follows:

State Entity	Revenue Pledge	Rates	Maturity	2011	Payments	2012	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	$ 44,770,000	$ 2,285,000	$ 42,485,000	$ 2,400,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,630,000	-	23,630,000	65,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	45,970,000	780,000	45,190,000	185,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.00%	4/1/2019	15,055,000	2,190,000	12,865,000	2,040,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	6,151,240	774,729	5,365,805	776,962
Worker's Compensation Administration	Worker's Compensation administrative fee	5.35% to 5.60%	9/1/2016	1,830,000	1,830,000	-	-
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	3,405,000	760,000	2,645,000	820,000
			Totals	$ 140,811,240	$ 8,619,729	$ 132,180,805	$ 6,286,962

The following is a summary of scheduled payments to be collected on the receivables from state entities as of June 30, 2012:

	Principal	Interest	Total
Fiscal year ending June 30			
2013	$ 6,286,962	$ 6,471,084	$ 12,758,046
2014	7,766,334	6,127,630	13,893,964
2015	7,341,438	5,773,494	13,114,932
2016	6,884,184	5,424,462	12,308,646
2017	7,103,814	5,097,956	12,201,770
2018 – 2022	39,208,779	20,146,297	59,355,076
2023 – 2027	32,190,000	10,033,138	42,223,138
2028 – 2032	12,695,000	5,134,250	17,829,250
2033 – 2037	12,704,294	1,629,000	14,333,294
Intergovernmental receivables	$ 132,180,805	$ 65,837,311	$ 198,018,116

6) Capital Assets

A summary of changes in capital assets follows:

	Balance at June 30, 2011	Increases	Decreases	**Balance at June 30, 2012**
Depreciable assets				
Furniture and fixtures	$ 227,468	$ -	$ 198,803	**$ 28,665**
Computer hardware and software	835,050	198,897	451,759	**582,188**
Equipment	49,117	-	49,117	**-**
Leasehold improvement	48,490	-	40,249	**8,241**
	1,160,125	198,897	739,928	**619,094**
Accumulated depreciation				
Furniture and fixtures	(208,358)	(9,611)	198,803	**(19,166)**
Computer hardware and software	(666,749)	(137,108)	451,759	**(352,098)**
Equipment	(49,117)	-	49,117	**-**
Leasehold improvement	(48,490)	-	40,249	**(8,241)**
	(972,714)	(146,719)	739,928	**(379,505)**
Net capital assets	$ 187,411	$ 52,178	$ -	**$ 239,589**

Depreciation expense for the fiscal year was $146,719.

7) 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 Court Facilities Fees, Cigarette Excise Tax, State Gross Receipts Tax, Workers' Compensation Fees and Income from Land Grant Permanent Fund.

Bonds payable consist of the following at June 30, 2012:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt				
2002 A	4.400% to 5.000%	June 1, 2012 to June 1, 2023	$ 55,610,000	$ 6,170,000
2003 A	3.550% to 4.750%	June 1, 2012 to June 1, 2032	39,945,000	1,063,000
2003 B	3.500% to 5.000%	June 1, 2012 to June 1, 2021	25,370,000	10,020,000
2004 A-1	3.050% to 4.625%	June 1, 2012 to June 1, 2031	28,410,000	1,390,000
2004 A-2	4.625% to 5.875%	June 1, 2012 to June 1, 2027	14,990,000	-
2004 B-1	4.250% to 5.500%	June 1, 2012 to June 1, 2033	48,135,000	24,590,000
2004 B-2	5.630% to 6.010%	June 1, 2012 to June 1, 2018	1,405,000	735,000
2004 C	3.500% to 5.250%	June 1, 2012 to June 1, 2024	168,890,000	105,575,000
2005 A	3.750% to 5.000%	June 1, 2012 to June 1, 2025	19,015,000	9,510,000
2005 B	3.500% to 4.500%	June 1, 2012 to June 1, 2020	13,500,000	6,025,000
2006 B	4.250% to 5.000%	June 1, 2012 to June 1, 2036	38,260,000	29,955,000
2006 D	4.250% to 5.000%	June 1, 2012 to June 1, 2036	56,400,000	48,000,000
2007 E	4.250% to 5.000%	June 1, 2012 to June 1, 2032	61,945,000	45,765,000
2008 A	3.000% to 5.000%	June 1, 2012 to June 1, 2038	158,965,000	139,635,000
2008 B	4.000% to 5.250%	June 1, 2012 to June 1, 2035	36,545,000	29,145,000
2008 C	4.250% to 6.000%	June 1, 2012 to June 1, 2033	29,130,000	24,520,000
2009 A	2.250% to 5.000%	June 1, 2012 to June 1, 2038	18,435,000	15,990,000
2009 B	2.750% to 5.500%	June 1, 2012 to June 1, 2039	30,225,000	-
2009 C	2.500% to 5.250%	June 1, 2012 to June 1, 2029	55,810,000	49,915,000
2009 D-1	3.000% to 4.500%	June 1, 2012 to June 1, 2030	13,570,000	11,395,000
2009 D-2	2.320% to 6.070%	June 1, 2012 to June 1, 2036	38,845,000	37,600,000
2009 E	3.000% to 4.500%	June 1, 2012 to June 1, 2019	35,155,000	26,265,000
2010 A-1	3.000% to 4.500%	June 1, 2012 to June 1, 2034	13,795,000	10,795,000
2010 A-2	3.777% to 6.406%	June 1, 2016 to June 1, 2039	15,170,000	13,795,000
2010 B-1	2.000% to 5.000%	June 1, 2012 to June 1, 2035	38,610,000	34,265,000
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2016	17,600,000	17,600,000
2011 A	2.236% to 6.230%	June 1, 2013 to June 1, 2036	15,375,000	12,485,000
2011 B-1	2.000% to 4.000%	June 1, 2013 to June 1, 2031	42,735,000	39,720,000
2011 B-2	2.000% to 4.950%	June 1, 2013 to June 1, 2031	14,545,000	13,755,000
2011 C	3.000% to 5.000%	June 1, 2013 to June 1, 2036	53,400,000	52,055,000
2012 A	1.500% to 5.500%	June 1, 2012 to June 1, 2038	24,340,000	24,340,000
			1,224,125,000	842,073,000
Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt				
2005 C	3.625% to 5.000%	June 15, 2011 to June 15, 2025	50,395,000	42,485,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	4.000% to 5.000%	June 15, 2011 to June 15, 2025	21,950,000	18,315,000
2006 A	4.000% to 5.000%	June 15, 2011 to June 15, 2035	49,545,000	45,230,000
2006 C	4.000% to 5.000%	June 15, 2011 to June 15, 2026	39,860,000	31,185,000
2007 A	4.000% to 5.000%	June 15, 2011 to June 15, 2027	34,010,000	23,270,000
2007 B	4.250% to 5.000%	June 15, 2011 to June 15, 2034	38,475,000	27,970,000
2007 C	4.250% to 5.250%	June 15, 2011 to June 15, 2027	131,860,000	110,915,000
			389,725,000	323,000,000
		Subtotal - PPRF Bonds	1,613,850,000	1,165,073,000
Pooled Equipment Certificates of Participants				
1995 A	6.30%	October 1, 2015	4,288,000	107,000
1996 A	5.80%	April 1, 2016	1,458,000	32,000
			5,746,000	139,000
State Capitol Building Improvement Revenue Bonds				
1996	5.50% to 5.60%	Sept. 1, 2011 to Sept. 1, 2016	4,310,000	-
State Capitol Building Improvement Revenue Bonds				
1999	7.00%	Sept. 15, 2011 to Mar. 15, 2015	9,315,000	2,645,000
Cigarette Tax Revenue Bonds - UNM Health Sciences Center Project				
2004A	4.0% to 5.0%	April 1, 2012 to April 1, 2019	39,035,000	12,865,000
Cigarette Tax Revenue Bonds - Behavioral Health Projects				
2006	5.51%	May 1, 2012 to May 1, 2026	2,500,000	1,750,000
Total bonds outstanding			$ 1,674,756,000	1,182,472,000
Add net unamortized premium				36,052,300
Less deferred charge on refunding				(1,406,001)
Total bonds payable, net				1,217,118,299
Less current portion of bonds payable				(81,431,000)
Noncurrent portion of bonds payable				$ 1,135,687,299

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30			
2013	$ 81,431,000	$ 55,901,809	$ 137,332,809
2014	81,360,000	52,398,982	133,758,982
2015	82,065,000	48,922,441	130,987,441
2016	81,329,000	45,240,990	126,569,990
2017	73,107,000	41,609,329	114,716,329
2018 – 2022	348,810,000	156,575,352	505,385,352
2023 – 2027	249,485,000	79,753,538	329,238,538
2028 – 2032	115,410,000	33,993,513	149,403,513
2033 – 2037	66,955,000	8,945,311	75,900,311
2038 – 2041	2,520,000	123,565	2,643,565
	1,182,472,000	$ 523,464,830	$ 1,705,936,830
Add unamortized premium	36,052,300		
Less deferred charge on refunding	(1,406,001)		
Bonds payable, net	$ 1,217,118,299		

The bonds payable activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$ 1,187,265,000	$ 135,020,000	$ (139,813,000)	$ 1,182,472,000	$ 81,431,000
Add unamortized premium	37,290,456	1,163,605	(2,401,761)	36,052,300	-
Less deferred charge on refunding	(1,513,414)	-	107,413	(1,406,001)	-
	$ 1,223,042,042	$ 136,183,605	$ (142,107,348)	$ 1,217,118,299	$ 81,431,000

8) Advanced Loan Payments

Advanced loan payments 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 borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. The balance of advanced loan payments was $70,884,890 at June 30, 2012.

9) 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 $50,000,000. 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 70% of U.S. dollar monthly LIBOR plus 75 basis points. The LIBOR rate at June 30, 2012, was .246. The Authority pays a 15 basis point fee on the unused portion of the facility. No balances were outstanding under the line of credit at June 30, 2012.

10) Operating Lease Commitment

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are classified as operating leases. Lease expenditures for the year ended June 30, 2012, were $398,230. Future minimum lease payments are as follows:

Fiscal year ending June 30	
2013	$ 401,489
2014	400,891
2015	394,314
2016	276,906
2017	246,000
Total	$ 1,719,600

11) 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 $634,842 for the year ended June 30, 2012. 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. This plan was not active in fiscal year 2012 thus no contributions were made.

12) Compensated Absences

The following changes occurred in the liability for compensated absences:

Balance at June 30, 2011	$	295,994
Additions		156,000
Deletions		(175,000)
Balance at June 30, 2012	$	276,994
Due within one year	$	276,994

13) 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). Approximately $1.6 billion of such bonds are outstanding at June 30, 2012.

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; therefore, 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.

14) Contingencies

Litigation
In the normal course of operations, the Authority is involved in certain litigation and arbitration proceedings involving former employee complaints and subcontractor claims. Management and legal counsel believe the outcomes will not have a materially adverse impact on the financial position of the Authority.

<u>Loan Prepayment and Bond Call Provisions</u>

Certain loans included in loans receivable contain provisions that allow for prepayment of the loan after one year whereas the related bonds used to fund the loans cannot be called for up to 10 years. In the event of a loan prepayment prior to the tenth year, the Authority's bond indentures require the substitution of a loan with similar cash flow characteristics or the defeasance of the related bond.

If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. The variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately $593 million and the related bonds total approximately $473 million at June 30, 2012. During FY 2011, loans totaling $111.2 million exercised this call provision and $40.7 million exercised the option during fiscal year 2012.

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 commercial insurance to cover losses to which it may be exposed related to their leased office space.

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 Transactions

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 New Mexico Department of Finance and Administration and the Secretary of the New Mexico Department of Energy, Minerals and Natural Resources) are members of the Authority's board of directors.

16) Finance New Mexico LLC

The Authority has invested in, and is the managing member of, Finance New Mexico, LLC (FNMLLC) which was formed on June 19, 2006, under the laws of the State of New Mexico. FNMLLC is an approved Community Development Entity (CDE) that holds New Market Tax Credits (NMTC) allocation authority to be used for investment in Qualified Active Low-Income Community Businesses (QALICB) pursuant to Section 45D of the Internal Revenue Code (IRC).

The principal business objective of FNMLLC is to provide nontraditional investment capital to underserved markets and enhance the return on such investments by providing its members with Federal tax credits. In general, under Section 45D of the Internal Revenue Code, a qualified investor in a CDE can receive tax credits to be used to reduce Federal taxes.

In accordance with the operating agreement, profits, losses and cash flows of NMFLLC are allocated 99% to the New Mexico Finance Authority, the managing member and 1% to New Mexico Community Capital, the nonmanaging member.

The Authority's interest in NMFLLC is accounted for using the equity method of accounting. Under the equity method, the initial investment is recorded at cost and is subsequently increased or decreased by its share of earnings and decreased by its share of losses and distributions.

The financial statements of FNMLLC are presented using the FASB financial reporting framework. Condensed financial information is as follows:

Balance Sheet
June 30, 2012

Assets	
Cash	$ 1,333,408
Due from affiliates	401,937
Investment in limited liability companies	9,545
Total assets	$ 1,744,890
Liabilities	
Accounts payable	$ 88,067
Due to affiliate	1,224,422
Total liabilities	1,312,489
Equity	
Members equity	432,358
Noncontrolling interest	43
Total liabilities and equity	432,401
	$ 1,744,890
Operating Income	
Interest income	$ 586
Sponsor fee income	1,530,000
Management fee income	250,429
Total operating income	1,781,015
Operating Expense	
Sponsor fee expense	1,404,731
Management fee expense	85,854
Gross receipt tax	136,859
Bad debt expense	39,008
Administrative expense	514
Total operating expenses	1,666,966
Net operating income	114,049
Nonoperating Expenses	
Share of income from investment in limited liability companies	(422)
Net income	113,627
Less net income attributable to noncontrolling interest	(11)
Net income attributable to controlling interest	$ 113,616

Statement of Operations
For the Year Ended June 30, 2012

Operating Income	
Interest income	$ 586
Sponsor fee income	1,530,000
Management fee income	250,429
Total operating income	1,781,015
Operating Expense	
Sponsor fee expense	1,404,731
Management fee expense	85,854
Gross receipt tax	136,859
Bad debt expense	39,008
Administrative expense	514
Total operating expenses	1,666,966
Net operating income	114,049
Nonoperating Expenses	
Share of income from investment in limited liability companies	(422)
Net income	113,627
Less net income attributable to noncontrolling interest	(11)
Net income attributable to controlling interest	$ 113,616

Statement of Members Equity
For the Year Ended June 30, 2012

	Controlling Interest	Noncontrolling Interest	Total Equity
Balance, June 30, 2011	$ 318,742	$ 32	$ 318,774
Net income	113,616	11	113,627
Balance, June 30, 2012	$ 432,358	$ 43	$ 432,401

17) Subsequent Events

In 2012, the Authority underwent a special investigation and audit directed by its oversight agents and the Office of the New Mexico State Auditor. Results of the investigations indicated several areas of concern resulting in the adoption of a protocol severely impacting loan capacity for the fiscal year 2013 by placing a $5 million limit on Public Project Revolving Fund loans. The external audit report for fiscal year 2011, dated February 5, 2013, reflected findings consistent with the special audit and investigations.

Immediately following the approval of the fiscal year 2011 audit report by the Office of the State Auditor, the protocol limiting new loans was lifted. The Authority will however report a substantial decrease in loan and related activity for fiscal year 2013.

New Mexico Finance Authority

State of New Mexico

Financial Statements

June 30, 2011

REDW LLC
CPAs | Business & Financial Advisors

New Mexico Finance Authority
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New Mexico Finance Authority

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New Mexico Finance Authority

Official Roster

Year Ended June 30, 2011

Governing Board
Vacant, Chair
William F. Fulginiti, Vice Chair
Paul Gutierrez, Secretary
Blake Curtis, Treasurer
David Martin, Member
Richard May, Member
Jon Barela, Member
John Bemis, Member
Steve Moise, Member
Terry White, Member
Lonnie Marquez, Member
Vacant, Member

Chief Executive Officer-Interim
John Duff

Chief Operating Officer/Chief Financial Officer
John Duff

REDW LLC
CPAs | Business & Financial Advisors
INTEGRITY COUNTS®

Independent Auditor's Report

Governing Board
New Mexico Finance Authority
and
Mr. Hector H. Balderas
New Mexico Office of the State Auditor
Santa Fe, NM

We have audited the accompanying basic financial statements of New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority, as of June 30, 2011, and the changes in financial position and cash flows 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 February 5, 2013, on our consideration of 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 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying 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 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

REDW LLC

Albuquerque, New Mexico
February 5, 2013

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, 2011 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, 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, agency funds statement of assets and liabilities and statement of cash flows) and related notes.
3. Supplementary information

New Mexico Finance Authority
Condensed Comparative Combined Statements of Net Assets
As of June 30

	2011	2010	Net Increase / Decrease)	Percentage Increase / (Decrease)
Assets				
Cash and equivalents:				
Unrestricted	$ 119,475,379	$ 120,385,376	$ (909,997)	-.8%
Restricted	135,349,071	268,285,157	(132,936,086)	-49.6%
Investments - restricted	119,189,886	-	119,189,886	100%
Loans receivable, net of allowance	1,222,384,290	1,252,122,229	(29,737,939)	-2.4%
Intergovernmental receivables	140,811,240	147,842,525	(7,031,285)	-4.7%
Other receivables	13,139,725	14,730,931	(1,591,206)	-10.8%
Capital assets	187,411	273,500	(86,089)	-31.5%
Other assets	10,732,577	11,798,048	(1,065,471)	-9.0%
Total assets	**$ 1,761,269,579**	**$ 1,815,437,766**	**$ (54,168,187)**	**-3.0%**
Liabilities				
Bonds payable, net	$ 1,223,042,042	$ 1,233,720,390	$ (10,678,348)	-0.9%
Undisbursed loan proceeds	74,534,357	116,283,533	(41,749,176)	-35.9%
Advanced loan payments	76,070,383	72,521,339	3,549,044	4.9%
Accounts payable and accrued payroll	693,147	2,787,600	(2,094,453)	-75.1%
Other liabilities	7,086,492	4,775,269	2,311,223	48.4%
Total liabilities	**1,381,426,421**	**1,430,088,131**	**(48,661,710)**	**-3.4%**
Net Assets				
Invested in capital assets	187,411	273,500	(86,089)	-31.5%
Restricted for debt service	27,721,370	8,996,558	18,724,812	208.1%
Restricted for program funds	232,786,337	256,256,427	(23,470,090)	9.1%
Unrestricted	119,148,040	119,823,150	(675,110)	0.6%
Total net assets	**379,843,158**	**385,349,635**	**(5,506,477)**	**-1.4%**
Total liabilities and net assets	**$ 1,761,269,579**	**$ 1,815,437,766**	**$ (54,168,187)**	**-3.0%**

The Authority's overall financial position deteriorated slightly in the past year. The key indicator is total net assets decreased by $5.5 million or 1.4%

The Authority's unrestricted cash fell less than 1%. Restricted cash decreased by 50% or $133 million in 2011, due to the investment of a portion of those restricted funds. At June 30, 2011 32% of the Authority's holdings were in investments with maturity dates longer than three months. The conversion from holding cash equivalents separately to pooling balances for investments, made in May of 2011, with the intent to maximize the yield on account balances. Safety and maintenance of liquidity remained the objectives of the investment activity and the balances at year-end are within the compliance limits set forth in the Authority's investment policy. More detailed information is listed in Note 2 to the financial statements.

Loans receivable decreased by $29.7 million or 2% in 2011, primarily as a result of new loans made during the year totaling $212.9 million less loan payments received of $240.1 million and allowance for loan losses increasing by $2.5 million. Loan payments include loan payoffs of $37 million.

During fiscal year 2011, the Authority invested only $24,000 in capital assets. More detailed information about the Authority's capital assets is presented in Note 6 to the financial statements.

Bonds payable decreased by $10.7 million in 2011 resulting from the issuance of $71.6 million of new bonds, principal payments on outstanding bonds of $80.9 million, and amortization of bond premium of $1.4 million

Undisbursed loan proceeds to be provided decreased by $41.7 million during 2011 due to the loan payoff activity that occurred. Accounts payable decreased due to the elimination of the amounts due and owed from intra-agency programs.

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 2011, the total amount outstanding was $1.22 billion (excluding the $1.7 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 7 to the financial statements.

During the fiscal year, the Authority issued $71.6 million in PPRF debt, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

New Mexico Finance Authority
Condensed Comparative Statements of
Revenues, Expenses and Changes in Net Assets
Years Ended June 30

	FY 2011	FY 2010	Net Increase Decrease)	Percentage Increase (Decrease)
Operating Revenues				
Administrative fees	$ 6,808,876	$ 8,621,728	$ (1,812,852)	-21.0%
Interest on loans	55,572,510	56,663,765	(1,091,255)	-1.9%
Interest on investments	805,923	1,343,523	(537,600)	-40.0%
Total operating revenues	**63,187,309**	**66,629,016**	**(3,441,707)**	**-5.2%**
Expenses				
Grant expense	53,887,305	60,106,858	(6,219,553)	-10.4%
Bond issuance costs	697,665	1,840,185	(1,142,520)	-62.1%
Professional services	2,212,384	4,727,242	(2,514,858)	-53.2%
Salaries and benefits	4,184,572	3,808,883	375,689	9.9%
Debt service – interest expense	56,681,856	55,622,227	1,059,629	1.9%
Other expense	4,316,239	1,911,215	2,405,024	125.84%
Total operating expenses	**121,980,021**	**128,016,610**	**(6,036,589)**	**-4.7%**
Net operating revenue (expense)	(58,792,712)	(61,387,594)	(2,594,882)	-4.2%
Nonoperating Revenues (Expenses)				
Appropriation revenue	34,842,554	32,722,377	2,120,177	6.0%
Grant revenue	42,924,828	42,184,646	740,182	1.6%
Reversions and transfers	(24,481,147)	(29,070,530)	4,589,383	1.5%
Gain (loss) on investments	-	6,758,315	(6,758,315)	-100%
	53,286,235	52,594,808	691,427	1.3%
Increase (decrease) in net assets	(5,506,477)	(8,792,786)	3,286,309	-37.4%
Net assets, beginning of year	385,349,635	394,142,421	(8,792,786)	-2.2%
Net assets, end of year	**$ 379,843,158**	**$ 385,349,635**	**$ (5,506,477)**	**-1.4%**

Analysis of the Authority's Overall Financial Position and Results of Operations

The Authority's appropriation revenue increased by $2.1 million in fiscal year 2011, representing about 6% over fiscal year 2010. The increase reflects a reasonable increase in the governmental gross receipts tax received by the Authority.

A $1.8 million decrease in administrative fees revenue was experienced due to a change in the structure of loan administration fees. Previous policy allowed for a fee of 25 basis points to be applied at the loan closing. During the fiscal year a modification was initiated in the fee structure for the PPRF loans. The change allows for a lesser fee to be charged up front with an ongoing fee built into the loan payments. The overall earnings per loan in administrative fees does not change significantly, however the new structure will provide a revenue source throughout the life and servicing of the loans and also lessen the impact to the borrower at closing. Grant revenue and interest revenue remained fairly constant.

Grant expense decreased as a result of a decreased amount of draws requested for both the drinking water program and the water trust board program. The volume of this activity increased during the 2012 fiscal year as planned.

Both professional services and bond issue costs decreased due to a significantly lower amount of bonds issued.

Overall, the Authority's net assets decreased by 1.4% in 2011.

Authority Programs

The Authority accounts for each of its programs separately, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund is highlighted in the following discussion 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 996 loans totaling $1.9 billion.

The PPRF makes loans of less than $5 million from its own funds on hand. It then replenishes 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 at the same time a reimbursement bond issue closes, thus ensuring a precise matching of loan and bond interest rates.

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
Condensed Comparative Statements of Net Assets
As of June 30

	FY 2011	FY 2010	Net Increase / (Decrease)	Percentage Increase / (Decrease)
Assets				
Cash and equivalents				
Unrestricted	$ 97,054,346	$ 104,334,458	$ (7,280,112)	-7.0%
Restricted	96,368,542	194,585,959	(98,217,417)	-50.5%
Restricted investments	119,189,886	-	119,189,886	100%
Accounts receivable and other	16,714,736	15,355,772	1,358,964	8.8%
Loans receivable, net of allowance for uncollectable accounts	1,140,391,615	1,175,365,082	(34,973,467)	-3.0%
Due from the State of New Mexico	114,370,000	124,242,525	(9,872,525)	-7.9%
Capital assets	187,411	273,500	(86,089)	-31.5%
Other assets	17,367,540	11,080,562	6,286,978	56.7%
Total assets	**$ 1,601,644,076**	**$ 1,625,237,858**	**$ (23,593,782)**	**-1.5%**

	FY 2011	FY 2010	Net Increase / (Decrease)	Percentage Increase / (Decrease)
Liabilities				
Accounts payable and accrued liabilities	7,647,974	5,511,698	2,136,276	38.8%
Undisbursed loan proceeds	74,472,265	115,755,854	(41,283,589)	-35.7%
Borrowers' debt service and reserve deposits	77,020,002	72,262,720	4,757,282	6.6%
Bonds payable, net	1,199,649,242	1,206,727,970	(7,078,728)	-0.6%
Total liabilities	**1,358,789,483**	**1,400,258,242**	**(41,468,759)**	**-3.0%**
Net Assets				
Invested in capital assets	187,411	273,500	(86,089)	-31.5%
Restricted for program funds	145,612,836	121,455,776	24,157,060	19.9%
Unrestricted	97,054,346	103,250,340	(6,195,994)	-6.0%
Total net assets	**242,854,593**	**224,979,616**	**17,874,977**	**7.9%**
Total liabilities and net assets	**$ 1,601,644,076**	**$ 1,625,237,858**	**$ (23,593,782)**	**-1.5%**

Loan Volume

	2011	2010	Since Inception
Amount of loans made	$168.2 million	$195.2 million	$1.940 billion
Number of loans made	87	92	966
Average loan size	$1.9 million	$2.1 million	$2.5 million

Both average loan size and the number of loans made in 2011 decreased from the previous year.

Loans Receivable

There were no defaults on PPRF loans during 2011 and no delinquencies as of June 30, 2011, or at the date of these financial statements.

Bond Issuance

During fiscal 2011, the PPRF issued 2 series of bonds, with a total par value of $71.6 million.

New Mexico Finance Authority
Public Projects Revolving Fund
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30

	FY 2011	FY 2010	Net Increase / (Decrease)	Percentage Increase / (Decrease)
Interest Income				
Loans	$ 52,828,553	$ 53,236,068	$ (407,515)	-0.8%
Investments	384,701	1,147,112	(762,411)	-66.5%
Total interest income	**53,213,254**	**54,383,180**	**(1,169,926)**	**-2.2%**
Interest Expense				
Bonds	55,170,397	53,958,237	1,212,160	2.3%
Short-term borrowing	157,843	124,354	33,489	26.9%
Total interest expense	**55,328,240**	**54,082,591**	**1,245,649**	**2.3%**
Net Interest Income (Loss)				
Interest income (loss) less interest expense	(2,114,986)	300,591	(2,415,577)	-803.6%
Less provision for loan losses	(1,164,526)	(445,867)	(718,659)	161.2%
Net interest loss after provision for loan losses	**(3,279,512)**	**(145,276)**	**(3,134,236)**	**2157.4%**
Noninterest Income				
Loan administration fees	3,134,894	4,212,544	(1,077,650)	-25.6%
Appropriation revenues	26,909,639	24,314,901	2,594,738	10.7%
Total noninterest income	**30,044,533**	**28,527,445**	**1,517,088**	**5.3%**
Noninterest Expense				
Salaries and benefits	2,421,316	2,169,436	251,880	11.6%
Professional services	1,279,285	2,423,424	(1,144,139)	-47.2%

	FY 2011	FY 2010	Net Increase / (Decrease)	Percentage Increase / (Decrease)
Bond issuance costs	610,222	1,752,742	(1,142,520)	-65.2%
Gain on investments	-	(3,089,577)	3,089,577	100.0%
Other	1,883,650	846,618	1,037,032	122.5%
Total noninterest expense	**6,194,473**	**4,102,643**	**2,091,830**	**51.0%**
Excess of revenues over expenditures	**20,570,548**	**24,279,522**	**(3,708,974)**	**-15.3%**
Transfers to other funds or agencies	**(2,695,573)**	**(3,333,342)**	**637,769**	**-19.1%**
Increase (decrease) in net assets	**17,874,975**	**20,946,180**	**(3,071,205)**	**-14.7%**
Net assets, beginning of year	**224,979,616**	**204,033,436**	**20,946,180**	**10.3%**
Net assets, end of year	**$ 242,854,591**	**$ 224,979,616**	**$ 17,874,975**	**8.0%**

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. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2011, the PPRF had a net interest loss of $3.3 million, compared to $145 thousand in 2010. This is a result of market conditions in which $111.2 million in PPRF loans exercised their early call provisions and the Authority relent those loan repayments at moderately lower interest rates. See Note 14 Contingencies – Loan Prepayment and Bond Call Provisions.

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 $24,518,214 in 2011, a $1,465,162 increase from the $23,053,051 received in 2010. The GGRT funds are used as follows:

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.

Other Programs

The PPRF accounts for a large portion of total Authority activity. At June 30, 2011 and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	$1.6 billion	$1.8 billion	88.9%
Net assets	$243.2 million	$380.2 million	64.0%
Revenues	$83.1 million	$138.5 million	60.0%

There are 14 other programs administered by the Authority, some of which are loan programs and some of which are grant programs.

The Authority experienced decreased funding of Water Projects Fund projects resulted primarily from a policy change that requires, as a condition for approval, that a project be ready to begin construction immediately upon approval. This policy change significantly accelerated the construction funding process in the current funding cycle.

A decline occurred in grant volume for the Local Government Transportation Fund because most of the funds were appropriated to the Authority on a one-time basis. Most of the funds have been expended, and the program is in its final stages with expected final disbursements by June 2013.

Similar to the Local Government Transportation Fund, an increase in the Water and Wastewater Project Grant Fund grant activity reflects the fact that the program is closing out its one-time appropriation received from the state legislature and with final expenditures for projects expected by December 2011.

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 year 2009, the Authority made its first award of tax credits for $15.5 million. During 2011, the Authority made one additional award totaling $12.5 million bringing total awards to date over $58.3 million. Subsequent to June 30, 2011, the Authority has made two additional awards totaling $18 million. 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. See further information regarding capital assets in the notes of the financial statements.

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. Substantial additional information is available on the Authority's website at www.nmfa.net. 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

Assets	
Current assets	
Cash and equivalents	
Unrestricted	$ 119,475,379
Restricted	135,349,071
Interest receivable	9,077,480
Grants receivable	3,659,581
Prepaid rent	19,500
Administrative fees receivable	402,664
Investment in Finance New Mexico	99,010
Loans receivable, net of allowance	83,868,725
Intergovernmental receivables	7,065,435
Total current assets	359,016,845
Noncurrent assets	
Restricted investments	119,189,886
Loans receivable, net of allowance	1,138,515,565
Intergovernmental receivables	133,745,805
Capital assets, net of accumulated depreciation	187,411
Deferred cost, net of accumulated amortization	10,614,067
Total assets	$ 1,761,269,579
Liabilities	
Current liabilities	
Accounts payable	286,162
Accrued payroll	110,991
Compensated absences	295,994
Funds held for others	620,825
Bond interest payable	4,303,121
Undisbursed loan proceeds	74,534,357
Advanced loan payments	76,070,383
Bonds payable, net	72,569,000
Other liabilities	2,162,546
Total current liabilities	230,953,379
Noncurrent liabilities	
Bonds payable	1,150,473,042
Total liabilities	1,381,426,421
Net Assets	
Invested in capital assets	187,411
Restricted for debt service	27,721,370
Restricted for program commitments	232,786,337
Unrestricted	119,148,040
Total net assets	379,843,158
Total liabilities and net assets	$ 1,761,269,579

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

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

Operating Revenues	
Administrative fees revenue	$ 5,203,103
Processing fee	1,605,773
Interest on loans	55,572,510
Interest on investments	805,923
Total operating revenues	63,187,309
Operating Expenses	
Grants to others	53,887,305
Bond issuance costs	697,665
Administrative fees	271,317
Professional services	2,212,384
Salaries and benefits	4,184,572
Other operating costs	1,476,455
Depreciation expense	110,011
Bond interest expense	56,305,515
Provision for loan losses	2,458,456
Interest expense	376,341
Total operating expenses	121,980,021
Net operating loss	(58,792,712)
Nonoperating Revenues (Expenses)	
Appropriation revenue	34,842,554
Grant revenue	42,924,828
Transfers to the State of New Mexico	(6,069,055)
Reversions	(18,412,092)
Decrease in net assets	(5,506,477)
Net assets, beginning of year	385,349,635
Net assets, end of year	$ 379,843,158

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

Statement of Cash Flows
For the Year Ended June 30, 2011

Cash Flows From Operating Activities	
Cash paid for employee services	$ (4,269,926)
Cash paid to vendors for services	(2,856,937)
Intergovernmental payments received	7,031,285
Loans payments received	240,151,588
Loan payments funded	(212,872,105)
Grants awarded	(52,064,117)
Cash received from federal government for revolving loan funds	41,787,883
Interest income received	55,150,333
Administrative fees received	7,797,797
Net cash provided by operating activities	79,855,801
Cash Flow From Noncapital Financing Activities	
Reversions	(18,412,092)
Cash received from the State of New Mexico	34,842,554
Cash transfers to the State of New Mexico	(6,069,055)
Proceeds from the sale of bonds	71,585,000
Payment of bonds	(80,850,000)
Bond issuance costs	(610,222)
Interest expense paid	(57,211,502)
Cash disbursed for program purposes	(38,147,460)
Net cash used in noncapital financing activities	(94,872,777)
Cash Flow From Capital and Related Financing Activities	
Capital assets	(23,922)
Net cash used in capital and related financing activities	(23,922)
Cash Flow From Investing Activities	
Purchase of investments	(119,189,886)
Interest received	384,701
Net cash used in investing activities	(118,805,185)
Net decrease in cash and cash equivalents	(133,846,083)
Cash and cash equivalents, beginning of year	388,670,533
Cash and cash equivalents, end of year	$ 254,824,450

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

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Total operating income (loss)	$ (58,792,712)
Adjustments to change in net assets	
Depreciation and amortization	1,645,933
Interest expense	57,369,345
Bad debt expense	2,201,915
Appropriation, transfers and grants	41,787,883
Changes in assets and liabilities	
Loan receivables	32,381,664
Advance loan payments	3,544,505
Prepaids and receivables	(3,580,889)
Payables and other accrued liabilities	3,298,157
Net cash provided by operating activities	$ 79,855,801

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

Assets	
Cash held by Trustee	
Program funds	$ 102,547,246
Expense funds	269,390
Revenue funds	8,645,252
Rebate fund	1,540,002
Bond reserve funds	42,803,573
Total assets	$ 155,805,463
Liabilities	
Accounts payable	$ 1,809,392
Debt service payable	51,448,825
Program funds held for the NM Department of Transportation	102,547,246
Total liabilities	$ 155,805,463

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

1) Nature of Organization

The New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico (the "State"), is a public instrumentality of the State, organized and existing pursuant to the New Mexico Finance Authority Act (the "Act") created by the Laws of 1992 Chapter 61, as amended. The Authority has broad powers to provide financing for an array of infrastructure and economic development projects. The Authority also provides for long-term planning and assessment of state and local capital needs and improves 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 other members who are residents of the State. The appointed members serve at the pleasure of the governor.

The Authority issues loans to entities pursuant to the rules and regulations governing the Public Projects Revolving Loan Fund Program (PPRF). The PPRF provides low cost financing to local government entities for a variety of infrastructure projects throughout the State. The PPRF Program receives 75 percent of the Governmental Gross Receipts Tax of the State of New Mexico pursuant to section 7-1-6.1 NMSA, 1978, and may issue bonds in amounts deemed necessary to provide sufficient money for the purposes set forth by the New Mexico Finance Authority Act. Bonds are issued under a Master Indenture as well as individual Series Indentures, proceeds and covenants of which are administered through a trust relationship established by contract with a trust company or bank bearing trust powers (Trustee) and the Authority. The Authority may also serve as conduit issuer of revenue bonds for other governmental agencies.

The Authority manages the Drinking Water State Revolving Loan Program (DWRLF) and the Water Trust Board Program (WTB). The DWRLF 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 is required to match by 20%. The WTB program provides grant and interest free loans to support water projects which support water use efficiency, resource conservation and protection and fair distribution and allocation of water.

Other significant programs administered by the Authority include:

- The Local Transportation Infrastructure Projects Program which provides for grants and low-cost financial assistance for local governments transportation projects which are not eligible for federal funding and funding for which have not been set by the existing Local Government Road Fund.
- The Economic Development Program provides comprehensive financing tools to stimulate economic development projects statewide.
- The New Markets Tax Credit Program acts as 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.
- The Primary Care Capital Program is a revolving loan program which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide 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.
- The Water and Wastewater Project Grant Program provides grant funding for water and wastewater system projects authorized by legislation.
- The Local Government Planning Grant Program provides grants to qualified entities on a per project basis for water and wastewater related studies, long-term water management plans and economic development plans.
- The 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 UNM Health Sciences Program administers 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.
- The Worker`s 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.

Activities for all the programs administered by the Authority are reported as supplemental schedules in these financial statements.

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 Act. 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 Act does provide for legislative oversight by a committee to be appointed by the Legislative Council Service according to its policies.

2) Summary of Significant Accounting Policies

Accounting Principles
The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and funds. 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, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Accounting.*

Basis of Presentation
The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. All of the Authority's activities, except those in which the Authority acts as an agent, are reported as an enterprise fund. Enterprise funds are used for activities for which a fee is charged to external users for goods and services.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing financial services in connection with on-going operations. Primary operating revenues includes financing income and fees charged to program borrowers. Operating expenses include interest expense, program support as well as funds granted to others in the form of loan forgiveness and other subsidies to governmental entities.

Nonoperating items consist primarily of governmental gross receipts and other tax distributions reported as appropriations, grant revenue, and transfers-out for excess distributions and reversions of prior year appropriated revenue.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. When restricted resources meet the criteria to be available for use and unrestricted resources are also available, it is the Authority's policy to use restricted resources first. Expenses are recorded when they are incurred. Expenses charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

Agency Funds

Agency Funds are used to report resources held by the Authority in a purely custodial capacity. These funds result from transactions associated with the Authority acting as fiscal agent for the New Mexico Department of Transportation (the "Department") on several of the Department's bond transactions. The amounts reported as agency funds do not belong to the Authority and are held in separate accounts on the Authority's books in the name of the Department. Accordingly, all assets held and reported in the Agency Fund are offset by a corresponding liability.

Cash, Cash Equivalents, and Investments

The Authority considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash on deposit with the Bank of Albuquerque, Wells Fargo Bank and Bank of New York Mellon acting as bond trustee. Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment are invested in certain allowable securities. All investments are stated at fair value.

Accounts Receivable

Accounts receivable consists of payments due from governmental entities, administrative fees due from projects, and other receivables arising from the normal course of operations. A reserve for uncollectible accounts is established based on management's estimates based on factors including payment history and economic factors.

Loans Receivable

Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. Loans that become past due as to principal and interest are evaluated for collectability. Generally, loans are not placed on nonaccrual status because they are insured guaranteed, or collateralized.

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.

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. No allowance has been established, as all such receivables are considered collectable.

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 individually 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 with ten years or less employment with the Authority are entitled to fifteen days' vacation leave. Employees with more than ten years' service receive twenty days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid vacation leave.

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.

Undisbursed Loan Proceeds
Program funds to be provided represent loan amounts awaiting disbursement to loan recipients. 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 loans of the PPRF program.

Net Assets
Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted, based on the following:

Investment in capital assets (*net of related debt*) is intended to reflect the portion of net assets which are associated with 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 net assets 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 net assets represent net assets not otherwise classified as invested in capital assets or restricted net assets.

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.

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.

Budget
The Authority's budget represents a financial plan, not a legal constraint, therefore, budgetary comparison information is not presented in the financial statements or as required supplementary information.

3) Cash and Cash Equivalents and Investments

The Authority follows GASB No. 40, *Deposit and Investment Risk Disclosures*. This statement requires the disclosure of applicable interest rate, credit, custodial credit, concentration of credit and foreign currency risks.

Investments conform to the provisions of the Statements of Investment Policies, Objectives and Guidelines adopted by the Board on March 26, 2008. The investment policy applies to all of the Authority's funds; including funds the Authority may manage for others, except for those funds where trust indentures, bond resolutions, or other documents or agreements control the investment of funds. This policy is the Authority master investment policy and may be amended or supplemented as applied to specific categories of funds by adoption of addenda by the Board applicable to specific categories of the Authority funds.

Except where prohibited by statute, trust indenture, or other controlling authority, the Authority consolidates cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income is allocated to the various funds based on their respective participation. The primary objectives, in order of priority, of investment activity shall be safety, liquidity and yield.

Investments shall be undertaken in a manner that seeks to ensure the preservation and principal in the overall portfolio while mitigating credit risk and interest rate risk.

Credit Risk
The Authority minimizes credit risk (the risk of loss due to the failure of securities issuer or backer) by limiting investments, prequalifying financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Interest Rate Risk
The Authority minimizes interest rate risk (the risk that the market value of securities in the portfolio will decline due to changes in market interest rates) by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market prior to maturity and by investing operating funds primarily in short-term securities limiting the average maturity of the portfolio.

Permitted Investments

As provided in Sections 6-21-6 and 6-21-2 of the Act, money pledged for or securing payment of bonds issued by the Authority shall be deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued. The following table identifies the investment types permitted by the investment policy:

	Description	Maximum Percentage of Authority Funds [1]
A	Direct and general U.S. Government Obligations (Treasury Bills, Treasury Notes, Treasury Bonds)	100%
B	U.S. Government Agencies (any federal agency or instrumentality notes, bonds, debentures, with implicit guarantee of the United States of America)	75%
C	SEC-registered money market funds with total assets at time of deposit in excess of $100,000,000[2]	100%
E	Certificates of deposits and bank deposits[3]	20%
F	Commercial paper issued by corporations organized and operating on the United States and rated A1 P1 or equivalent by two or more rating services.	10%
G	Bonds or notes issued by any municipality, county or school district of the State	10%
H	Overnight repurchase agreements[4]	25%
I	Investment contracts (guaranteed investment contracts (GIC's) and flexible repurchase agreements)[4]	N/A
J	State Treasurer's Short-term Investment Fund	50%

[1] Limits do not apply to cash invested by trustee per bond indenture.

[2] Money markets must be rated AAA by Standards & Poor or Aaa by Moody and in compliance with the diversification, quality and maturity requirements 2a-7 of the U.S. Securities and Exchange Commission applicable to money markets with no sales load or deferred sales charge.

[3] Interest bearing certificates of deposit or bank deposits must be in banks having a branch location in New Mexico, and all principal and interest must be fully insured by the Federal Deposit Insurance Corporation or secured by obligations described in A) and B) above, registered in the name of the Authority and held by a third party safe-keeping agent, or collateralized as required by 6.10.16 NMSA at 102% of the value of the deposit that is not FDIC insured.

[4] GIC and repurchase agreements investments must be fully secured by obligations described in A) and B) above with all collateral held by an independent third party safekeeping agent.

Investment of Bond Proceeds

All or any portion of the proceeds of bonds or other obligations of the Authority may be invested in a GIC or flexible repurchase agreement without regard to the investment allocation ranges set forth in the investment policy, if the GIC or repurchase agreement provides for disbursement upon request of the Authority in amounts necessary to meet expense requirements for the bonds or other obligations. Such investment of bond proceeds shall be subject to the issuer credit ratings and collateralization requirements, if any.

Cash and equivalents at June 30, 2011 were as follows:

Description	**Balance at June 30, 2011**	**Rated**	**Percentage of Authority Funds [1]**
Primary Care Capital Care Capital funds held with the State Treasurer Fund Investment Pool	$ 243,212	N/A	<1%
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	281,096	N/A	<1%
Wells Fargo deposit account	239,966	N/A	<1%
Wells Fargo Repurchase agreement - fully secured[2]	1,725,452	N/A	<1%
Government Money Market Funds	191,675,471	AAA	58%
U.S. Treasury notes	20,038,300	AAA	6%
Cash invested by trustee per bond indenture	40,620,953[3]	N/A	N/A
Total cash and equivalents	$ 254,824,450		
Cash held in agency fund	$ 155,805,463[4]		

[1] Limits do not apply to cash invested by trustee per bond indenture.

[2] Wells Fargo account FDIC insured for $250,000. Remaining $1,715,418 is secured by a pledge of Agency securities at a value at June 30, 2011 of $1,759,961 in the Authority's name.

[3] As provided in Sections 6-21-6 and 6-21-2 of the Act, money pledged for or securing payment of bonds issued by the Authority is deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued.

[4] All cash held as agent by the Authority is fully collateralized by securities held in the name of the Authority.

Maturity Restrictions

It is the policy of the Authority to diversify investment maturities based on cash flow requirements. Unless matched to a specific cash flow, the Authority will invest in securities maturing five years or less from date of purchase.

Investments at June 30, 2011 are comprised of the following:

Description	Fair Value at June 30, 2011	Average Years to Maturity	Percentage of Authority Funds [1]
U.S. Treasury notes	$ 104,110,836	.79	31%
Federal Home Loan Mortgage Corporation bonds	10,051,300	1.745	3%
Federal National Mortgage Corporation bonds	5,027,750	2.995	2%
Total investments	$ 119,189,886		

4) Loans Receivable

Loans receivable activity for the year ended June 30, 2011 was as follows:

Program Description	Term (Years)	Rates	2010	Additions	Payments	2011
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,177,178,032	$ 201,505,803	$ 235,314,743	$ 1,143,369,092
Drinking Water State Revolving Loans	1 to 30	0% to 4%	60,230,182	5,227,754	2,795,352	62,662,584
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	149,250	2,919,170	20,883	3,047,537
Primary Care Capital Fund Loans	10 to 20	3%	5,563,586	-	818,834	4,744,752
Water Projects Fund Loan Grants	10 to 20	0%	6,501,166	3,219,378	1,001,729	8,718,815
Smart Money Participation Loans	3 to 20	2% to 5%.	3,547,224	-	99,902	3,447,322
Behavioral Health Care Loan	15	3%	304,248	-	34,206	270,042
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	541,087	-	32,295	508,792
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	197,000	-	28,000	169,000
Child Care Revolving Loans	8	3%	43,404	-	5,644	37,760
			1,254,255,179	212,872,105	240,151,588	1,226,975,696
Less allowance for loan losses			(2,132,950)	(2,458,456)	-	(4,591,406)
Totals			$ 1,252,122,229	$ 210,413,649	$ 240,151,588	$ 1,222,384,290

[1] Limits do not apply to cash invested by trustee per bond indenture.

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2011.

	Principal	Interest	Total
Fiscal year ending June 30			
2012	$ 83,868,725	$ 46,089,658	$ 129,958,383
2013	88,129,956	43,875,326	132,005,282
2014	86,590,827	41,223,627	127,814,454
2015	85,032,909	38,569,295	123,602,204
2016	85,510,717	35,803,141	121,313,858
2017 – 2021	336,981,531	138,936,769	475,918,300
2022 – 2026	247,135,333	82,510,352	329,645,685
2027 – 2031	137,642,548	35,342,737	172,985,285
2032 – 2036	68,668,655	11,456,641	80,125,296
2037 – 2041	7,414,495	499,618	7,914,113
Subtotals	1,226,975,696	$ 474,307,164	$ 1,701,282,860
Less allowance for loan losses	(4,591,406)		
Loans receivable net	$ 1,222,384,290		

5) 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.

Intergovernmental receivables activity during the year ended June 30, 2011 was as follows:

State Entity	Revenue Pledge	Rates	Maturity	2010	Payments	2011	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	$ 46,950,000	$ 2,180,000	$ 44,770,000	$ 2,285,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,630,000	-	23,630,000	-
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	46,715,000	745,000	45,970,000	780,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to5.00%	4/1/2019	17,405,000	2,350,000	15,055,000	2,190,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	6,947,525	796,285	6,151,240	785,435
Worker's Compensation Administration	Worker's Compensation administrative fee	5.35% to 5.60%	9/1/2016	2,080,000	250,000	1,830,000	265,000
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	4,115,000	710,000	3,405,000	760,000
			Totals	$ 147,842,525	$ 7,031,285	$ 140,811,240	$ 7,065,435

The following is a summary of scheduled payments to be collected on the receivables from state entities as of June 30, 2011:

	Principal	Interest	Total
Fiscal year ending June 30			
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	7,656,438	5,820,394	13,476,832
2016	7,214,184	5,453,302	12,667,486
2017 – 2021	38,282,593	21,996,590	60,279,183
2022 – 2026	38,380,000	11,922,100	50,302,100
2027 – 2031	12,085,000	5,727,000	17,812,000
2032 – 2036	15,515,000	2,404,750	17,919,750
Intergovernmental receivables	$ 140,811,240	$ 72,942,632	$ 213,753,872

6) Capital Assets

A summary of changes in capital assets follows:

	Balance at June 30, 2010	Increases	Decreases	**Balance at June 30, 2011**
Depreciable assets				
Furniture and fixtures	$ 204,320	$ 23,148	$ -	**$ 227,468**
Computer hardware and software	834,276	774	-	**835,050**
Equipment	49,117	-	-	**49,117**
Leasehold improvement	48,490	-	-	**48,490**
	1,136,203	23,922	-	**1,160,125**
Accumulated depreciation				
Furniture and fixtures	(198,803)	(9,555)	-	**(208,358)**
Computer hardware and software	(566,293)	(100,456)	-	**(666,749)**
Equipment	(49,117)	-	-	**(49,117)**
Leasehold improvement	(48,490)	-	-	**(48,490)**
	(862,703)	(110,011)	-	**(972,714)**
Net total	$ 273,500	$ (86,089)	$ -	**$ 187,411**

Depreciation expense for the fiscal year was $110,011.

7) 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 Court Facilities Fees, Cigarette Excise Tax, State Gross Receipts Tax, Workers' Compensation Fees and Income from Land Grant Permanent Fund.

Bonds payable consist of the following at June 30, 2011:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt				
2002 A	4.400% to 5.000%	June 1, 2012 to June 1, 2023	$ 55,610,000	$ 10,255,000
2003 A	3.550% to 4.750%	June 1, 2012 to June 1, 2032	39,945,000	15,786,000
2003 B	3.500% to 5.000%	June 1, 2012 to June 1, 2021	25,370,000	12,495,000
2004 A-1	3.050% to 4.625%	June 1, 2012 to June 1, 2031	43,400,000	6,310,000
2004 A-2	4.625% to 5.875%	June 1, 2012 to June 1, 2027	14,990,000	11,590,000
2004 B-1	4.250% to 5.500%	June 1, 2012 to June 1, 2033	49,540,000	27,670,000
2004 B-2	5.630% to 6.010%	June 1, 2012 to June 1, 2018	1,405,000	835,000
2004 C	3.500% to 5.250%	June 1, 2012 to June 1, 2024	168,890,000	117,965,000
2005 A	3.750% to 5.000%	June 1, 2012 to June 1, 2025	19,015,000	10,815,000
2005 B	3.500% to 4.500%	June 1, 2012 to June 1, 2020	13,500,000	8,035,000
2006 B	4.250% to 5.000%	June 1, 2012 to June 1, 2036	38,260,000	31,825,000
2006 D	4.250% to 5.000%	June 1, 2012 to June 1, 2036	56,400,000	49,005,000
2007 E	4.250% to 5.000%	June 1, 2012 to June 1, 2032	49,560,000	49,560,000
2008 A	3.000% to 5.000%	June 1, 2012 to June 1, 2038	144,475,000	144,475,000
2008 B	4.000% to 5.250%	June 1, 2012 to June 1, 2035	36,545,000	30,930,000
2008 C	4.250% to 6.000%	June 1, 2012 to June 1, 2033	29,130,000	26,170,000
2009 A	2.250% to 5.000%	June 1, 2012 to June 1, 2038	17,685,000	16,840,000
2009 B	2.750% to 5.500%	June 1, 2012 to June 1, 2039	30,115,000	28,085,000
2009 C	2.500% to 5.250%	June 1, 2012 to June 1, 2029	55,810,000	51,880,000
2009 D-1	3.000% to 4.500%	June 1, 2012 to June 1, 2030	13,570,000	12,355,000
2009 D-2	2.320% to 6.070%	June 1, 2012 to June 1, 2036	38,845,000	38,230,000
2009 E	3.000% to 4.500%	June 1, 2012 to June 1, 2019	35,115,000	29,345,000
2010 A-1	3.000% to 4.500%	June 1, 2012 to June 1, 2034	15,170,000	12,425,000
2010 A-2	3.777% to 6.406%	June 1, 2016 to June 1, 2039	13,795,000	13,795,000
2010 B-1	2.000% to 5.000%	June 1, 2012 to June 1, 2035	38,610,000	37,080,000
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2035	17,600,000	17,600,000
2011 A	2.000% to 4.000%	June 1, 2012 to June 1, 2016	15,375,000	15,375,000
			1,077,725,000	826,731,000
Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt				
2005 C	3.625% to 5.000%	June 15, 2011 to June 15, 2025	50,395,000	44,770,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	4.000% to 5.000%	June 15, 2011 to June 15, 2025	19,640,000	19,195,000
2006 A	4.000% to 5.000%	June 15, 2011 to June 15, 2035	47,240,000	46,265,000
2006 C	4.000% to 5.000%	June 15, 2011 to June 15, 2026	34,295,000	32,770,000
2007 A	4.000% to 5.000%	June 15, 2011 to June 15, 2027	27,930,000	25,645,000
2007 B	4.250% to 5.000%	June 15, 2011 to June 15, 2034	32,140,000	30,140,000
2007 C	4.250% to 5.250%	June 15, 2011 to June 15, 2027	120,190,000	115,785,000
			355,460,000	338,200,000
		Subtotal - PPRF Bonds	1,433,185,000	1,164,931,000

Pooled Equipment Certificates of Participants				
1995 A	6.30%	October 1, 2015	3,432,000	130,000
1996 A	5.80%	April 1, 2016	1,458,000	39,000
			4,890,000	169,000
State Capitol Building Improvement Revenue Bonds				
1996	5.50% to 5.60%	Sept. 1, 2011 to Sept. 1, 2016	4,310,000	1,830,000
State Capitol Building Improvement Revenue Bonds				
1999	7.00%	Sept. 15, 2011 to Mar. 15, 2015	3,405,000	3,405,000
Cigarette Tax Revenue Bonds - UNM Health Sciences Center Project				
2004A	4.0% to 5.0%	April 1, 2012 to April 1, 2019	15,055,000	15,055,000
Cigarette Tax Revenue Bonds - Behavioral Health Projects				
2006	5.51%	May 1, 2012 to May 1, 2026	1,875,000	1,875,000
Total bonds outstanding			$ 1,462,720,000	1,187,265,000
Add net unamortized premium				37,290,457
Less deferred charge on refunding				(1,513,415)
Total bonds payable, net				1,223,042,042
Less current portion of bonds payable				(72,569,000)
Noncurrent portion of bonds payable				$ 1,150,473,042

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30			
2012	$ 72,569,000	$ 56,715,142	$ 129,284,142
2013	76,893,000	53,714,522	130,607,522
2014	76,753,000	50,426,549	127,179,549
2015	77,835,000	47,055,063	124,890,063
2016	76,929,000	43,575,832	120,504,832
2017 – 2021	331,821,000	167,799,010	499,620,010
2022 – 2026	261,370,000	92,131,174	353,501,174
2027 – 2031	124,475,000	40,602,867	165,077,867
2032 – 2036	81,805,000	13,854,780	95,659,780
2037 – 2040	6,815,000	579,455	7,394,455
	1,187,265,000	$ 566,454,394	$ 1,753,719,394
Add unamortized premium	37,290,457		
Less deferred charge on refunding	(1,513,415)		
Bonds payable, net	$ 1,223,042,042		

The bonds payable activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$ 1,196,530,000	$ 71,585,000	$ (80,850,000)	$ 1,187,265,000	$ 72,569,000
Add unamortized premium	38,811,216	839,770	(2,360,530)	37,290,456	-
Less deferred charge on refunding	(1,620,826)	-	107,412	(1,513,414)	-
	$ 1,233,720,390	$ 72,424,770	$ (83,103,118)	$ 1,223,042,042	$ 72,569,000

8) Advanced Loan Payments

Advanced loan payments 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 borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. The balance of advanced loan payments was $76,070,383 at June 30, 2011.

9) 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 LIBOR rate at June 30, 2011, was .186. 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, 2011.

10) Operating Lease Commitment

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are classified as operating leases. Lease expenditures for the year ended June 30, 2011, were $398,181. Future minimum lease payments are as follows:

Fiscal year ending June 30		
2012	$	401,489
2013		401,489
2014		400,891
2015		394,314
2016		276,906
Total	$	1,875,089

11) 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 $461,193 for the year ended June 30, 2011. 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 year ended June 30, 2011 were $25,235.

12) Compensated Absences

The following changes occurred in the compensated absences liabilities:

Balance at June 30, 2010	$	210,339
Additions		97,292
Deletions		(11,637)
Balance at June 30, 2011	$	295,994
Due within one year	$	295,944

13) 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). Approximately $1.7 billion of such bonds are outstanding at June 30, 2011.

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; therefore, 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.

14) Contingencies

Litigation
In the normal course of operations, the Authority is involved in certain litigation and arbitration proceedings involving former employee complaints and subcontractor claims. Management and legal counsel believe the outcomes will not have a materially adverse impact on the financial position of the Authority.

Loan Prepayment and Bond Call Provisions
Certain loans included in loans receivable contain provisions that allow for prepayment of the loan after one year whereas the related bonds used to fund the loans cannot be called for up to 10 years. In the event of a loan prepayment prior to the tenth year, the Authority's bond indentures require the substitution of a loan with similar cash flow characteristics or the defeasance of the related bond.

If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. The variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately $593 million and the related bonds total approximately $473 million at June 30, 2011. During FY 2011, loans totaling $111.2 million have exercised this call provision, with another $40.7 in loans exercising this call provision subsequent to year-end.

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 commercial insurance to cover losses to which it may be exposed related to their leased office space.

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 Transactions

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 New Mexico Department of Finance and Administration and the Secretary of the New Mexico Department of Energy, Minerals and Natural Resources) are members of the Authority's board of directors.

16) Subsequent Events

The following is a summary of loans and bonds that have closed since June 30, 2011:

- Closed 30 loans totaling $103,120,547 in the Public Project Revolving Fund program.
- Issued two Public Project Revolving Fund revenue bonds totaling $112,896,043
- Closed two loans for the Drinking Water State Revolving Fund totaling $623,138
- Closed 24 loan/grant projects totaling $32,193,030 out of the Water Projects Fund.

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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 2013A Bonds, copies of the Indenture will be available at the principal office of the Financial Advisor. Subsequent to the offering of the Series 2013A 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.

"Annual Common Debt Service Reserve Deposit Amount" means the lesser of (a) the positive difference, if any, between the Required Common Debt Service Reserve Funding Level and the amount then on deposit in the Common Debt Service Reserve (and if there is no positive difference, then the amount under this clause (a) shall be deemed to be zero), and (b) twenty-five percent (25%) of the remaining NMFA Portion of the Governmental Gross Receipts Tax for a given Bond Fund Year that was distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture, through the process described in the Indenture.

"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 Series 2013A Bonds, $5,000 or any integral multiple thereof and means, with respect to the Loans that are subject to the Eighty-Fourth Supplemental Indenture, $1 or any integral multiple thereof.

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

"Beneficial Owner" means, while DTC or its nominee is the registered owner of the Series 2013A Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on Series 2013A Bonds and otherwise exercise ownership rights with respect to Series 2013A 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" shall, with respect to each Series of Bonds, have the meaning set forth in the related Supplemental Indenture.

"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 2013A Bonds.

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

"Common Debt Service Reserve Fund" means the fund by that name which is created and established by the Indenture.

"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 2013A 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 Fund and the Accounts created in therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, the Bond Fund, and the Common Debt Service Reserve 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 2013A Bonds, each June 1 and December 1, commencing December 1, 2013.

"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.

"Maximum Debt Service Year" means the Bond Fund Year in which the aggregate annual Principal Component and Interest Component due in relation to all Loans is at its greatest, less any reserves, sinking fund redemption deposits or other funds deposited with the Trustee to the extent such reserves, sinking fund redemption deposits or funds may be used as a matter of right for such payments (as opposed to other reserves that are available for the payment of debt service solely in the event of non-performance of a party), for the payment of the Principal Component and Interest Component due, provided, however, amounts within the Agreement Reserve Fund shall in no event be accounted for in any calculation of the Maximum Debt Service Year.

"NMFA" means the New Mexico Finance Authority.

"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 2013A 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 2013A Bonds as Securities Depository.

"Paying Agent," when used with respect to the Series 2013A Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2013A 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 Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund, the Rebate Fund, and the Common Debt Service Reserve 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) U.S. 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(f)(2) of the Code and defined as "Rebate Amount"

in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 2013A 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.

"Required Common Debt Service Reserve Funding Level" means an amount (unless amended pursuant to the provisions of this definition of Required Common Debt Service Reserve Funding Level), rounded up to the nearest thousand dollars, equal to the sum of:

(i) 0% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans secured by revenue pledges classified by the NMFA as fire protection fund, law enforcement protection fund, governmental gross receipts tax, or state gross receipts tax (collectively, "Risk Group One");

(ii) 20% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as general obligation, limited mill levy (limited general obligation), or gross receipts tax (other than governmental gross receipts tax, or state gross receipts tax) (collectively, "Risk Group Two");

(iii) 35% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as enterprise system revenues, special assessments or a local special tax such as a lodgers' tax, cigarette tax, gasoline tax, special fuel excise tax, pari-mutuel tax, or court facilities fees (collectively, "Risk Group Three," and together with Risk Group One and Risk Group Two, "Risk Groups").

Pursuant to the following provisions, the NMFA may revise the method of calculating the Required Common Debt Service Reserve Funding Level. The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, add or revise revenue pledge categories in addition to those included above. New revenue pledge categories either may be included in one of the three Risk Groups identified above or included in a new Risk Group established using a different Risk Group calculation percentage (a "Factor"). The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, adjust the funding percentages of the Risk Group Factors, adjust the Risk Group in which a revenue pledge is categorized and add or revise revenue pledge categories within Risk Groups as to any future Bond issuances. As to any Bonds outstanding at the time a supplemental indenture as described above is entered into, the Risk Groups and Risk Group Factors as they existed prior to the supplemental indenture shall continue to be applied to such Bonds. In the event of any adjustment pursuant to a supplemental indenture whereby the Required Common Debt Service Reserve Level is decreased over time below the amount that is currently on deposit in the Common Debt Service Reserve Fund, then as provided in the Indenture, the excess amount shall remain on deposit in the Common Debt Service Reserve Fund unless used for shortfalls in any Governmental Unit's Account of the Debt Service Fund, or to redeem or defease Bonds. The NMFA's and the Trustee's ability to enter into supplemental indentures for the foregoing purposes without the consent of the Owners is an integral term and condition of subjecting the Common Debt Service Reserve Fund to the Indenture, and the Trustee is authorized to execute any such supplemental indentures, and the provisions of Article XIII of the Indenture shall not apply to such supplemental indentures as long as such supplemental indentures comply with the terms of this definition of "Required Common Debt Service Reserve Funding Level." In conjunction with executing such supplemental

indentures, the Trustee shall not be required to make any determination as to whether such a supplemental indenture is materially adverse to the interests of the Owners or any other party; whether such a supplemental indenture otherwise is permitted pursuant to Article XIII of the Indenture; or any other determination.

"Revenue Fund" means the Governmental Gross Receipts Tax, Additional Pledged Loan Revenue 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, (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), and (v) all 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).

"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 2013A 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 2013A Bonds" means the New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2013A.

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

"Subordinated Indenture" means that certain Subordinated General Indenture of Trust and Pledge between the NMFA and BOKF, NA, dba Bank of Albuquerque, Albuquerque, New Mexico, dated as of March 1, 2005, and all supplemental indentures supplementing or amending such Subordinated Indenture.

"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 BOKF, NA, dba Bank of Albuquerque, Albuquerque, New Mexico, and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor Trustee under the Indenture.

THE INDENTURE

Registration and Exchange of Bonds

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

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

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

Nonpresentment of Bonds

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

Covenants of the NMFA

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

Covenant Against Creating or Permitting Liens. Except for the pledge of the Trust Estate to secure payment of the Bonds, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that (i) nothing contained in the Indenture will prevent the NMFA from issuing, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinated to that of the Bonds and (ii) Revenues constituting NMFA Portion of the Governmental Gross Receipts Tax and payments of Additional Pledged Loans not needed for payments under the Indenture in any Bond Year may be released to the NMFA free and clear of the lien as provided in the Indenture.

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

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

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

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

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

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

Deposit and Advance of Funds

The NMFA and the Trustee will deposit the proceeds of the Bonds to the Accounts created under the Indenture and will make the advances of funds thereunder to fund the Program and the NMFA will enter into the Loan Agreements and Grant Agreements with the Governmental Units and purchase and receive the Securities and Security Documents from the Governmental Units on the terms and conditions and upon submission of the documents as provided in the Indenture.

Loan Agreement and Securities - Loan Payments

The Loan Payments will be governed by the following provisions:

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

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

(c) Agreement Payment. Each Loan Agreement and Security will provide that the related Governmental Unit will pay Loan Payments directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee (less a portion of the interest rate, if any, retained by the NMFA in lieu of an upfront payment as an administrative fee for the payment of Program Costs. The administrative fee is calculated as .015% of the loan amount, capped at $75,000, or the NPV equivalent of .015% if the administrative fee is included in the interest rate) 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 Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

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

(e) an Expense Fund;

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

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

(h) a Common Debt Service Reserve Fund.

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

Flow of Funds

All Funds 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, except that Accounts may be consolidated within one or more special trust accounts within funds. Any amount deposited pursuant to a consolidation shall remain traceable and sufficiently distinguishable in relation to each Agreement and Governmental Unit to permit any applicable arbitrage, yield restriction or similar calculations to be made. 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 or in a single disbursement for the purpose of funding a Governmental Unit's capital projects account to the extent permitted by the Indenture, and upon acknowledgment of the Governmental Units of its obligation to comply with the provisions of the Indenture. 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." The following paragraphs supplement that discussion.

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 (a) any excess attributable to earnings on funds and accounts for the Governmental Unit will be returned to the Governmental Unit or will be credited to the Loan Payments next coming due under the Governmental Unit's related Loan Agreement, Grant Agreement or Securities; and (b) any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the relevant Outstanding Series of 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.

Common Debt Service Reserve Fund

Pursuant to a Supplemental Indenture, the NMFA has established the Common Debt Service Reserve Fund, which is currently funded in the amount of $30,210,195 (as of May 15, 2013). The NMFA will determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The NMFA will deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the NMFA of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture. The disbursement of the NMFA Portion of the Governmental Gross Receipts Tax becomes available to the NMFA pursuant to the following process: (i) at the end of each Bond Fund Year, amounts remaining in the Revenue Fund are disbursed to the NMFA pursuant to the Indenture, (ii) pursuant to the Subordinated Indenture, the NMFA is obligated to transfer such amounts to the trustee under the Subordinated Indenture on June 1 of each year, (iii) the trustee under the Subordinated Indenture applies such amounts as required under the Subordinated Indenture, and (iv) the trustee under the Subordinated Indenture transfers the remaining balance of the revenue fund under the Subordinated Indenture to the NMFA on June 16 of each year.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit will be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the NMFA, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the NMFA has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the NMFA will not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount will be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee will transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

If all of the following are true: (i) amounts in the Common Debt Service Reserve Fund have been disbursed to pay Principal Component or and Interest Component due under a Loan Agreement or in relation to Securities, (ii) at a Bond Fund Year end following such disbursement, a portion of the Annual Common Debt Service Reserve Deposit Amount that was funded into the Common Debt Service Reserve Fund was attributable to disbursements that should have been restored by a Governmental Unit prior to such Bond Fund Year end (a "CDSR Restorative Funding"), (iii) the relevant Governmental Unit later came into compliance as to certain delinquent payments that had been covered by Common Debt Service Reserve Fund disbursements (a "CDSR Compliance Restoration"), and (iv) the amount in the Common Debt Service Reserve Fund exceeds the Required Common Debt Service Reserve Funding Level; then no more frequently than every three months, the Trustee, upon the written request of the NMFA (which written request will also certify that the foregoing conditions have been satisfied) will disburse to the NMFA the amount by which aggregate CDSR Compliance Restoration amounts exceed the aggregate CDSR Restorative Funding amounts.

If no Bonds remain outstanding (or all Bonds have been defeased), then upon the request of the NMFA, any amount remaining in the Common Debt Service Reserve Fund will be disbursed by the Trustee to the NMFA, and the disbursed amounts may be used by the NMFA for any purpose described in the Indenture.

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, the Bond Fund or the Common Debt Service Reserve 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 Finance Authority payable solely from the Trust Estate. THE FINANCE AUTHORITY HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2013A Bonds do not constitute or give rise to a personal liability on the part of the directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority 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 Finance Authority has not verified and does not guarantee the accuracy of any such information.

Generally

he State, admitted as the forty-seventh state on January 6, 1912, is the fifth largest state, containing approximately 121,593 square miles. The current population of the State is 2,082,224. The State has a semiarid subtropical climate with light precipitation. Its 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 30 to 60 percent. 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).

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. These officials are elected to four-year terms beginning 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 22 departments, each headed by a cabinet secretary appointed by the Governor and approved by the Legislature, and approximately 9 cabinet-level agencies. Elections for all Executive Branch offices were held on November 6, 2012.

The State Board of Finance has seven voting members consisting of the Governor, the Lieutenant Governor, the State Treasurer, and four members appointed by the Governor with the advice and consent of the Senate. No more than two appointed members may be from the same political party. The Department of Finance and Administration ("DFA") Secretary serves as the Executive Officer of the Board and is a non-voting Board member. The Board, in addition to other powers and duties provided by law, has general supervisory authority over the fiscal affairs of the State and over the safekeeping and depositing of all money and securities belonging to, or in the custody of, the State. The Governor serves as the President of the Board.

The DFA is the principal financial organization of State government and performs through its divisions the duties and functions relating to State and local government financing and general administration. The executive and administrative head of the DFA is the Secretary, who is appointed by the Governor with the advice and consent of the Senate. The State Board of Finance is a division of the DFA. The Director of the Board is appointed by the Secretary with the approval of the Board.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected for four-year terms and members of the House are elected 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 60 calendar days in odd-numbered years and 30 calendar days in even-numbered years. Special sessions of the Legislature may be convened by the Governor. Extraordinary sessions may be convened by the Legislature under certain limited circumstances. Legislators do not receive any 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 Courts are the trial courts 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 2011 estimate of the United States Census was 2,082,224. From 2000 to 2010, the State's population grew 13.2 percent, while the national population grew 9.7 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 Bernalillo, Doña Ana, McKinley, Sandoval, and Otero. The following table sets forth information on population growth in New Mexico and nationally.

POPULATION
NEW MEXICO AND THE UNITED STATES
2002-2011

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2002	1,849,187	287,745,630	1.1%	0.9%
2003	1,868,121	290,242,027	1.0	0.9
2004	1,890,215	292,936,109	1.2	0.9
2005	1,914,699	295,618,454	1.3	0.9
2006	1,940,631	298,431,771	1.4	1.0
2007	1,966,357	301,393,632	1.3	1.0
2008	1,984,179	304,177,401	0.9	0.9
2009	2,007,315	306,656,290	1.2	0.8
2010 (est.)	2,059,179	308,747,508	2.6	0.7
2011 (est.)	2,078,674	311,587,816	0.9	0.9
2012 (est.)	2,085,538	313,914,040	0.3	0.7

(Source: Source: U.S. Census Bureau, Population Division. Last Revised: January 2013.)

Major industries in the State include oil and natural gas production, manufacturing, service, 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 of 2002 through 2011.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Growth 2010-2011	Growth 2002-2011
Total employment	979,946	999,286	1,023,303	1,046,746	1,076,098	1,100,589	1,103,123	1,070,984	1,060,446	1,065,886	0.5%	8.8%
Wage and salary employment	800,588	812,914	829,861	845,127	868,119	878,205	881,348	848,392	840,219	840,690	0.1%	5.0%
Proprietors employment	179,358	186,372	193,442	201,619	207,979	222,384	221,775	222,592	220,227	225,196	2.3%	25.6%
Farm proprietors employment	14,530	16,045	15,632	15,588	15,255	18,193	17,745	17,581	18,664	19,797	6.1%	36.2%
Nonfarm proprietors employment	164,828	170,327	177,810	186,031	192,724	204,191	204,030	205,011	201,563	205,399	1.9%	26.2%
Farm employment	20,845	22,838	22,619	23,262	22,829	25,804	24,416	24,549	25,307	26,300	3.9%	26.2%
Nonfarm employment	959,101	976,448	1,000,684	1,023,484	1,053,269	1,074,785	1,078,707	1,046,435	1,035,139	1,039,586	0.4%	8.4%
Private employment	750,194	762,831	783,120	804,832	838,993	864,918	865,478	830,307	817,883	825,756	1.0%	10.1%
Forestry, fishing, related activities, and other[1]	5,096	4,979	5,181	5,239	5,136	5,164	5,332	5,131	5,238	5,360	2.3%	5.2%
Mining[2]	17,957	18,576	19,245	21,171	23,726	25,165	28,359	24,470	27,133	31,092	14.5%	73.1%
Utilities	4,078	4,114	4,040	4,075	4,121	4,418	4,570	4,805	4,576	4,537	-0.9%	11.3%
Construction[3]	61,864	64,135	68,382	73,978	79,826	80,568	77,969	67,210	61,864	59,668	-3.6%	-3.6%
Manufacturing	43,908	41,544	40,542	41,106	42,710	42,753	40,600	36,358	34,626	35,419	2.3%	-19.3%
Durable goods manufacturing[4]	30,838	28,715	27,857	28,451	29,821	29,719	27,979	24,358	23,065	23,471	1.8%	-23.9%
Nondurable goods manufacturing[5]	13,070	12,829	12,685	12,655	12,889	13,034	12,621	12,000	11,561	11,948	3.4%	-8.6%
Wholesale trade	27,232	26,633	27,285	28,377	29,288	29,951	28,705	26,657	26,916	26,030	-3.3%	-4.4%
Retail trade[6]	111,167	112,445	114,169	116,097	116,750	118,998	118,176	114,066	111,136	111,191	0.1%	0.1%
Transportation and warehousing[7]	24,229	24,158	24,961	25,321	25,953	27,312	26,672	24,317	23,741	24,468	3.1%	1.0%
Information[8]	18,578	17,927	17,163	17,299	18,445	18,648	18,749	17,313	17,051	16,181	-5.1%	-12.9%
Finance and insurance[9]	31,251	31,544	31,769	32,039	32,172	33,357	34,809	36,160	34,699	35,218	1.5%	12.7%
Real estate and rental and leasing[10]	30,229	31,922	34,715	38,209	40,313	42,406	41,858	40,019	40,073	40,596	1.3%	35.2%
Professional and technical services	59,834	62,534	65,461	66,337	73,827	81,546	81,578	80,716	78,627	78,570	-0.1%	34.3%
Management of companies and enterprises	6,129	5,440	5,354	6,354	6,425	6,076	5,912	5,571	5,392	5,497	2.0%	-10.3%
Administrative and waste services[11]	54,229	53,292	54,598	55,224	58,489	60,429	60,315	55,858	54,559	55,609	1.9%	2.5%
Educational services	12,765	13,932	14,888	15,384	15,919	15,767	15,986	16,152	16,749	17,580	5.0%	37.7%
Health care and social assistance[12]	94,469	99,899	103,691	105,151	108,016	111,935	114,850	118,184	119,722	121,828	1.8%	29.0%
Arts, entertainment and recreation[13]	19,994	20,376	20,987	21,463	21,795	22,952	23,311	23,251	23,049	23,311	1.1%	25.6%
Accommodation and food services[14]	77,972	79,682	80,465	81,343	84,403	85,141	84,022	81,722	81,659	82,471	1.0%	16.6%
Other services, except public administration[15]	49,213	49,699	50,224	50,665	51,679	53,332	53,705	52,347	51,073	51,130	0.1%	3.9%
Government and government enterprises[16]	208,907	213,617	217,564	218,652	214,276	209,867	213,229	216,128	217,256	213,830	-1.6%	2.4%

(1) The “Forestry, fishing, related activities, and other” category includes: forestry and logging; fishing, hunting and trapping; agriculture and 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 goods 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; and

(16) The “Government and government enterprises” category includes: federal, civilian; military; state and local; and state government and local government.

(Source: Regional Economic Information System, Bureau of Economic Analysis, January 2013.)

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
2002-2011

	Civilian Labor Force (Thousands)		Number of Employed (Thousands)		Unemployment Rate		
Year	New Mexico[(1)]	United States[(1)]	New Mexico[(1)]	United States[(1)]	New Mexico[(1)]	United States[(1)]	N.M. as % of U.S. Rate
2002	872	145,066	823	136,426	5.5%	6.0%	92%
2003	888	146,729	836	138,441	5.9	5.7	104
2004	902	148,059	850	140,125	5.8	5.4	107
2005	913	150,030	866	142,752	5.2	4.9	106
2006	925	152,732	887	145,970	4.1	4.4	93
2007	934	153,936	902	146,272	3.4	5.0	68
2008	952	154,669	910	143,324	4.5	7.3	62
2009	942	153,172	876	137,960	7.0	9.9	71
2010	956	153,690	874	139,206	8.6	9.4	91
2011	927	153,887	863	140,790	7.0	8.9	79

(1) Details may not add to total because of rounding. Figures rounded to nearest thousand.
(Source: Bureau of Business and Economic Research, University of New Mexico; last revised January 2013.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2002-2011

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2002	$46,340,515	$9,054,702,000	2.2%	2.0%
2003	48,139,404	9,369,072,000	3.9	3.5
2004	51,578,691	9,928,790,000	7.1	6.0
2005	55,341,826	10,476,669,000	7.3	5.5
2006	59,274,367	11,256,516,000	7.1	7.4
2007	63,043,607	11,899,853,000	6.4	5.7
2008	66,724,334	12,379,745,000	5.8	4.0
2009	65,585,583	11,852,715,000	-2.6	-4.8
2010	68,050,198	12,308,496,000	3.8	3.8
2011	71,073,183	12,949,905,000	4.4	5.2

(Source: U.S. Department of Commerce and Bureau of Business and Economic Research, University of New Mexico; last revised January 2013.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2002-2011

Year	Per Capita Income: New Mexico	Per Capita Income: United States	N.M. as a % of U.S.	Annual Percentage Change: New Mexico.	Annual Percentage Change: United States
2002	$25,048	$31,461	80%	1.0%	1.0%
2003	25,747	32,271	80	2.8	2.6
2004	27,264	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	32,022	39,458	81	4.9	4.7
2008	33,584	40,673	83	4.9	3.1
2009	32,200	38,637	83	-3.9	-5.6
2010	32,940	39,791	83	2.3	3.0
2011	34,133	41,560	82	3.6	4.4

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of Business and Economic Research, University of New Mexico; last revised January 2013.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
2000-2010

NAICS Earnings by Place of Work[1] Applicable to 2000-2010	New Mexico (Dollars in Thousands)		United States (Dollars in Millions)		Average Annual Percent Change 2000–2010		Distribution of 2010 Wages & Salaries	
	2010	2000	2010	2000	N.M.	U.S.	N.M.	U.S.
Farm Wage and Salary	$259,852	$175,927	$23,958	$16,974	47.7%	41.1%	0.8%	0.4%
Non-farm Wage and Salary	33,484,889	21,768,869	6,376,376	4,806,753	53.8	32.7	99.2	99.6
Private Wage and Salary	24,014,545	15,499,869	5,202,622	4,036,501	55.0	28.9	71.2	81.3
Forestry, Fishing, related activities, and other	61,309	48,710	13,095	9,881	25.9	32.5	0.2	0.2
Mining	1,387,603	655,321	58,698	29,596	74.4	98.3	4.1	0.9
Utilities	319,804	216,386	48,962	38,553	47.8	27.0	0.9	0.8
Construction	1,901,821	1,329,587	289,253	256,653	43.0	12.7	5.6	4.5
Manufacturing	1,557,409	1,608,961	674,177	744,469	6.8	5.6	4.6	10.5
Wholesale Trade	1,107,646	810,747	356,373	282,226	36.6	26.3	3.3	5.6
Retail Trade	2,378,805	1,859,564	402,405	345,355	27.9	16.5	7.0	6.3
Transportation and Warehousing	813,820	672,520	198,222	164,529	21.0	20.5	2.4	3.1
Information	620,037	528,684	205,165	213,363	17.3	6.2	1.8	3.2
Finance and Insurance	1,171,675	789,215	487,074	348,707	48.5	39.7	3.5	7.6
Real Estate and Rental and Leasing	344,010	241,608	89,609	67,824	42.4	32.1	1.0	1.4
Professional, Scientific, and Technical Services	3,844,579	1,875,284	593,609	404,183	50.1	46.9	11.4	9.3
Management of Companies and Enterprises	309,509	227,540	185,820	120,606	36.0	54.1	0.9	2.9
Administrative and Waste Services	1,380,887	883,242	257,471	189,320	56.3	36.0	4.1	4.0
Educational Services	323,596	185,864	118,483	62,931	74.1	88.3	1.0	1.9
Health Care and Social Assistance	3,990,102	1,955,118	730,408	413,244	40.8	76.7	11.8	11.4
Arts, Entertainment, and Recreation	194,489	136,637	71,072	47,977	42.3	48.1	0.6	1.1
Accommodations and Food Services	1,323,915	858,820	219,094	151,741	54.2	44.4	3.9	3.4
Other Services, Except Public Administration	983,529	633,074	203,632	145,543	55.4	39.9	2.9	3.2
Government and Government Enterprises	9,470,344	6,268,322	1,173,754	770,252	51.1	52.4	28.0	18.3
Total	$91,244,175	$59,229,869	$17,979,332	$13,667,181				

(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, September 22, 2011.)

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

BOKF, NA, dba Bank of Albuquerque
201 Third Street NW, Suite 1400
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2013A

We have acted as bond counsel in connection with the issuance by the New Mexico Finance Authority (the "Finance Authority" or the "NMFA") of its Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2013A in the aggregate principal amount of $44,285,000 (the "Series 2013A Bonds"). The Series 2013A Bonds are being issued for the purpose of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from certain governmental units (the "Governmental Units") that will be or were used to finance or refinance certain Projects for such Governmental Units (the "Loans"); and (ii) paying costs incurred in connection with the issuance of the Series 2013A Bonds.

The Finance Authority 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 2013A 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 an Eighty-Fourth Supplemental Indenture of Trust dated as of June 1, 2013 (together with the General Indenture, the "Indenture"), by and between the Finance Authority and BOKF, NA, dba 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 Finance Authority, 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 Finance Authority 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 2013A Bonds.

2. The Indenture has been duly authorized, executed and delivered by the Finance Authority, is valid and binding upon the Finance Authority 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 2013A 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 2013A 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 Finance Authority, payable solely

from the Trust Estate and do not constitute a debt or liability of the State, the Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

4. The interest on the Series 2013A 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 2013A Bonds.

5. The interest on the Series 2013A 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 2013A 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 2013A Bonds or any other offering material relating to the Series 2013A 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 Finance Authority and the Financial Advisor believe to be reliable, but the Finance Authority and the Financial Advisor 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 2013A Bonds, payment of principal, premium, if any, interest on the Series 2013A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2013A 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 2013A Bonds. The Series 2013A 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 2013A Bond certificate will be issued for each maturity of the Series 2013A 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 rating of AA+. 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.

Purchases of Series 2013A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013A 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 2013A 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 2013A Bonds, except in the event that use of the book-entry system for the Series 2013A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013A 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 2013A 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 2013A Bonds; DTC's records reflect only the identity of

the Direct Participants to whose accounts such Series 2013A 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 2013A 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 2013A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Finance Authority 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 2013A 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 2013A 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 Finance Authority 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 Finance Authority, 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 Finance Authority 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 2013A Bonds at any time by giving reasonable notice to the Finance Authority 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 Finance Authority 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 Finance Authority does not have responsibility for distributing such notices to the Beneficial Owners.

The Finance Authority 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 2013A Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2013A 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 2013A Bonds.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Finance Authority and the Financial Advisor believe to be reliable, but the Finance Authority and the Financial Advisor take no responsibility for the accuracy thereof.

APPENDIX F

2013A GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS

2013A Governmental Units

As previously stated, a portion of the proceeds of the Series 2013A Bonds is being used to originate Loans to be made to the 2013A Governmental Units or to reimburse the Finance Authority for Loans made to 2013A Governmental Units. The 2013A 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
Mora County-Buena Vista Volunteer Fire Dept.	$304,500	–	5/1/30
San Miguel County	385,417	$29,721	5/1/27
Taos County-Hondo Seco Fire Dept.	180,289	–	5/1/19
Milan, Village of	326,157	–	5/1/22
Tesuque Pueblo	2,430,307	216,300	5/1/25
Pojoaque Valley Public School District	1,000,000	–	8/1/23
Tucumcari Public School District	745,000	–	8/1/25
Bernalillo, Town of	488,966	81,740	5/1/22
Union County-Sedan Volunteer Fire Dept.	253,750	–	5/1/23
Las Cruces, City of	2,280,000	–	6/1/18
DeBaca County-Valley Volunteer Fire Dept.	477,456	–	5/1/27
Mora County-Mora Volunteer Fire Dept.	284,079	–	5/1/32
Melrose, Village of	172,550	–	5/1/23
Lordsburg	203,000	–	5/1/23
Lordsburg Municipal School District	1,500,000	–	5/1/24
Hatch Valley Public School District	550,000	–	8/1/21
Truth or Consequences, City of	1,424,865	91,185	5/1/33
Grants, City of	192,043	19,204	5/1/17
Las Vegas School District	3,650,000	–	8/15/27
Torrance County-Torreon Fire Dept. #4	203,000	–	5/1/28
Dexter Consolidated School District	450,000	–	8/1/24
Cuba Independent School District	600,000	–	8/1/25
Portales, City of	548,793	–	5/1/28
East Rio Arriba Soil Water Conservation District	171,754	10,465	5/1/37
Luna County	875,691	87,569	5/1/17
Socorro Consolidated School District	780,000	–	8/1/22
Catron County-Quemado Volunteer Fire Dept.	503,779	–	5/1/33
Catron County-Quemado Lake Volunteer Fire Dept.	190,781	–	5/1/26
Catron County-Luna Volunteer Fire Dept.	313,141	–	5/1/33
Mesilla, Town of	319,171	31,917	5/1/22
Hurley, Town of	136,724	–	5/1/18
Otero County-Oro Vista Volunteer Fire Dept.	166,247	–	5/1/23

Governmental Unit	Original Loan Amount	Agreement Reserve Amount[(1)]	Loan Maturity Date
Harding County District #1	$201,512	–	5/1/23
Mora County	240,449	24,045	5/1/27
Des Moines, Village of	386,719	–	5/1/33
Rio Rancho, City of	795,925	–	5/1/33
Grant County	708,684	70,868	5/1/20
Raton, City of	1,036,400	103,640	5/2/24
Chaves County	4,725,000	560,224	5/1/23
Eldorado Area Water and Sanitation District	4,700,000	461,236	6/1/25
Eldorado Area Water and Sanitation District	3,775,000	–	6/1/23
Western NM University	6,755,000	–	6/1/39
Pecos School District	5,400,000	–	9/1/32
TOTAL	$50,832,149		

(1) The Finance Authority 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 Finance Authority.)

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 Finance Authority totaling $171,815,000, the ABCWUA pledged to the Finance Authority, 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 Finance Authority 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 June 1, 2036. The current outstanding principal amount of the ABCWUA Loan Agreements is $121,730,000.

State of New Mexico General Services Department. The Finance Authority 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 $88,881,675 and are scheduled to mature on June 1, 2039.

New Mexico Spaceport Authority. The Finance Authority has previously issued a series of bonds and has applied certain Prepayments of Loans 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 Regional Spaceport District from gross receipts taxes imposed by Dona Aña and Sierra Counties which are pledged by the Regional Spaceport District and the Spaceport Authority to pay the Spaceport Authority Securities. The Spaceport Authority Securities are currently outstanding in the aggregate principal amount of $69,270,000 and are scheduled to mature on December 1, 2029.

City of Albuquerque – Enterprise Systems. The Finance Authority has entered into various obligations with the City of Albuquerque (the "Albuquerque Enterprise Obligations") in which enterprise system revenues of the City are used to secure the debt obligations. The proceeds of the Albuquerque Enterprise Obligations were used to finance various projects including the refinancing of approximately $49,855,000 in debt obligations issued to fund projects for improvement to the Albuquerque Airport. These obligations are payable from and secured by the net operating revenues of the Albuquerque Airport and have a current outstanding principal amount of $34,655,177. The last of the Albuquerque Enterprise Obligations is scheduled to mature on July 1, 2019.

City of Albuquerque – Gross Receipts Taxes. The Finance Authority has previously entered into various obligations with the City of Albuquerque (the "Albuquerque Gross Receipts Tax Obligations"). The Albuquerque Gross Receipts Tax Obligations were used to finance or refinance certain infrastructure projects in the City of Albuquerque. The Albuquerque Gross Receipts Tax Obligations have a current outstanding principal amount of $31,680,000 and are payable from and secured by certain gross receipt taxes. The last of the Albuquerque Gross Receipts Tax Obligations is scheduled to mature on July 1, 2028.

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NEW MEXICO FINANCE AUTHORITY • SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2013A

New Mexico FINANCE AUTHORITY

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NEW ISSUE – BOOK-ENTRY ONLY

Ratings: S & P "AAA"
Moody's "Aa1"
(See "RATINGS" herein.)

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel to the Finance Authority, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2013B 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 2013B 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

$16,360,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS, SERIES 2013B

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 2013B (the "Series 2013B 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 2013B 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 2013B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2013B Bonds will be made in book-entry form only, and beneficial owners of the Series 2013B 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 2013B Bonds.

The Series 2013B Bonds will be issued under and secured by the General Indenture of Trust and Pledge. Interest on the Series 2013B Bonds accrues from the date of initial delivery of the Series 2013B Bonds and is payable on June 1 and December 1 of each year, commencing June 1, 2014. Principal of the Series 2013B 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 2013B Bonds are subject to optional and mandatory sinking fund redemption prior to maturity.

Proceeds of the Series 2013B Bonds will be used by the Finance Authority for the purposes of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority 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 2013B Bonds. The principal of and premium, if any, and interest on the Series 2013B Bonds and additional bonds issued or to be issued are payable solely from and secured solely by the Trust Estate. The Finance Authority has issued or incurred and expects to issue or incur parity bonds and other obligations pursuant to the Indenture.

The Series 2013B Bonds are special limited obligations of the Finance Authority, payable, together with additional bonds issued or to be issued, solely from and secured solely by the Trust Estate. The Series 2013B Bonds will not constitute or create a general obligation or other indebtedness of the State of New Mexico, the Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 2013B Bonds will be construed or interpreted as a donation by or lending of the credit of the Finance Authority, the State or any Governmental Unit within the meaning of the Constitution of the State. THE FINANCE AUTHORITY HAS NO TAXING POWERS. The Series 2013B Bonds do not constitute or give rise to personal liability on the part of the members, directors or officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority 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 2013B Bonds will be passed on by Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, Bond Counsel to the Finance Authority. Certain legal matters will be passed upon by the General Counsel of the Finance Authority. Certain matters relating to disclosure will be passed upon by Ballard Spahr LLP, Salt Lake City, Utah, Disclosure Counsel to the Finance Authority. Certain legal matters will be passed upon for the Underwriters by Hogan Lovells US LLP, Denver, Colorado. Western Financial Group, LLC has acted as financial advisor to the Finance Authority in connection with the issuance of Series 2013B Bonds. It is expected that a single certificate for each maturity of each series of the Series 2013B Bonds will be delivered to DTC or its agent on or about November 13, 2013.

This Official Statement is dated October 24, 2013, and the information contained herein speaks only as of that date.

RBC Capital Markets **Hutchinson, Shockey, Erley & Co.**

NEW MEXICO FINANCE AUTHORITY

$16,360,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2013B

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2014	$905,000	2.00%	0.19%	64711N UC7
2015	1,280,000	2.00	0.33	64711N UD5
2016	1,250,000	3.00	0.58	64711N UE3
2017	1,060,000	3.00	0.94	64711N UF0
2018	1,170,000	2.00	1.29	64711N UG8
2019	1,270,000	2.00	1.72	64711N UH6
2020	1,270,000	5.00	2.08	64711N UJ2
2021	1,385,000	5.00	2.40	64711N UK9
2022	1,150,000	5.00	2.62	64711N UL7
2023	1,230,000	5.00	2.80	64711N UM5
2024	1,135,000	5.00	3.00 c	64711N UN3
2025	1,100,000	5.00	3.16 c	64711N UP8
2026	1,065,000	5.00	3.33 c	64711N UQ6

c Priced to call on the first optional redemption date of June 1, 2023.

$315,000 3.750% Term Bonds Due June 1, 2028; Price 98.344%; CUSIP 64711N UR4

$775,000 4.375% Term Bonds Due June 1, 2036; Price 96.860%; CUSIP 64711N US2

† 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 2013B Bonds. Neither the Finance Authority, the Trustee, the Underwriters nor the Financial Advisor are responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2013B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2013B 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 Finance Authority, 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 Finance Authority, or in any other information contained herein since the date hereof.

No dealer, broker, salesman or any other person has been authorized by the Finance Authority 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 2013B 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 Finance Authority which they may reasonably require in connection with the decision to purchase any of the Series 2013B 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 2013B 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 of the Series 2013B Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2013B Bonds. Such transactions, if commenced, may be discontinued at any time.

The Finance Authority 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 2013B Bonds.

THE SERIES 2013B 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 2013B BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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NEW MEXICO FINANCE AUTHORITY

207 Shelby Street
Santa Fe, New Mexico 87501
Telephone: (505) 984-1454

Members
Nann M. Winter, Chair
Ryan Flynn[(1)], Vice Chair
William F. Fulginiti, Secretary
Katherine Ulibarri[(1)], Treasurer
Jon Barela[(1)]
Tom Clifford
Blake Curtis
Jerry L. Jones[(1)]
Steve Kopelman
David Martin
Terry White

Interim Chief Executive Officer
John Gasparich

Finance Authority General Counsel
Daniel C. Opperman

Financial Advisor
Western Financial Group, LLC
Portland, 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
BOKF, NA, dba Bank of Albuquerque
Albuquerque, New Mexico

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(1) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate. See "NEW MEXICO FINANCE AUTHORITY—Governing Body" for a discussion of the effect of senate confirmations on their respective terms.

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

$16,360,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS, SERIES 2013B

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 $16,360,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2013B (the "Series 2013B Bonds") being issued by the New Mexico Finance Authority (the "Finance Authority" or the "NMFA"). The Series 2013B Bonds, together with additional bonds the Finance Authority 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 Eighty-Fifth Supplemental Indenture of Trust, dated as of October 1, 2013 (the "Eighty-Fifth Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the Finance Authority and BOKF, NA, dba Bank of Albuquerque, 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 Finance Authority, 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 Finance Authority, see "NEW MEXICO FINANCE AUTHORITY" and the Finance Authority's financial statements for the fiscal year ended June 30, 2012 included as APPENDIX A hereto, which are the most recent audited financial statements available at this time. See "FINANCIAL STATEMENTS" herein.

During the past year, the Finance Authority has addressed a variety of issues relating to its fiscal year 2011 audit. Please see "RECENT DEVELOPMENTS" for a discussion of those issues.

Authority and Purpose

The Series 2013B 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 2013B Bonds will be used by the Finance Authority for the purposes of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from certain 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 2013B Bonds. See "THE PLAN OF FINANCING" for more information with respect to the sources and uses of proceeds of the Series 2013B 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 2013B Bonds. Such Governmental Units whose Loans are being financed with proceeds of the Series 2013B Bonds are sometimes referred to herein as the "2013B Governmental Units."

Parity Obligations

Bonds with a lien on the Trust Estate on a parity with the lien of the Series 2013B 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 2013B Bonds

The Series 2013B Bonds will be dated the date of their initial delivery. Interest on the Series 2013B Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2014. The Series 2013B 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 2013B 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 2013B 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 2013B 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 2013B Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2013B 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 2013B 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 Finance Authority, the Trustee, the Registrar or the Paying Agent will be given only to DTC.

Redemption

The Series 2013B Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "THE SERIES 2013B BONDS—Redemption."

Security and Sources of Payment for the Bonds

Trust Estate. The Bonds, including the Series 2013B Bonds, are special limited obligations of the Finance Authority 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 Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE FINANCE AUTHORITY HAS NO TAXING POWERS. No provision of the Series 2013B Bonds will be construed or interpreted as a donation or lending of the credit of the Finance Authority, 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 2013B Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

Common Debt Service Reserve Fund. The Finance Authority has established a Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011, and as of September 1, 2013, the Common Debt Service Reserve Fund was funded in the amount of $30,214,317. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds—Common Debt Service Reserve Fund."

Additional Bonds. The Finance Authority 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 2013B Bonds. The Finance Authority 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 Finance Authority has undertaken for the benefit of the Series 2013B Bond Owners that, so long as the Series 2013B Bonds remain outstanding, the Finance Authority will provide certain annual financial information, operating data and audited financial statements with respect to the Finance Authority and each Governmental Unit expected by the Finance Authority 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 Finance Authority, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2013B 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 2013B 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 2013B Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel to the Finance Authority, will deliver its opinion in the form included in APPENDIX D. Certain legal matters will be passed upon for the Finance Authority by its General Counsel. Certain matters relating to disclosure will be passed upon by Ballard Spahr LLP, Salt Lake City, Utah, Disclosure Counsel to the Finance Authority. Certain legal matters will be passed upon for the Underwriters by Hogan Lovells US LLP, Denver, Colorado. Western Financial Group, LLC, Portland, Oregon has acted as financial advisor to the Finance Authority (the "Financial Advisor") in connection with its issuance of the Series 2013B Bonds. See "FINANCIAL ADVISOR."

The Finance Authority's audited financial statements for the fiscal year ended June 30, 2012, included in APPENDIX A, have been audited by REDW, LLC, Certified Public Accountants, Albuquerque, New Mexico. See also "FINANCIAL STATEMENTS."

Offering, Sale and Delivery of the Series 2013B Bonds

The Series 2013B 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 2013B Bonds will be delivered to DTC or its agent on or about November 13, 2013. The Series 2013B Bonds will be distributed in the initial offering by RBC Capital Markets, LLC and Hutchinson, Shockey, Erley &Co. (together, the "Underwriters"), for which RBC Capital Markets, LLC is acting as senior managing underwriter and representative of the Underwriters.

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 Finance Authority, may be obtained during the offering period, upon request to the Finance Authority and upon payment to the Finance Authority of a charge for copying, mailing and handling, at 207 Shelby Street, Santa Fe, New Mexico 87501, Tel: (505) 984-1454, Attention: Chief Financial Strategist.

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 Finance Authority and any purchaser or holder of Series 2013B Bonds.

THE SERIES 2013B BONDS

General

The Series 2013B Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2013B 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, 2014. The Series 2013B 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 2013B 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 2013B 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 2013B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2013B Bonds will be made in book-entry only form, and beneficial owners of the Series 2013B 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 2013B 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 2013B Bonds maturing on and after June 1, 2024, are subject to optional redemption at any time on and after June 1, 2023, in whole or in part, in such order of maturity as may be selected by the Finance Authority and by lot within each maturity within each Series (if in part, in integral multiples of $5,000), at the option of the Finance Authority, upon notice as provided in the General Indenture and at the redemption price of 100% of the principal amount of the Series 2013B Bonds to be redeemed, but without premium, plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2013B Bonds maturing on June 1, 2028 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 2013B Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2027	$180,000
2028†	135,000

† Final Maturity

The Series 2013B 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 2013B Bond so redeemed and accrued interest to the redemption date, in the following respective principal amounts:

Redemption Dates (June 1)	Principal to be Redeemed
2029	$140,000
2030	125,000
2031	110,000
2032	115,000
2033	105,000
2034	70,000
2035	75,000
2036†	35,000

† Final Maturity

If less than all of the Series 2013B Bonds maturing on June 1, 2028 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 2013B Bonds, in such order as may be directed by the Finance Authority.

Notice of Redemption. In the event any of the Series 2013B Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2013B 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 Series 2013B Bonds is to be given by the Trustee at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 2013B Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 2013B 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 Series 2013B 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 Series 2013B Bonds or portions thereof redeemed but who failed to deliver Series 2013B 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 Series 2013B Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 2013B Bonds.

Partially Redeemed Bonds. In case any Series 2013B Bond is redeemed in part, upon the presentation of such Series 2013B Bond for such partial redemption, the Finance Authority 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 Finance Authority, a Series 2013B Bond or Series 2013B Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2013B Bond. A portion of any Series 2013B 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 Series 2013B Bonds for redemption, the Trustee will treat each such Series 2013B Bond as representing that number of Series 2013B Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 2013B 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 2013B Bonds, are special limited obligations of the Finance Authority payable solely from the Trust Estate. The Series 2013B Bonds do not constitute nor create a general obligation or other indebtedness of the State, the Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE FINANCE AUTHORITY HAS NO TAXING POWERS. No provision of the Series 2013B Bonds will be construed or interpreted as a donation by or lending of the credit of the Finance Authority, 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 2013B Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority 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 Finance Authority 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 Finance Authority 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 Finance Authority. Under each Loan Agreement or issue of Securities, the respective Governmental Unit pledges to the Finance Authority 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 Finance Authority 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 2013B Governmental Units and the allocable portions of the Loans financed with the Series 2013B 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 2013-2014. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

Type of Revenue	FY 2013-2014 Amounts	% of Total Agreement Revenues
Enterprise System Revenues	$34,292,533	32.65%
Gross Receipts Tax	28,289,891	26.93
General Obligation (ad valorem taxes)	13,687,954	13.03
Local Special Tax	12,217,236	11.63
State Gross Receipts Tax	6,764,372	6.44
Fire Protection Funds	4,131,821	3.93
Special Assessments	2,709,407	2.58
Governmental Gross Receipts Tax State	2,548,142	2.43
Law Enforcement Protection Funds	229,083	0.22
Mill Levy	165,008	0.16
Total	$105,035,445	100.00%

Note: Totals may not add due to rounding. Assumes that the Loans funded with proceeds of the Series 2013B Bonds are executed and delivered.

(Source: The Finance Authority.)

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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 2013-2014 and assuming no further prepayments of any Agreements, are expected to generate the largest amount of Agreement Revenues in fiscal year 2013-2014. The Agreement Revenues generated from such Agreements account for 49.34% of projected Agreement Revenues for fiscal year 2013-2014.

AGREEMENTS EXPECTED TO GENERATE THE LARGEST AGREEMENT REVENUES(1)

Borrower	FY 2013-2014 Debt Service	% of Total Pledged Agreement Revenues(1)
Albuquerque Bernalillo County Water Utility Authority	$16,667,872	15.87%
City of Albuquerque (Enterprise System Revenue)	7,708,332	7.34
General Services Department	6,413,446	6.11
New Mexico Spaceport	5,647,585	5.38
City of Albuquerque (Gross Receipts Tax)	3,443,910	3.28
City of Santa Fe (Gross Receipts Tax)	2,635,083	2.51
State Parks and Recreation Department (GGRT)	2,548,142	2.43
Jicarilla Apache Nation	2,373,194	2.26
New Mexico Highlands University(2)	2,303,427	2.19
County of Taos	2,082,974	1.98
Total	$51,823,965	49.34%

(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.

(Source: The Finance Authority.)

Although Agreement Revenues are received at various times throughout the year, they are held under the Indenture until June 1 of each year to be applied to pay debt service on the Bonds. For more information with respect to the Governmental Units with the largest repayment obligations, see "APPENDIX F—2013B GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS."

The Finance Authority 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 Finance Authority may make loans from or purchase securities with available funds in the Public Project Revolving Fund. At its option, the Finance Authority 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 Finance Authority 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 Finance Authority 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, or 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 State's 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 Finance Authority. 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 2008-2009 through 2012-2013.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2008-2009 THROUGH 2012-2013

	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013
Total Net Receipts	$29,370,303	$30,375,481	$32,872,185	$34,939,052	$36,601,755
NMFA Portion of the Governmental Gross Receipts Tax	$21,493,438	$23,053,051	$24,518,214	$26,204,289	$27,451,328

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

Data that identifies the top payers of the governmental gross receipts tax for recent fiscal years is not publicly available from the State of New Mexico Taxation and Revenue Department. Based upon data provided by individual governmental entities in the previous fiscal years, the payers of the governmental gross receipt tax whose payments accounted for at least 5% of the total net receipts from the governmental gross receipts tax were the Albuquerque Bernalillo County Water Utility Authority, the City of Albuquerque, the City of Santa Fe and the City of Las Cruces. Although the Finance Authority has not verified and does not guarantee the accuracy of such information, the Finance Authority does not have any reason to believe that the list of entities providing at least 5% of the governmental gross receipts tax has changed in any material respect in recent fiscal years.

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), a Common Debt Service Reserve Fund, 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 Finance Authority 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: to 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;

Third: in the event the Common Debt Service Reserve Fund has been used to satisfy amounts due under a Loan Agreement or in relation to certain Securities, then to the extent Loan Payments are received as to that specific Loan Agreement or Securities, to the Common Debt Service Reserve Fund to the extent necessary to cause the payments to the Common Debt Service Reserve Fund to equal the amounts withdrawn from the Common Debt Service Reserve Fund to satisfy amounts due under the Loan Agreement or as to such Securities; and

Fourth: 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 2013B 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.

On the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the next Business Day preceding such third day), if the amount on deposit in any Governmental Unit's account of the Debt Service Fund is insufficient, after applying any applicable Agreement Reserve Account or other source for the

payment of Debt Service, the Trustee shall transfer the amount of such deficiency from the Common Debt Service Reserve Fund. See "Common Debt Service Reserve Fund" below under this caption.

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 Finance Authority 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 Finance Authority 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 (5%) 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 Finance Authority 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 Finance Authority 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) and to make any deposits to the Common Debt Service Reserve Fund (as described below), the Finance Authority 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.

Common Debt Service Reserve Fund. The Finance Authority has established the Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011, and, as of September 1, 2013, the Common Debt Service Reserve Fund was funded in the amount of $30,214,317.

The Finance Authority shall determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The Finance Authority shall deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the Finance Authority of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the Finance Authority by the trustee under the Subordinated Indenture on June 16.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit shall be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the Finance Authority, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the Finance Authority has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the Finance Authority shall not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount shall be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee shall transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

Investment Earnings. All income earned from the investment of moneys in the respective Accounts held by the Finance Authority 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 returned to the Governmental Units or 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 2013B Bonds. The Finance Authority covenants pursuant to the Eighty-Fifth Supplemental Indenture, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to the Loans reimbursed or originated with proceeds of the Series 2013B Bonds with debt service payable on the Series 2013B Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2013B 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 Series 2013B 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 Finance Authority 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 Series 2013B Bonds from which the Loan relating to the Prepayment was initially funded and which Series 2013B 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 2013B BONDS—Redemption."

The Finance Authority 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 Finance Authority has received prepayments (including Prepayments under the Indenture as well as prepayments of obligations under the Subordinated Indenture) 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 Finance Authority in future fiscal years.

Fiscal Year	Number of Prepayments	Aggregate Principal Amount
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	23	6,945,375
2010-2011	58	124,271,480
2011-2012	55	118,727,583
2012-2013[1]	33	54,407,892
2013-2014[1]	6	4,978,899

[1] Reflects prepayments received for the period of July 1, 2012 through September 1, 2013, including Prepayments under the Indenture as well as prepayments under the Subordinated Indenture. The large amount of prepayments in fiscal years 2011 and 2012 is attributable to a favorable interest rate climate that permitted governmental units to refinance their respective loans. As discussed above under "Covenants Applicable to the Series 2013B Bonds," the Finance Authority may originate additional Loans, redeem outstanding Bonds that related to the prepaid Loans, if such Bonds are subject to redemption, or defease outstanding Bonds that relate to the prepaid Loans. As of the date of this Official Statement, the Finance Authority has applied $461,559 of the proceeds of such prepayments to originate additional loans which, pursuant to Pledge Notifications, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or to the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The Finance Authority has applied $55,381,231 of such prepayments (i) to redeem the remaining outstanding Series 2002A Bonds, Series 2003A Bonds and Series 2003B Bonds on October 4, 2013, and (ii) to defease Series 2004A-1 Bonds, Series 2004B-1 Bonds and Series 2004B-2 Bonds, and a portion of the Series 2004C Bonds on October 22, 2013 for redemption on June 1, 2014. Additionally, the Finance Authority plans to redeem the remainder of the Series 2004C Bonds on June 1, 2014, due to the prepayment by the Albuquerque Bernalillo County Water Utility Authority ("ABCWUA") of a Loan previously made to ABCWUA by the Finance Authority. That Loan was defeased with proceeds from a series of advance refunding bonds issued by ABCWUA on October 22, 2013. There remains $3,544,001 of prepayments from which the Finance Authority is working to identify new loans.

(Source: The Finance Authority.)

Additional Bonds

Additional Bonds or other indebtedness, bonds or notes of the Finance Authority 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 Finance Authority 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 Finance Authority (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 Finance Authority 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 2013B 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 2013B Bonds

No additional indebtedness, bonds or notes of the Finance Authority 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 October 10, 2013:

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of October 10, 2013[2]
2004A-1 [3]	$28,410,000	$880,000
2004B-1 [3]	48,135,000	21,405,000
2004B-2 [3]	1,405,000	630,000
2004C [3]	168,890,000	92,765,000
2005A	19,015,000	8,165,000
2005B	13,500,000	5,210,000
2006B	38,260,000	28,000,000
2006D	56,400,000	47,005,000
2007E	61,945,000	42,765,000
2008A	158,965,000	134,730,000
2008B	36,545,000	27,325,000
2008C	29,130,000	22,865,000
2009A	18,435,000	15,110,000
2009C	55,810,000	47,895,000
2009D-1	13,570,000	10,370,000
2009D-2	38,845,000	36,955,000
2009E	35,155,000	23,155,000
2010A-1	15,170,000	9,160,000
2010A-2	13,795,000	13,795,000
2010B-1	38,610,000	31,430,000
2010B-2	17,600,000	17,445,000
2011A	15,375,000	9,485,000
2011B-1	42,735,000	36,115,000
2011B-2	14,545,000	12,995,000
2011C	53,400,000	49,100,000
2012A	24,340,000	23,605,000
2013A	44,285,000	44,285,000
Total	$1,102,270,000	$812,645,000

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(1) The official statements for the various Series of Outstanding Parity Bonds are available at the Internet site of the Finance Authority, http://www.nmfa.net, under "Bond & Investor Information."
(2) All series of bonds mature on June 1.
(3) Outstanding balance of these bonds does not reflect defeasances which occurred on October 22, 2013 using moneys from prepayments of Loans. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Historical Prepayments—Footnote 1."
(Source: The Finance Authority.)

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 2013-2014 and assuming no further prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2013-2014.

Outstanding Subordinate Lien Bonds

Pursuant to a Subordinated General Indenture of Trust and Pledge dated as of December 1, 2005 (the "Subordinated Indenture"), the Finance Authority 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 Finance Authority 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 October 10, 2013:

Series(1)	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of October 10, 2013(2)
2005C(3)	$50,395,000	$40,085,000
2005E	23,630,000	23,565,000
2005F	21,950,000	17,465,000
2006A	49,545,000	44,020,000
2006C	39,860,000	29,535,000
2007A	34,010,000	20,800,000
2007B	38,475,000	26,020,000
2007C	131,860,000	103,600,000
Total(4)	$389,725,000	$305,090,000

(1) The official statements for the various series of Subordinate Lien Bonds are available at the Internet site of the Finance Authority, http://www.nmfa.net, under "Bond & Investor Information."

(2) All series of bonds mature on June 15.

(3) Outstanding balance does not reflect partial defeasance which occurred on October 22, 2013.

(4) At the same time that the Finance Authority issues the Series 2013B Bonds, the Finance Authority expects to issue two series of Subordinate Lien Bonds in the principal amount of $14,295,000. The issuance of the Series 2013B Bonds is not contingent upon the issuance of those Subordinate Lien Bonds.

(Source: The Finance Authority.)

The Finance Authority 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 2013B 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 Finance Authority 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 Finance Authority 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 2013B Bonds will be used by the Finance Authority for the purpose of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from the 2013B Governmental Units that will be or were used to finance certain Projects for such 2013B Governmental Units, and (ii) paying costs incurred in connection with the issuance of the Series 2013B Bonds. See APPENDIX F for a list of the 2013B Governmental Units and the amount of the Loans expected to be financed with the Series 2013B 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 2013B Bonds.

Sources of Funds

Principal Amount	$16,360,000.00
Net Original Issue Premium	1,624,717.75
Grant Proceeds	21,407.41
Total Sources	**$18,006,125.16**

Uses of Funds

Deposit to the Public Project Revolving Fund[(1)]	$17,714,187.13
Costs of Issuance[(2)]	291,938.03
Total Uses	**$18,006,125.16**

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(1) Amounts in the Program Fund Accounts will be used to reimburse or fund the Loans to or purchase securities from certain of the 2013B Governmental Units at or about the same time as the issuance of the Series 2013B Bonds. See "APPENDIX F—2013B GOVERNMENTAL UNITS; LARGEST REPAYMENT OBLIGATIONS."

(2) Costs of issuance include Underwriters' discount, legal fees, rating agency fees, Trustee fees, financial advisory fees, and other miscellaneous costs.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2013B 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	Series 2013B Bonds Principal	Series 2013B Bonds Interest	Outstanding Parity Bonds[2]	Total Annual Debt Service
2014	$905,000	$343,348	$96,662,567	$97,910,914
2015	1,280,000	606,169	94,712,154	96,598,323
2016	1,250,000	580,569	92,950,578	94,781,147
2017	1,060,000	543,069	81,408,912	83,011,981
2018	1,170,000	511,269	80,087,807	81,769,076
2019	1,270,000	487,869	76,616,381	78,374,249
2020	1,270,000	462,469	69,748,356	71,480,825
2021	1,385,000	398,969	68,022,076	69,806,045
2022	1,150,000	329,719	64,231,115	65,710,833
2023	1,230,000	272,219	59,421,033	60,923,252
2024	1,135,000	210,719	51,826,237	53,171,956
2025	1,100,000	153,969	45,188,345	46,442,314
2026	1,065,000	98,969	42,351,017	43,514,986
2027	180,000	45,719	40,249,569	40,475,287
2028	135,000	38,969	36,955,823	37,129,792
2029	140,000	33,906	31,219,145	31,393,051
2030	125,000	27,781	24,503,359	24,656,140
2031	110,000	22,313	22,617,333	22,749,646
2032	115,000	17,500	21,665,247	21,797,747
2033	105,000	12,469	19,466,668	19,584,137
2034	70,000	7,875	17,232,921	17,310,796
2035	75,000	4,813	15,614,053	15,693,866
2036	35,000	1,531	13,492,641	13,529,172
2037	–	–	2,897,384	2,897,384
2038	–	–	2,885,554	2,885,554
2039	–	–	58,523	58,523
Total	$16,360,000	$5,212,198	$1,172,084,798	$1,193,656,997

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(1) Assumes the Series 2013B Bonds are issued and Outstanding. Totals may not add due to rounding.
(2) Includes principal and interest.
(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 2013B 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 2012-2013 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 "Aggregate Pledged Borrower Payments." See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" and "INVESTMENT CONSIDERATIONS" for a list of some factors which may affect Revenues.

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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[(3)]	Estimated Annual Coverage Ratios[(5)]
2014	$27,451,328	$105,640,358	$133,091,686	$97,910,914	1.36x
2015	27,451,328	104,957,728	132,409,056	96,598,323	1.37x
2016	27,451,328	102,293,609	129,744,937	94,781,147	1.37x
2017	27,451,328	85,868,455	113,319,783	83,011,981	1.37x
2018	27,451,328	83,221,577	110,672,905	81,769,076	1.35x
2019	27,451,328	78,534,088	105,985,416	78,374,249	1.35x
2020	27,451,328	76,205,836	103,657,164	71,480,825	1.45x
2021	27,451,328	69,488,067	96,939,395	69,806,045	1.39x
2022	27,451,328	65,917,152	93,368,480	65,710,833	1.42x
2023	27,451,328	62,700,748	90,152,076	60,923,252	1.48x
2024	27,451,328	54,978,820	82,430,148	53,171,956	1.55x
2025	27,451,328	49,942,110	77,393,438	46,442,314	1.67x
2026	27,451,328	45,284,528	72,735,856	43,514,986	1.67x
2027	27,451,328	41,261,021	68,712,349	40,475,287	1.70x
2028	27,451,328	38,944,943	66,396,271	37,129,792	1.79x
2029	27,451,328	41,567,573	69,018,901	31,393,051	2.20x
2030	27,451,328	25,439,910	52,891,238	24,656,140	2.15x
2031	27,451,328	22,893,210	50,344,538	22,749,646	2.21x
2032	27,451,328	21,106,352	48,557,680	21,797,747	2.23x
2033	27,451,328	20,721,584	48,172,912	19,584,137	2.46x
2034	27,451,328	18,416,919	45,868,247	17,310,796	2.65x
2035	27,451,328	16,888,741	44,340,069	15,693,866	2.83x
2036	27,451,328	14,748,412	42,199,740	13,529,172	3.12x
2037	27,451,328	5,108,432	32,559,760	2,897,384	11.24x
2038	27,451,328	4,626,909	32,078,237	2,885,554	11.12x
2039	27,451,328	599,097	28,050,425	58,523	479.30x

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(1) Assumes the Series 2013B Bonds are issued and Outstanding. Does not reflect defeasances which occurred on October 22, 2013. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Parity Bonds.”

(2) Based upon receipts for the 2012-2013 Fiscal Year. Assumes receipts will remain the same over the life of the Bonds.

(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. Includes any Prepayments that have been received by the Finance Authority up to September 1, 2013. As previously discussed, the Finance Authority has received prepayments of certain loans under the Indenture as well as under the Subordinated Indenture. Pursuant to the terms of the Indenture, the Finance Authority has the option to originate new Loans with debt service payments that approximate the debt service of the prepaid Loans or defease the Bonds that relate to such prepaid Loans. As of the date of this Official Statement, the Finance Authority has applied $461,559 of the proceeds of such prepayments received from July 1, 2012 through September 1, 2013, to originate additional loans which, pursuant to Pledge Notifications, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The Finance Authority has applied $55,381,231 of such prepayments (i) to redeem the remaining outstanding Series 2002A Bonds, Series 2003A Bonds and Series 2003B Bonds on October 4, 2013, and (ii) to defease Series 2004A-1 Bonds, Series 2004B-1 Bonds and Series 2004B-2 Bonds, and a portion of the Series 2004C Bonds on October 22, 2013 for redemption on June 1, 2014. Additionally, the Finance Authority plans to redeem the remainder of the Series 2004C Bonds on June 1, 2014, due to the prepayment by the Albuquerque Bernalillo County Water Utility Authority (“ABCWUA”) of a Loan previously made to ABCWUA by the Finance Authority. That Loan was defeased with proceeds from a series of advance refunding bonds issued by ABCWUA on October 22, 2013. There remains $3,544,001 of prepayments from which the Finance Authority is working to identify new loans. The Finance Authority does not expect the new Loans to have a significant impact on the coverage ratio since the amount of any new Loan Payments will be substantially similar to the prepaid Loan Payments.

(4) Amounts are rounded to the nearest dollar.

(5) Calculated using the NMFA Portion of the Governmental Gross Receipts Tax for the fiscal year 2012-13 assuming that no Additional Bonds will be issued under the Indenture, and are subject to change.

(Sources: The Finance Authority and Western Financial Group LLC.)

NEW MEXICO FINANCE AUTHORITY

General Information

The Finance Authority is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality of the State. The Finance Authority 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 Finance Authority and its corporate existence will continue until terminated by law, provided that no such law will take effect so long as the Finance Authority has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The Finance Authority is comprised of 11 members who also constitute the Finance Authority's board of directors and currently employs 40 persons, including a Chief Executive Officer. The Chief Executive Officer directs the business and affairs of the Finance Authority, subject to the policies, control and direction of the Finance Authority.

The Finance Authority staff provides a full range of services to its borrowers and other parties benefiting from or otherwise interested in the Finance Authority's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the Finance Authority'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 Finance Authority 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 Finance Authority 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 Finance Authority;

(c) to accept, administer, hold and use all funds made available to the Finance Authority 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 Finance Authority has no authority to impose or collect taxes.

Organization and Governance

The Finance Authority is composed of 11 members who serve as the governing body of the Finance Authority. Six 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 six 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), 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 Finance Authority exercises and oversees the exercise of the powers of the Finance Authority. The governing body of the Finance Authority satisfies those responsibilities through monthly meetings and through the standing committees that the governing body has established. A quorum of the governing body exists when a majority of the members then serving are present. A majority vote of a quorum of the members present may transact any business of the Finance Authority. A vacancy in the membership of the governing body does not impact the ability of a quorum to exercise all rights and duties of the Finance Authority. The committees are advisory and have no authority to act on behalf of the governing body, except that the Contracts Committee has authority to award certain contracts and the Investment Committee has authority to authorize certain investments. Each committee reviews and makes recommendations to the governing body concerning matters assigned to it by the governing body.

The Executive Committee provides oversight and direction relating to the operations of the Finance Authority. Other committees include the Finance and Loan Committee, the Audit Committee, the Economic Development Committee, the Investment Committee, and the Contracts Committee. The committees typically meet monthly.

The governing body has also established written policies concerning the exercise of the powers of the Finance Authority, 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 Finance Authority.

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Governing Body and Key Staff Members

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

Name	Occupation	Term Expires
Nann M. Winter (Chair) (3) (5)	Attorney, Stelzner, Winter, Warburton, Flores & Dawes, P.A.	01/01/17
Ryan Flynn (Vice Chair)(1) (3) (6)	Secretary Designate, Environment Department, State of New Mexico	not applicable
William F. Fulginiti(1) (Secretary)	Executive Director, New Mexico Municipal League	not applicable
Katherine Ulibarri (Treasurer) (2) (3) (6)	Vice President for Finance and Operations, Central New Mexico Community College	2/19/2014
Jon Barela (1) (3)	Secretary Designate, Economic Development Department, State of New Mexico	not applicable
Tom Clifford (1) (3)	Secretary Designate, Department of Finance and Administration	not applicable
Blake Curtis (3)	Chief Executive Officer, Senior Vice President, Curtis & Curtis, Inc., Clovis, New Mexico	01/01/16
Jerry Jones (3) (4)	Chief Executive Officer, Stolar Research Corporation, Raton, New Mexico	01/01/13
Steve Kopelman(1) (7)	Executive Director, New Mexico Association of Counties	not applicable
David Martin(1) (3)	Secretary Designate, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Terry White(3)	Chief Executive Officer of Sunwest Trust, Inc., Albuquerque, New Mexico	01/01/16

(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 Finance Authority. 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) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate during the 2014 session of the New Mexico Legislature, and will continue to serve until the expiration of such session if no confirmation is received.

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

(4) Term has expired but continues to serve until replaced or reappointed.

(5) Ms. Winter has tendered her resignation as Chair effective December 1, 2013.

(6) Mr. Flynn and Ms. Ulibarri assumed the positions of Vice Chair and Treasurer, respectively, as of October 24, 2013.

(7) Mr. Kopelman succeeded Paul Gutierrez as Executive Director of New Mexico Association of Counties on October 18, 2013.

Presented below is certain information concerning key staff members of the Finance Authority involved in the issuance of the Series 2013B Bonds and the administration of the Finance Authority's financing programs.

John Gasparich, Interim Chief Executive Officer. Mr. Gasparich joined the Finance Authority as Interim Chief Executive Officer in August 2012 following the discovery that a former Finance Authority employee had not properly completed the Finance Authority's audit for the 2011 fiscal year. At the time of his appointment Mr.

Gasparich was the Secretary of the New Mexico State Board of Finance and a fiscal analyst for the Senate Minority Leader. He previously held the position of New Mexico State Budget Director under three governors as well as Deputy Cabinet Secretary of the Department of Finance and Administration and Deputy Director of the Legislative Finance Committee. Mr. Gasparich also served as a gubernatorial appointee to the New Mexico Public School Capital Outlay Oversight Task Force and as a Senate President Pro Tempore appointee to the Government Restructuring Task Force. Mr. Gasparich received a Bachelor of Arts degree in Psychology and Master of Arts degree in Economics from the University of New Mexico.

The Finance Authority has entered into an agreement with Ralph Anderson & Associates, Rocklin, California, to conduct a national search for a candidate to fill the position of Chief Executive Officer and anticipates the completion of the search within the next couple of weeks.

Donna Trujillo, Chief Financial Officer. Ms. Trujillo joined the Finance Authority in October 2012 as Chief Financial Officer. She has over 15 years of experience in government financial management, investment management and public accounting. Previously, she served as Chief Financial Officer for the New Mexico Department of Finance and Administration and the New Mexico Department of Workforce Solutions. Both agencies were brought into financial reporting compliance during Ms. Trujillo's service. She earned a Bachelor of Arts in Business Administration from Highlands University and has certification in public accounting and information systems auditing.

Michael J. Zavelle, Chief Financial Strategist. Mr. Zavelle joined the Finance Authority 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.

Robert Brannon, Controller. Mr. Brannon joined the Finance Authority as an accountant in 2008 and was promoted to Controller in 2012. Mr. Brannon has over 12 years of accounting experience, the majority of such time spent with nonprofit community and mission based organizations. Mr. Brannon has a Bachelor of Arts degree in Finance from Temple University, a Bachelor of Arts degree in Psychology from the University of New Mexico, and a Master of Business Administration degree from George Washington University.

Marquita Russel, Chief of Programs. Ms. Russel joined the Finance Authority 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 Finance Authority, 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.

Daniel C. Opperman, General Counsel. Mr. Opperman joined the Finance Authority in November 2010 as Assistant General Counsel and was hired as the chief General Counsel in October 2012. Prior to joining the Finance Authority, Mr. Opperman served as Chief General Counsel for the New Mexico Department of Transportation (NMDOT) for two years. Mr. Opperman obtained his law degree from the University New Mexico School of Law and his Bachelor of Arts degree in Economics from the University of New Mexico, and is a retired professional baseball player with the Los Angeles Dodgers organization.

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 Finance Authority, and in that connection it, among other things: (i) meets on a regular basis to receive and review reports from the Finance Authority and to review and approve regulations proposed for adoption pursuant to the Act; (ii) monitors and provides assistance and advice on the public project financing program of the Finance Authority; (iii) oversees and monitors State and local government capital planning and financing; (iv) provides advice and assistance to the Finance Authority 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 Finance Authority 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, 2013, the Finance Authority had made 1,128 PPRF loans totaling approximately $2.27 billion. To implement the PPRF Program, the Finance Authority 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 Finance Authority;

(b) to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Finance Authority 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 or hold securities at prices and in a manner the Finance Authority 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 Finance Authority 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 Finance Authority 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 Finance Authority, 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 Finance Authority;

(g) to the extent permitted under its contracts with the holders of bonds of the Finance Authority, 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 Finance Authority 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 Finance Authority;

(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 Finance Authority 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 Finance Authority established a contingency account (the "Contingent Liquidity Account"). Although it will not be pledged to the Series 2013B Bonds, or any other Finance Authority bonds, the Contingent Liquidity Account is intended to enhance the Finance Authority'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 Finance Authority bonds; however, such use is within the sole discretion of the Finance Authority and such funds may also be used for other purposes, including but not limited to payments of unforeseen expenses of the Finance Authority, urgent economic development projects, loan originations, or addressing other purposes as determined by the Finance Authority. As of September 1, 2013, the Contingent Liquidity Account was funded to an amount of approximately $26,443,889. Upon approval of the Finance Authority, the Contingent Liquidity Account may receive increases. The Finance Authority annually evaluates the level of the Contingent Liquidity Account to determine the amount, if any, of subsequent deposits.

Temporary Borrowing. The Finance Authority has entered into an arrangement (the "Wells Fargo Short-Term Borrowing") with Wells Fargo Bank, National Association ("Wells Fargo") for Wells Fargo to provide to the Finance Authority an amount up to $50,000,000 to reimburse the Finance Authority for Loans made to eligible entities that are incurred prior to the issuance of a Series of Bonds or to make Loans to eligible entities by using funds drawn from the Wells Fargo Short-Term Borrowing. Once the amounts are advanced, the Finance Authority has up to 180 days to repay the advancement. The Wells Fargo Short-Term Borrowing is scheduled to expire on October 31, 2014. The Finance Authority expects to enter into an amendment to the Wells Fargo Short-Term Borrowing, which amendment will increase the amount to $100,000,000 and extend the scheduled expiration date to October 30, 2015. The Wells Fargo Short-Term Borrowing is secured by proceeds of Bonds that are anticipated to be issued subsequent to the advances. The Finance Authority has entered into Wells Fargo Short-Term Borrowing to assist it with its cash flows. The Wells Fargo Short-Term Borrowing is not secured by the Trust Estate.

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Other Bond Programs and Projects

The Finance Authority 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 June 30, 2013.

Program	Project	Original Principal Amount	Outstanding as of June 30, 2013	Scheduled Final Maturity
Cigarette Tax	University of New Mexico Health Sciences Building	$39,035,000	$10,825,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	1,625,000	5/1/2026
Transportation	Highways	700,000,000	80,615,000	6/15/2024
Transportation	Highways	237,950,000	29,740,000	6/15/2014
Transportation	Highways	150,000,000	83,525,000	12/15/2026
Transportation	Highways	40,085,000	25,405,000	12/15/2026
Transportation	Highways	115,200,000	35,200,000	6/15/2024
Transportation	Highways	220,000,000	100,000,000	12/15/2026
Transportation	Highways	112,345,000	26,155,000	6/15/2017
Transportation	Highways	95,525,000	66,360,000	12/15/2024
Transportation	Highways	79,100,000	79,100,000	12/15/2021
Transportation	Highways	461,075,000	451,435,000	6/15/2024
Transportation	Highways	80,000,000	80,000,000	12/15/2026
Transportation	Highways	120,000,000	120,000,000	12/15/2026
Transportation	Highways	84,800,000	84,800,000	12/15/2026
Transportation	Highways	220,400,000	217,455,000	6/15/2026

(Source: The Finance Authority.)

LITIGATION

To the knowledge of the Finance Authority, 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 2013B 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 Finance Authority to pay debt service on the Series 2013B Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2013B Bonds, the Indenture, or any proceeding and authority of the Finance Authority taken with respect to the foregoing. The Finance Authority will deliver a non-litigation certification as to the foregoing prior to the issuance of the Series 2013B Bonds.

UNDERWRITING

Pursuant to a Bond Purchase Agreement dated October 24, 2013 (the "Bond Purchase Agreement") between RBC Capital Markets, LLC, as representative, on behalf of itself and Hutchinson, Shockey, Erley & Co. (together, the "Underwriters") and the Finance Authority, the Underwriters have agreed to purchase the Series 2013B Bonds from the Finance Authority at a purchase price equal to $17,936,677.20 (being the aggregate principal amount of the Series 2013B Bonds plus original issue net premium of $1,624,717.75 and less an underwriting discount of $48,040.55). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2013B Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 2013B Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside front cover of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Finance Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Finance Authority.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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 2013B 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 2013B Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2013B Bonds. The Finance Authority 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 2013B 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 2013B Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2013B 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 2013B 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 Finance Authority and the Governmental Units. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the Finance Authority and the Governmental Units. In addition, Bond Counsel has not been engaged, and will not undertake, to monitor the Finance Authority'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 2013B Bonds may affect the federal tax-exempt status of the interest on the Series 2013B Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2013B Bonds maturing on June 1, 2028 and June 1, 2036 (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 2013B 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 2013B 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 2013B Bonds maturing on June 1 in the years 2014 through 2026, 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 2013B 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 2013B 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 2013B 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 2013B Bonds. Prospective purchasers of the Series 2013B 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 2013B Bonds may affect the tax status of interest on the Series 2013B 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 2013B 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 2013B Bonds, or the interest thereon, if any action is taken with respect to the Series 2013B 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 2013B Bonds is excluded from gross income for federal income tax purposes, a Series 2013B Bondholder's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2013B Bonds. The nature and extent of these other tax consequences will depend upon the Series 2013B Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2013B 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 2013B 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 2013B Bonds, (iii) interest on the Series 2013B 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 2013B 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 2013B Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Unless separately engaged, Bond Counsel is not obligated to defend the Finance Authority, the Governmental Units or the Series 2013B Bondholders regarding the tax-exempt status of the Series 2013B Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Finance Authority, the Governmental Units and their respective appointed counsel, including the Series 2013B 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 Finance Authority or the Governmental Units legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2013B 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 2013B Bonds, and may cause the Finance Authority, the Governmental Units or the Series 2013B Bondholders to incur significant expense.

Bond Counsel is of the opinion that interest on the Series 2013B 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 2013B 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 2013B Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel to the Finance Authority, will deliver its opinion in substantially the form included in APPENDIX D. Certain legal matters will be passed upon for the Finance Authority by its General Counsel. Certain matters relating to disclosure will be passed upon for the Finance Authority by Ballard Spahr LLP, Salt Lake City, Utah, Disclosure Counsel to the Finance Authority. Certain legal matters will be passed upon for the Underwriters by 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 Finance Authority contained in this Official Statement.

FINANCIAL ADVISOR

The Finance Authority 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 2013B 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 financial statements of the Finance Authority for the year ended June 30, 2012, included in APPENDIX A of this Official Statement, have been audited by REDW, LLC, certified public accountants, Albuquerque, New Mexico, as set forth in their reports thereon dated April 24, 2013. The financial statements for the fiscal year ended June 30, 2012 are the most recently audited financial statements available at this time. The Finance Authority reports that REDW, LLC is in the process of conducting its audit of the Finance Authority's financial statements for the fiscal year ended June 30, 2013 and expects that such audit will be submitted to the State Auditor on or before December 15, 2013. REDW, LLC has not been asked to consent to the use of its name and audited financial reports of the Finance Authority in this Official Statement nor has REDW, LLC participated in the preparation of this Official Statement.

RECENT DEVELOPMENTS

In July 2012, the Finance Authority disclosed that what it believed was the audit of its financial statements for the fiscal year ended June 30, 2011 was not completed properly (the "Incomplete Audit"). Upon such discovery, the Finance Authority withdrew the Incomplete Audit. The Finance Authority then initiated an investigation and determined that its former controller had misrepresented the status of the Incomplete Audit and provided financial statements for use with third parties that he falsely represented as "audited."

Based on the discovery of the Incomplete Audit, the New Mexico State Auditor's Office conducted an investigation of the Finance Authority and contracted with PricewaterhouseCoopers LLP to assist with that investigation. The results of those inquiries were summarized in reports which also made suggestions about improving the internal control of the Finance Authority in light of the facts surrounding the Incomplete Audit. However, none of those investigations reveal the loss of any funds nor the manipulation of any of the Finance Authority's accounts. Such reports were made publicly available on December 14, 2012.

The State Auditor also oversaw the completion of the Finance Authority's audits for the fiscal years ended June 30, 2011 and June 30, 2012. The Finance Authority retained REDW, LLC to perform the audit for fiscal year 2011 and fiscal year 2012. Those audits were also recently completed. The audit completed by REDW, LLC for the fiscal year 2011 agreed with the Finance Authority in its application of accounting principles and did not disclose the presence of any missing funds. The final audited financial statements for fiscal year 2011 are available on the Finance Authority's website.

The Securities Division of the New Mexico Regulation and Licensing Department (the "Securities Division") also initiated its own investigation with respect to the Incomplete Audit. The Securities Division's investigation led to a plea agreement by the former Controller for forgery and securities fraud. Pursuant to that plea agreement, the former Controller received a sentence of 5 years supervised probation.

The United States Securities and Exchange Commission (the "SEC") issued an inquiry to the Finance Authority regarding the Incomplete Audit (the "SEC Inquiry"), to which the Finance Authority timely responded and provided all the requested information. It is unknown whether the SEC will pursue further action.

The Oversight Committee also initiated its own investigation regarding the Incomplete Audit and hired the firm of Hewitt EnnisKnupp ("Hewitt") to perform that investigation. The findings of that investigation, completed on November 29, 2012, contained an overview of the governance of the Finance Authority and provided various recommendations to improve the governance of the Finance Authority.

The Securities Division also issued a report on the Finance Authority on December 3, 2012 (the "Securities Division Report"). The Securities Division Report contained a discussion of the facts surrounding the Incomplete Audit and concluded, among other things, that a lack of controls and oversight were factors that were responsible for the existence of the Incomplete Audit.

Both Moody's Investor's Service ("Moody's") and Standard & Poor's Ratings ("S&P") took rating actions on the Finance Authority's Public Project Revolving Fund program ("PPRF") after the Incomplete Audit was disclosed in July 2012. The full Moody's and S&P's rating reports are available on the Finance Authority's website. On July 13, 2012, Moody's placed the Finance Authority's PPRF bonds ratings (including the Bonds) under review for downgrade. On October 10, 2012, Moody's extended its Watchlist for possible downgrade on the PPRF bonds. On March 26, 2013, Moody's confirmed its ratings on the PPRF bonds, assigned a stable outlook to the PPRF bonds and removed the ratings from review for possible downgrade.

On July 18, 2012, S&P placed its ratings on the Finance Authority's PPRF bonds on CreditWatch with negative implications. On October 15, 2012, S&P affirmed its ratings on the Finance Authority's bonds. At the same time, S&P removed the ratings from CreditWatch with negative implications but noted that the outlook is negative, reflecting the timeline for completion of the various audits. On May 7, 2013, S&P revised its ratings on the Finance Authority's PPRF bonds from negative to stable.

The Finance Authority acknowledges the seriousness of the events relating to the Incomplete Audit. In September 2012, the Finance Authority terminated its Chief Executive Officer and Chief Operating Officer. It has since hired an Interim Chief Executive Officer, a new Chief Financial Officer, and has completely restructured its Audit Committee. Based upon its own investigations, the Finance Authority believes and the various investigations and audits confirm that the Finance Authority is financially sound.

CONTINUING DISCLOSURE UNDERTAKING

The Finance Authority will execute and deliver a Continuing Disclosure Undertaking in connection with the issuance of the Series 2013B 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 2013B 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 2008-2009 Through 2012-2013" 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 Finance Authority, 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 Finance Authority 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 Finance Authority, any Governmental Unit meeting the 20% Test and each additional Governmental Unit designated by the Finance Authority, 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, but not more than ten business days after the occurrence of the event, 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 2013B Bonds:

    1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;

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

5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2013B Bonds;

6. defeasances;

7. tender offers;

8. bankruptcy, insolvency, receivership or similar proceedings; and

9. rating changes.

- in a timely manner, but not more than ten business days after the occurrence of the event, 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 2013B Bonds, if material:

1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

2. appointment of a successor or additional trustee or the change of the name of a trustee;

3. non-payment related defaults;

4. modification of rights of owners of the Series 2013B Bonds;

5. bond calls; and

6. release, substitution, or sale of property securing repayment of the Series 2013B Bonds.

The Finance Authority 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 Finance Authority, such other event is material with respect to the Series 2013B Bonds. However, the Finance Authority does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The Finance Authority 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 Finance Authority; provided that, the Finance Authority has agreed that any such modification will be done in a manner consistent with the Rule. The Finance Authority 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 2013B 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 Finance Authority's obligations, and any failure by the Finance Authority to comply with the provisions of the undertaking will not be an event of default with respect to the Series 2013B 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 2013B Bonds. See APPENDIX F for a discussion of Loans to Governmental Units with the largest outstanding principal loan balances. Previous continuing disclosure undertakings of the Finance Authority required the Finance Authority to provide information with respect to Governmental Units whose Loan repayment obligations exceeded 5% of Revenues. In an effort to promote consistency amongst its continuing disclosure undertakings, in August 2005, the Finance Authority amended many of its disclosure undertakings to change the 5% provision to 20% as set forth above. However, the Finance Authority recently discovered that an undertaking executed in 1999 relating to bonds that were retired in 2009 was not amended. As a result, information with respect to certain Governmental Units was not filed within the previous five years from the date of this Official Statement. That previous undertaking expired in 2009 when the bonds relating to that undertaking were retired.

Prior to the events relating to the Incomplete Audit (see "RECENT DEVELOPMENTS," herein), the Finance Authority had, for the previous five years, filed its audited financial statements and annual financial information in a manner that was in material compliance with the undertakings it had entered into pursuant to the Rule. However, due to the Incomplete Audit, the Finance Authority was unable to file its audit for the fiscal year 2011 in a manner that was in material compliance with its previous undertakings. Now that the audit for fiscal year 2011 is complete and is available, the Finance Authority has filed the audit with the MSRB as specified in its disclosure undertakings.

Other than as described under this caption "Continuing Disclosure Undertaking," the Finance Authority believes that it is currently in compliance in all material respects with each of its previous continuing disclosure undertakings.

RATINGS

S&P and Moody's have assigned ratings of "AAA" and "Aa1," respectively, to the Series 2013B 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 2013B 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 2013B Bonds may have an adverse effect on the market price of the Series 2013B Bonds. The Financial Advisor has not undertaken any responsibility to bring to the attention of the owners of the Series 2013B Bonds any proposed revision or withdrawal of the ratings on the Series 2013B Bonds, or to oppose any such proposed revision or withdrawal. The Finance Authority 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 2013B Bonds.

INVESTMENT CONSIDERATIONS

Availability of Revenues

The amount of Revenues actually received by the Finance Authority may be affected by several factors. Among other things, the amount of governmental gross receipts taxes that will be collected and distributed to the Finance Authority 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 Finance Authority. 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 Finance Authority 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 2013B 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 future Agreement Revenues will be consistent with historical receipts.

The mandate from the Budget Control Act of 2011 that became effective in March 2013 requires a reduction of federal spending ("Sequestration"). The Finance Authority receives an insignificant amount of federal revenues. In addition, various entities throughout the State of New Mexico have been receiving federal revenues. While some of those entities may experience a reduction in the receipt of federal revenues due to Sequestration, the Finance Authority does not believe that any such reductions will impact the ability of the Finance Authority to pay debt service on its Bonds.

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 Finance Authority, may be obtained during the offering period, upon request to the Finance Authority and upon payment to the Finance Authority 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 Finance Authority and the purchasers or holders of any of the Series 2013B Bonds.

NEW MEXICO FINANCE AUTHORITY

By /s/ Nann M. Winter
Nann M. Winter,
Chair

By /s/ John Gasparish
John Gasparich,
Interim Chief Executive Officer

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE FINANCE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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New Mexico Finance Authority

State of New Mexico

Financial Statements
and
Independent Auditors' Report

June 30, 2012

CPAs | Business & Financial Advisors

New Mexico Finance Authority
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New Mexico Finance Authority

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New Mexico Finance Authority

Official Roster

Year Ended June 30, 2012

Governing Board
Denise K. Baker, Chair
William F. Fulginiti, Vice Chair
Paul Gutierrez, Secretary
Blake Curtis, Treasurer
Tom Clifford, Member
Jon Barela, Member
John Bemis, Member
David Martin, Member
Lonnie Marquez, Member
Terry White, Member
Jerry L. Jones, Member

Chief Executive Officer
Richard E. May

Chief Operating Officer/Chief Financial Officer
John Duff

Independent Auditor's Report

Governing Board
New Mexico Finance Authority
and
Mr. Hector H. Balderas
New Mexico Office of the State Auditor
Santa Fe, NM

We have audited the accompanying basic financial statements of New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of 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.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, and the changes in financial position and cash flows 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 April 24, 2013, on our consideration of 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 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying 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 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

REDW LLC

Albuquerque, New Mexico
April 24, 2013

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2012

Introduction

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 position at June 30, 2012 and its financial performance during the fiscal year then ended. 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, cities, school districts 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 Project 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

The financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles and include the following three statements:

- The *Statement of Net Assets* presents information on the assets and liabilities of the Authority, with the difference between the assets and the liabilities reported as net assets. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the funds are improving or deteriorating.
- The *Statement of Revenues, Expenses and Changes in Net Assets* presents information reflecting how the net assets of the Authority changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.
- The *Statement of Cash Flows* reports the cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities, and the resulting impact on cash and cash equivalents for the fiscal year.

As discussed in Note 1 the basic financial statements herein present the financial position, change in financial position and cash flows of the Authority. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found immediately following the financial statements.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2012

Financial Highlights

- The Authority's overall financial position improved slightly in the past year. The key indicator is total net assets which increased by $33.2 million or 8.7%.
- The Authority's unrestricted cash was reduced by 32.7%. Restricted cash decreased by 21.4% or $28.9 million in 2012.
- Loans receivable increased by $93.1 million or 7.6% in 2012, primarily as a result of new loans made during the year totaling $322.7 million less loan payments received of $231.1 million and allowance for loan loss decrease of $1.5 million. Loan payments include loan payoffs of $12.7 million. The number and amount of early loan payoffs decreased significantly from 2011 as interest rates began to stabilize.
- Bonds payable decreased by $5.9 million in 2012 resulting from the issuance of $135 million of new bonds, principal payments on outstanding bonds of $139.8 million, and increase in unamortized bond premium of $1.2 million and the amortization (reduction) of bond premium and deferred charge of $2.3 million.
- Undisbursed loan proceeds to be provided decreased by $0.7 million during 2012 indicating stable draw requests against loan proceeds from borrowers.
- Appropriation revenue increased by $8.3 million in fiscal year 2012, representing about 23.8% over fiscal year 2011. The increase reflects the fluctuation in the governmental gross receipts taxes.
- A $.54 million or 8.0% increase in administrative and processing fees revenue from $6.8 million in 2011 to $7.4 million in 2012, was experienced.
- Operating expenses (excluding grants to local governments, bond issuance cost, and debt service – interest expense) decreased 34.6% or from $10.7 million in 2011 to $7.0 million in 2012 representing an expected decrease of $3.7 million.
- Grant expense decreased 21.9% or $11.8 million as the Authority leveled its program grant expenses, which were increased in 2011 to recover from previous years' under activity.
- Reversions to the State General Fund for fiscal year 2012 were $3.4 million.

Statement of Net Assets

The following presents condensed, combined statements of net assets as of June 30, 2012 and 2011, with the dollar and percentage change:

	2012	2011	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	$ 80,351,262	$ 119,475,379	$ (39,124,117)	-32.7%
Restricted	106,424,138	135,349,071	(28,924,933)	-21.4%
Investments – restricted	125,496,887	119,189,886	6,307,001	5.3%
Loans receivable, net of allowance	1,315,526,827	1,222,384,290	93,142,537	7.6%
Intergovernmental receivables	132,180,805	140,811,240	(8,630,435)	-6.1%
Other receivables	11,195,806	13,139,725	(1,943,919)	-14.8%
Capital assets	239,589	187,411	52,178	27.8%
Other assets	10,878,718	10,732,577	146,141	1.4%
Total assets	**$ 1,782,294,032**	**$ 1,761,269,579**	**$ 21,024,453**	1.2%
Liabilities				
Bonds payable, net	$ 1,217,118,299	$ 1,223,042,042	$ (5,923,743)	-0.5%
Undisbursed loan proceeds	73,864,493	74,534,357	(669,864)	-0.9%
Advanced loan payments	70,884,890	76,070,383	(5,185,493)	-6.8%
Accounts payable, accrued payroll and compensated absences	571,388	693,147	(121,759)	-17.6%
Other liabilities	6,806,772	7,086,492	(279,720)	-3.9%
Total liabilities	**1,369,245,842**	**1,381,426,421**	**(12,180,579)**	-0.9%
Net Assets				
Invested in capital assets	$ 239,589	187,411	52,178	27.8%
Restricted for debt service	74,009,248	27,721,370	46,287,878	167.0%
Restricted for program commitments	196,844,296	232,903,567	(36,059,271)	-15.5%
Unrestricted	141,955,057	119,030,810	22,924,247	19.3%
Total net assets	**413,048,190**	**379,843,158**	**33,205,032**	8.7%
Total liabilities and net assets	**$ 1,782,294,032**	**$ 1,761,269,579**	**$ 21,024,453**	**1.2%**

The Authority's overall financial position improved slightly in the past year. The key indicator is total net assets which increased by $33.2 million or 8.7%.

Assets

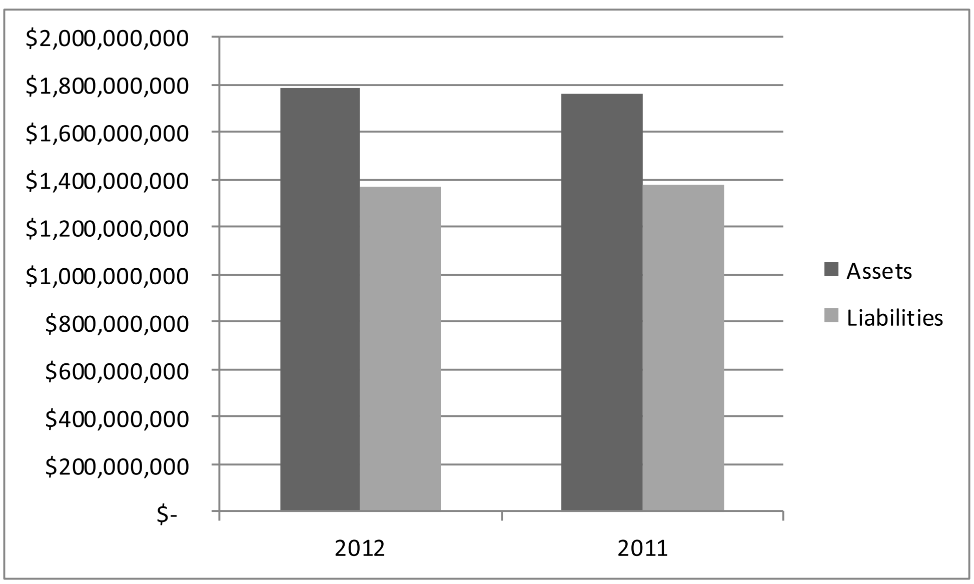
Loans receivable increased by $93.1 million or by 7.6% in 2012. New loans made during the year total $322.7 million; loan payments received were $231.1 million.

The allowance for loans uncollectible loans decreased $1.5 million due to changes in management's estimate of losses, which are supported by risk evaluations performed by a third party. The number and amount of early loan payoffs decreased significantly from 2011 as interest rates began to stabilize.

Total cash and investments declined by 16.5% from $374.0 million in 2011 to $312.3 million in 2012 primarily because new loans made exceeded debt issued during the year. The majority of the new loans will be reimbursed through the issue of new debt in fiscal year 2013.

Liabilities

Bonds payable decreased by $5.9 million in 2012 resulting from the issuance of $135 million of new bonds, principal payments on outstanding bonds of $139.8 million, and amortization of bond premium of $2.3 million. Undisbursed loan proceeds to be provided decreased by $0.7 million during 2012 indicating stable draw requests against loan proceeds from borrowers. Advanced loan payments increased $5.2 million due to increased loans outstanding.
The following chart indicates ratio of assets to liabilities:



Statement of Revenue, Expenses and Changes in Net Assets

The following table presents the condensed combined statement of revenue, expenses and changes in net asset for 2012 and 2011 fiscal years:

	2012	2011	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Operating Revenues				
Administrative fees	$ 7,352,753	$ 6,808,876	$ 543,877	8.0%
Interest on loans	54,459,612	55,572,510	(1,112,898)	-2.0%
Interest on investments	436,387	805,923	(369,536)	-45.9%
Total operating revenues	62,248,752	63,187,309	(938,557)	-1.5%
Expenses				
Grants to local governments	42,063,551	53,887,305	(11,823,754)	-21.9%
Bond issuance costs	1,272,046	697,665	574,381	82.3%
Professional services	2,520,763	2,212,384	308,379	13.9%
Salaries and benefits	3,976,586	4,184,572	(207,986)	-5.0%
Debt service – interest expense	55,005,184	56,681,856	(1,676,672)	-3.0%
Other expense	510,604	4,316,239	(3,805,635)	-88.2%
Total operating expenses	105,348,734	121,980,021	(16,631,287)	-13.6%
Net operating loss	(43,099,982)	(58,792,712)	15,692,730	-26.7%
Nonoperating Revenues (Expenses)				
Appropriation revenue	43,146,845	34,842,554	8,304,291	23.8%
Grant revenue	41,883,216	42,924,828	(1,041,612)	-2.4%
Reversions and transfers	(8,725,047)	(24,481,147)	15,756,100	-64.4%
	76,305,014	53,286,235	23,018,779	43.2%
Increase in net assets	33,205,032	(5,506,477)	38,711,509	-703.0%
Net assets, beginning of year	379,843,158	385,349,635	(5,506,477)	-1.4%
Net assets, end of year	**$ 413,048,190**	**$ 379,843,158**	**$ 33,205,032**	**8.7%**

Operating revenue remained fairly constant at $62.2 million. Interest on investments continued to decline, experiencing 45.9% decline in revenues compared to 2011. Appropriation revenue increased 23.8% while grant revenue remained fairly constant at a decrease of 2.4%.

Overall costs decreased 13.6% due to a change in estimated loan loss which decreased by $4.0 million and decreased grant expense of $11.8 million. The estimate change was made based on third party review of the risk of the outstanding direct equity loans and grant expense leveled after a grant activity recovery effort in fiscal year 2011.

Long-Term Debt

Long-term debt consists of outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2012, the total amount outstanding was $1.2 billion (excluding $1.6 billion in GRIP bonds that 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 7 to the financial statements.

During the fiscal year, the Authority issued $135 million in PPRF debt, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Programs

The Authority accounts for each of its programs separately, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund (PPRF) is highlighted in the following discussion due to the significance of the program.

Public Project Revolving Fund

The Authority was created 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 1,052 loans totaling $2.32 billion.

The PPRF issues loans of less than $5 million from its own funds and then replenishes its cash 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 at the same time a reimbursement bond issue closes, thus ensuring a precise matching of loan and bond interest rates.

The PPRF operates, in many respects, in the same manner as a commercial 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
Management's Discussion and Analysis
June 30, 2012

Public Project Revolving Fund
Statements of Net Assets
June 30

	2012	2011	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	$ 53,637,734	$ 97,054,346	$ (43,416,612)	-45%
Restricted	67,315,479	96,368,542	(29,053,063)	-30%
Restricted investments	125,496,887	119,189,886	6,307,001	5%
Accounts receivable and other	10,494,432	16,714,736	(6,220,304)	-37%
Loans receivable, net of allowance	1,226,886,603	1,140,391,615	86,494,988	8%
Due from the State of New Mexico	111,305,000	114,370,000	(3,065,000)	-3%
Capital assets	205,513	187,411	18,102	10%
Other assets	26,784,977	17,367,540	9,417,437	54%
Total assets	**$ 1,622,126,625**	**$ 1,601,644,076**	**$ 20,482,549**	1%
Liabilities				
Accounts payable and accrued payroll liabilities	$ 5,923,640	$ 7,647,974	$ (1,724,334)	-22.5%
Undisbursed loan proceeds	73,787,401	74,472,265	(684,864)	-0.9%
Borrowers' debt service and reserve deposits	77,039,173	77,020,002	19,171	0.0%
Bonds payable, net	1,198,797,118	1,199,649,242	(852,124)	-0.1%
Total liabilities	**1,355,547,332**	**1,358,789,483**	**(3,242,151)**	-0.2%
Net Assets				
Invested in capital assets	205,513	187,411	18,102	9.7%
Restricted for program funds	144,405,478	145,612,836	(1,207,358)	-0.8%
Unrestricted	121,968,302	97,054,346	24,913,956	25.7%
Total net assets	**266,579,293**	**242,854,593**	**23,724,700**	9.8%
Total liabilities and net assets	**$ 1,622,126,625**	**$ 1,601,644,076**	**$ 20,482,549**	1.3%

Loan Volume

	2012	2011	Since Inception
Amount of loans made	$310.0 million	$168.2 million	$2.32 billion
Number of loans made	86	87	1,052
Average loan size	$3.6 million	$1.9 million	$2.2 million

Public Project Revolving Fund
Statements of Revenue, Expenses and Changes in Net Assets
For the Years Ended June 30

	2012	2011	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Interest Income				
Loans	$ 52,000,267	$ 52,828,553	$ (828,286)	-1.6%
Investments	276,618	384,701	(108,083)	-28.1%
Total interest income	52,276,885	53,213,254	(936,369)	-1.8%
Interest Expense				
Bonds	54,039,449	55,170,397	(1,130,948)	-2.0%
Short-term borrowing	114,479	157,843	(43,364)	-27.5%
Total interest expense	54,153,928	55,328,240	(1,174,312)	-2.1%
Net Interest Income (Loss)				
Interest income (loss) less interest expense	(1,877,043)	(2,114,986)	237,943	-11.3%
Less provision for loan losses	1,633,297	(1,164,527)	2,797,824	-240.3%
Net interest loss after provision for loan losses	(243,746)	(3,279,513)	3,035,767	-92.6%
Noninterest Income				
Loan administration fees	3,366,234	3,134,894	231,340	7.4%
Appropriation revenues	27,405,961	26,909,639	496,322	1.8%
Total noninterest income	30,772,195	30,044,533	727,662	2.4%
Noninterest Expense				
Salaries and benefits	2,543,974	2,421,316	122,658	5.1%
Professional services	1,075,421	1,279,285	(203,864)	-15.9%
Bond issuance costs	1,145,628	610,222	535,406	46.7%
Other	1,283,993	1,883,649	(599,656)	-31.8%
Total noninterest expense	6,049,016	6,194,472	(145,456)	-2.3%
Excess of revenues over expenditures	24,479,433	20,570,548	3,908,885	19.0%
Transfers to other funds or agencies	(754,733)	(2,695,573)	1,940,840	-72.0%
Increase (decrease) in net assets	**23,724,700**	**17,874,975**	**5,849,725**	**32.7%**
Net assets, beginning of year	**242,854,593**	**224,979,618**	**17,874,975**	**7.9%**
Net assets, end of year	**$ 266,579,293**	**$ 242,854,593**	**$ 23,724,700**	**9.8%**

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. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2012, the PPRF had a net interest loss of $.24 million, compared to $3.28 million in 2011. This is a result of a reduction in the allowance for loan losses and market conditions in which $111.2 million in PPRF loans exercised their early call in 2011 provisions and the Authority relent those loan repayments at moderately lower interest rates.

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. Seventy-five percent of GGRT collections are appropriated to the PPRF. The Authority's share of GGRT collections was $26,204,287 in 2012, a $1,686,073 increase from the $24,518,214 received in 2011. The GGRT funds are used as follows:

- 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.
- To fund loans to borrowers, especially smaller loans which the Authority may choose to not reimburse in a bond issue.
- To pay operating expenses of the PPRF.

Other Programs

The PPRF accounts for a large portion of total Authority activity. At June 30, 2012, and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	$1.6 billion	$1.8 billion	89%
Net assets	$266.6 million	$413.0 million	65%
Revenues	$83.0 million	$147.3 million	56%

There are 14 other programs administered by the Authority, some of which are loan programs and some of which are grant programs.

A decline occurred in grant volume for the Local Government Transportation Fund because most of the funds were appropriated to the Authority on a one-time basis. Most of the funds have been expended, and the program is in its final stages with expected final disbursements by June 2013.

Similar to the Local Government Transportation Fund, an increase in the Water and Wastewater Project Grant Fund grant activity reflects the fact that the program is closing out its nonrecurring appropriation received from the state legislature and with final expenditures for projects expected by December 2013.

A for-profit limited liability company operated by the Authority has been awarded a total of $156 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 2012, the Authority made two awards totaling $24 million. Subsequent to June 30, 2012, the Authority has made two additional awards under this program totaling $23 million. 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.

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. Substantial additional information is available on the Authority's website at www.nmfa.net. 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 87501

Financial Statements

NEW MEXICO FINANCE AUTHORITY

Statement of Net Assets

June 30, 2012

Assets	
Current assets	
Cash and equivalents	
Unrestricted	$ 80,351,262
Restricted	106,424,138
Interest receivable	8,452,919
Grants and other receivables	2,440,281
Prepaid rent	19,500
Administrative fees receivable	302,606
Investment in Finance New Mexico LLC	99,010
Loans receivable, net of allowance	91,665,256
Intergovernmental receivables	6,286,962
Total current assets	296,041,934
Noncurrent assets	
Restricted investments	125,496,887
Loans receivable, net of allowance	1,223,861,571
Intergovernmental receivables	125,893,843
Capital assets, net of accumulated depreciation	239,589
Deferred debt issuance cost, net of accumulated amortization	10,760,208
Total assets	$ 1,782,294,032
Liabilities	
Current liabilities	
Accounts payable	$ 199,643
Accrued payroll	94,751
Compensated absences	276,994
Funds held for others	385,495
Bond interest payable	4,287,863
Undisbursed loan proceeds	73,864,493
Advanced loan payments	70,884,890
Bonds payable, net	81,431,000
Costs of loan issuance	984,567
Other liabilities	1,148,847
Total current liabilities	233,558,543
Noncurrent liabilities	
Bonds payable	1,135,687,299
Total liabilities	1,369,245,842
Net Assets	
Invested in capital assets	239,589
Restricted for debt service	74,009,248
Restricted for program commitments	196,844,296
Unrestricted	141,955,057
Total net assets	413,048,190
Total liabilities and net assets	$ 1,782,294,032

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

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

Operating Revenues	
Administrative fees revenue	$ 5,042,154
Processing fees	2,310,599
Interest on loans	54,459,612
Interest on investments	436,387
Total operating revenues	62,248,752
Operating Expenses	
Grants to local governments	42,063,551
Bond issuance costs	1,272,046
Administrative fees	199,650
Professional services	2,520,763
Salaries and benefits	3,976,586
Other operating costs	1,551,350
Depreciation expense	146,719
Bond interest	55,005,184
Provision for loan losses	(1,501,594)
Interest expense	114,479
Total operating expenses	105,348,734
Net operating loss	(43,099,982)
Nonoperating Revenues (Expenses)	
Appropriation revenue	43,146,845
Grant revenue	41,883,216
Transfers to the State of New Mexico	(5,325,047)
Reversions to New Mexico General Fund	(3,400,000)
Increase in net assets	33,205,032
Net assets, beginning of year	379,843,158
Net assets, end of year	$ 413,048,190

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

Cash flows from operating activities	
Cash paid for employee services	$ (4,011,826)
Cash paid to vendors for services	(4,395,069)
Intergovernmental payments received	5,935,198
Loans to local governments received	228,086,281
Loan payments funded	(320,901,262)
Grants to local governments	(42,063,551)
Cash received from federal government for revolving loan funds	9,391,520
Interest on loans	55,085,823
Administrative fees received	7,451,261
Net cash used by operating activities	(65,421,625)
Cash flow From noncapital financing activities	
Reversions to New Mexico General Fund	(3,400,000)
Appropriations received from the State of New Mexico	43,146,845
Cash transfers to the State of New Mexico	27,166,649
Interfund transfers, net	(227,674)
Proceeds from sale of bonds	135,020,000
Payment of bond principal	(139,391,440)
Bond issuance costs	(416,964)
Interest paid	(57,688,472)
Net cash disbursed for program purposes	(785,435)
Net cash provided by noncapital financing activities	3,423,509
Cash flow from capital and related financing activities	
Purchase of capital assets	(198,897)
Net cash used by capital and related financing activities	(198,897)
Cash flow from investing activities	
Purchase of investments	(71,308,651)
Sale of investments	65,020,228
Interest on investments	436,386
Net cash used by investing activities	(5,852,037)
Net decrease in cash and cash equivalents	(68,049,050)
Cash and cash equivalents, beginning of year	254,824,450
Cash and cash equivalents, end of year	$ 186,775,400

Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$	(43,099,982)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		146,719
Amortization on bond issuance costs		728,663
Amortization on bond premiums		(2,294,348)
Provision for loan losses		(1,501,594)
Interest on investments		(436,386)
Bond interest paid		57,404,747
Bond issuance costs		543,382
Cash received from federal grants		9,391,520
Changes in operating assets and liabilities		
Loans receivable		(86,080,381)
Prepaids and other receivables		5,986,625
Payables and accrued liabilities		(6,210,590)
Net cash used by operating activities	$	(65,421,625)

Assets	
Cash held by Trustee	
Program funds	$ 55,196,512
Revenue funds	7,799,994
Rebate fund	1,540,240
Bond reserve funds	43,067,080
Total assets	$ 107,603,826
Liabilities	
Accounts payable	$ 1,540,240
Debt service payable	50,867,074
Program funds held for the NM Department of Transportation	55,196,512
Total liabilities	$ 107,603,826

1) Nature of Organization

The New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico (the "State"), is a public instrumentality of the State, organized and existing pursuant to the New Mexico Finance Authority Act (the "Act") created by the Laws of 1992 Chapter 61, as amended. The Authority has broad powers to provide financing for an array of infrastructure and economic development projects. The Authority also provides for long-term planning and assessment of state and local capital needs and improves 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 other members who are residents of the State. The appointed members serve at the pleasure of the Governor.

The Authority issues loans to entities pursuant to the rules and regulations governing the Public Projects Revolving Loan Fund Program (PPRF). The PPRF provides low cost financing to local government entities for a variety of infrastructure projects throughout the State. The PPRF Program receives 75% of the Governmental Gross Receipts Tax of the State of New Mexico pursuant to section 7-1-6.1 NMSA, 1978, and may issue bonds in amounts deemed necessary to provide sufficient money for the purposes set forth by the New Mexico Finance Authority Act. Bonds are issued under a Master Indenture as well as individual Series Indentures, proceeds and covenants of which are administered through a trust relationship established by contract with a trust company or bank bearing trust powers (Trustee) and the Authority. The Authority may also serve as conduit issuer of revenue bonds for other governmental agencies.

The Authority manages the Drinking Water State Revolving Loan Fund Program (DWRLF) and the Water Trust Board Program (WTB). The DWRLF 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 is required to match by 20%.

The WTB program provides grant and interest free loans to support water projects which support water use efficiency, resource conservation and protection and fair distribution and allocation of water.

Other significant programs administered by the Authority include:

- The Local Transportation Infrastructure Projects Program which provides for grants and low-cost financial assistance for local governments transportation projects which are not eligible for federal funding and funding for which have not been set by the existing Local Government Road Fund.
- The Economic Development Program provides comprehensive financing tools to stimulate economic development projects statewide.
- The New Markets Tax Credit Program acts as 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.
- The Primary Care Capital Program is a revolving loan program which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide 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.
- The Water and Wastewater Project Grant Program provides grant funding for water and wastewater system projects authorized by legislation.
- The Local Government Planning Grant Program provides grants to qualified entities on a per project basis for water and wastewater related studies, long-term water management plans and economic development plans.
- The 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 UNM Health Sciences Program administers 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.
- The Worker`s 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 2010 Legislature adopted the Colonias Infrastructure Act which appropriates to the Authority 5% of the severance tax bond proceeds for loans and grants to certain communities in southern New Mexico that lack basic infrastructure for water and wastewater, solid waste disposal, flood and drainage control, roads and housing. The Act took effect July 1, 2012.

- Based on a Memorandum of Understanding with the New Mexico Economic Development Department, the Authority received $13.2 million in federal State Small Business Credit Initiative funds to help increase the flow of capital to small businesses by mitigating bank risk. The Authority uses the funds to buy loan participations from banks for economic development projects under a program marketed as the Collateral Support Participation.

Activities for all the programs administered by the Authority are reported in the supplementary schedules to these financial statements.

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 Act. 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 Act does provide for legislative oversight by a committee to be appointed by the Legislative Council Service according to its policies.

2) Summary of Significant Accounting Policies

Accounting Principles
The financial statements of 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 prior to November 30, 1989 are followed unless they conflict with or contradict GASB pronouncements. Subsequent FASB pronouncements are not applied, as permitted by GASB No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Accounting*.

Basis of Presentation
The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. All of the Authority's activities, except those in which the Authority acts as an agent, are reported as an enterprise fund. Enterprise funds are used for activities for which a fee is charged to external users for goods and services.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing financial services in connection with on-going operations. Primary operating revenues includes financing income and fees charged to program borrowers. Operating expenses include interest expense, program support as well as funds granted to others in the form of loan forgiveness and other subsidies to governmental entities.

Nonoperating items consist primarily of governmental gross receipts and other tax distributions reported as appropriations, grant revenue, and transfers-out for excess distributions and reversions of prior year appropriated revenue.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. When restricted resources meet the criteria to be available for use and unrestricted resources are also available, it is the Authority's policy to use restricted resources first. Expenses are recorded when they are incurred. Expenses charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

Agency Funds
Agency funds are used to report resources held by the Authority in a purely custodial capacity. These funds result from transactions associated with the Authority acting as fiscal agent for the New Mexico Department of Transportation (the "Department") on several of the Department's bond transactions. The amounts reported as agency funds do not belong to the Authority and are held in separate accounts on the Authority's books in the name of the Department. Accordingly, all assets held and reported as agency funds are offset by a corresponding liability.

Cash, Cash Equivalents, and Investments
The Authority considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash on deposit with the Bank of Albuquerque, Wells Fargo Bank and Bank of New York Mellon acting as bond trustee. Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment are invested in certain allowable securities. All investments are stated at fair value.

Accounts Receivable
Accounts receivable consists of payments due from governmental entities, administrative fees due from projects, and other receivables arising from the normal course of operations. A reserve for uncollectible accounts is established based on management's estimates based on factors including payment history and economic factors.

Loans Receivable
Loans are carried at principal amount outstanding, net of reserves for loan losses, if any. Loans that become past due as to principal and interest are evaluated for collectability. Generally, loans are not placed on nonaccrual status because they are insured guaranteed, or collateralized.

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.

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. No allowance has been established, as all such receivables are considered collectable.

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 individually exceeding $5,000 that significantly extend the useful life of an asset are capitalized.

Estimated useful life of capital assets is management's estimate of how long the asset is expected to be available 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 with ten years or less employment with the Authority are entitled to fifteen days' vacation leave. Employees with more than ten years' service receive twenty days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid vacation leave.

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.

Undisbursed Loan Proceeds

Program funds to be provided represent loan amounts awaiting disbursement to loan recipients. Funds are not automatically disbursed in their entirety when a loan closes. Proceeds are disbursed as needed to fund the related project costs. The majority of undisbursed loan proceeds relate to loans of the PPRF program.

Net Assets

Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted, based on the following:

Investment in capital assets (*net of related debt*) is intended to reflect the portion of net assets which are associated with capital assets less outstanding capital asset related debt. The Authority has no capital asset related debt.

Restricted net assets 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 net assets represent net assets not otherwise classified as invested in capital assets or restricted net assets.

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.

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.

Budget

The Authority’s budget represents a financial plan, not a legal constraint, therefore, budgetary comparison information is not presented in the financial statements or as required supplementary information.

Recently Issued Accounting Standard

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance previously contained in FASB and AICPA pronouncements issued on or before November 30, 1989 that does not conflict with or contradict GASB pronouncements. The requirements of this Statement will become effective for the fiscal year ended June 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result, the difference between assets/deferred outflows and liabilities/deferred inflows, which is known as "net assets," will now be referred to as "net position." The requirements of this Statement will be effective for the fiscal year ended June 30, 2013.

In August 2011, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities,* which becomes effective for the Authority for the year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. When implemented in fiscal year 2014, net position currently titled net assets will be reduced by $10,760,208, the amount of unamortized debt issuance costs at June 30, 2012.

3) Cash and Cash Equivalents and Investments

The Authority follows GASB No. 40, *Deposit and Investment Risk Disclosures*. This statement requires the disclosure of applicable interest rate, credit, custodial credit, concentration of credit and foreign currency risks.

Investments conform to the provisions of the Statements of Investment Policies, Objectives and Guidelines adopted by the Board on March 26, 2008. The investment policy applies to all of the Authority's funds, including funds the Authority may manage for others, except for those funds where trust indentures, bond resolutions, or other documents or agreements control the investment of funds. This policy is the Authority master investment policy and may be amended or supplemented as applied to specific categories of funds by adoption of addenda by the Board applicable to specific categories of the Authority funds.

Except where prohibited by statute, trust indenture, or other controlling authority, the Authority consolidates cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income is allocated to the various funds based on their respective participation. The primary objectives, in order of priority, of investment activity shall be safety, liquidity and yield.

Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio while mitigating credit risk and interest rate risk.

Credit Risk
The Authority minimizes credit risk (the risk of loss due to the failure of securities issuer or backer) by limiting investments, prequalifying financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Interest Rate Risk
The Authority minimizes interest rate risk (the risk that the market value of securities in the portfolio will decline due to changes in market interest rates) by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market prior to maturity and by investing operating funds primarily in short-term securities limiting the average maturity of the portfolio.

Permitted Investments
As provided in Sections 6-21-6 and 6-21-2 of the Act, money pledged for or securing payment of bonds issued by the Authority shall be deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued. The following table identifies the investment types permitted by the investment policy:

	Description	**Maximum Percentage of Authority Funds** [1]
A	Direct and general U.S. Government Obligations (Treasury Bills, Treasury Notes, Treasury Bonds)	100%
B	Obligations of U.S. Government Agencies (any federal agency or instrumentality notes, bonds, debentures, with implicit guarantee of the United States of America)	75%

[1] Limits do not apply to cash invested by trustee per bond indenture.

	Description	Maximum Percentage of Authority Funds [1]
C	SEC-registered money market funds with total assets at time of deposit in excess of $100,000,000[2]	100%
E	Certificates of deposits and bank deposits[3]	20%
F	Commercial paper issued by corporations organized and operating on the United States and rated A1 P1 or equivalent by two or more rating services.	10%
G	Bonds or notes issued by any municipality, county or school district of the State	10%
H	Overnight repurchase agreements[4]	25%
I	Investment contracts (guaranteed investment contracts (GIC's) and flexible repurchase agreements)[4]	N/A
J	State Treasurer's Short-term Investment Fund	50%

Investment of Bond Proceeds

All or any portion of the proceeds of bonds or other obligations of the Authority may be invested in a GIC or flexible repurchase agreement without regard to the investment allocation ranges set forth in the investment policy, if the GIC or repurchase agreement provides for disbursement upon request of the Authority in amounts necessary to meet expense requirements for the bonds or other obligations.

[1] Limits do not apply to cash invested by trustee per bond indenture.

[2] Money markets must be rated AAA by Standards & Poor or Aaa by Moody and in compliance with the diversification, quality and maturity requirements 2a-7 of the U.S. Securities and Exchange Commission applicable to money markets with no sales load or deferred sales charge.

[3] Interest bearing certificates of deposit or bank deposits must be in banks having a branch location in New Mexico, and all principal and interest must be fully insured by the Federal Deposit Insurance Corporation or secured by obligations described in A) and B) above, registered in the name of the Authority and held by a third party safe-keeping agent, or collateralized as required by 6.10.16 NMSA at 102% of the value of the deposit that is not FDIC insured.

[4] GIC and repurchase agreements investments must be fully secured by obligations described in A) and B) above with all collateral held by an independent third party safekeeping agent.

Cash and equivalents at June 30, 2012, were as follows:

Description	Balance at June 30, 2012	Rated	Percentage of Authority Funds [1]
Primary Care Capital Program funds held with the State Treasurer Fund Investment Pool	$ 168,510	N/A	<1%
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	15,917,787	N/A	<1%
Wells Fargo deposit account	14,250	N/A	<1%
Wells Fargo repurchase agreement	141,660	N/A	<1%
Government Money Market Funds	90,488,496	AAA	58%
U.S. Treasury notes	54,695,529	AAA	6%
Cash invested by trustee per bond indenture	25,349,168[2]	N/A	N/A
Total cash and equivalents	$ 186,775,400		
Cash held in agency fund	$ 107,603,826[3]		

Maturity Restrictions

It is the policy of the Authority to diversify investment maturities based on cash flow requirements. Unless matched to a specific cash flow, the Authority will invest in securities maturing five years or less from date of purchase.

Investments consist of bond proceeds which are restricted to uses specified in the related bond indentures.

Such restricted investments at June 30, 2012, are comprised of the following:

Description	Fair Value at June 30, 2012	Average Years to Maturity	Percentage of Authority Funds [4]
U.S. Treasury notes	$ 65,225,692	1.07	22.01%
Federal Home Loan Mortgage Corporation bonds	60,271,195	1.00	20.34%
Total investments	$ 125,496,887		

[1] Limits do not apply to cash invested by trustee per bond indenture.
[2] As provided in Sections 6-21-6 and 6-21-2 of the Act, money pledged for or securing payment of bonds issued by the Authority is deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued.
[3] All cash held as agent by the Authority is fully collateralized by securities held in the name of the Authority.
[4] Limits do not apply to cash invested by trustee per bond indenture.

4) Loans Receivable

Loans receivable activity for the year ended June 30, 2012, was as follows:

Program Description	Term (Years)	Rates	2011	Increase	Decrease	2012
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,143,369,092	$ 310,043,980	$ 225,143,158	$ 1,228,269,914
Drinking Water State Revolving Loans	1 to 30	0% to 4%	62,662,584	5,888,549	3,925,767	64,625,366
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	3,047,537	(151,161)	121,954	2,774,422
Primary Care Capital Fund Loans	10 to 20	3%	4,744,752	600,000	517,235	4,827,517
Water Projects Fund Loan Grants	10 to 20	0%	8,718,815	6,344,453	1,209,971	13,853,297
Smart Money Participation Loans	3 to 20	2% to 5%.	3,447,322	-	64,888	3,382,434
Behavioral Health Care Loan	15	3%	270,042	-	33,255	236,787
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	508,792	-	35,234	473,558
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	169,000	-	30,000	139,000
Child Care Revolving Loans	8	3%	37,760	-	5,808	31,952
			1,226,975,696	322,725,821	231,087,270	1,318,614,247
Less allowance for loan losses			(4,591,406)	-	(1,503,986)	(3,087,420)
Totals			$ 1,222,384,290	$ 322,725,821	$ 229,583,284	$ 1,315,526,827

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2012.

	Principal	Interest	Total
Fiscal year ending June 30			
2013	$ 92,368,167	$ 46,041,506	$ 138,409,673
2014	97,012,293	43,731,057	140,743,350
2015	95,624,450	41,133,817	136,758,267
2016	94,547,221	38,313,665	132,860,886
2017	80,234,524	35,488,507	115,723,031
2018 – 2022	78,929,329	32,952,435	111,881,764
2023 – 2027	360,845,660	124,616,967	485,462,627
2028 – 2032	237,800,985	64,029,816	301,830,801
2033 – 2037	125,056,710	25,650,888	150,707,598
2038 – 2041	56,194,908	5,499,832	61,694,740
Subtotals	1,318,614,247	$ 457,458,490	$ 1,776,072,737
Less allowance for loan losses	(3,087,420)		
Loans receivable net	$ 1,315,526,827		

5) 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.

Intergovernmental receivables activity during the year ended June 30, 2012, was as follows:

State Entity	Revenue Pledge	Rates	Maturity	2011	Payments	2012	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	$ 44,770,000	$ 2,285,000	$ 42,485,000	$ 2,400,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,630,000	-	23,630,000	65,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	45,970,000	780,000	45,190,000	185,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.00%	4/1/2019	15,055,000	2,190,000	12,865,000	2,040,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	6,151,240	774,729	5,365,805	776,962
Worker's Compensation Administration	Worker's Compensation administrative fee	5.35% to 5.60%	9/1/2016	1,830,000	1,830,000	-	-
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	3,405,000	760,000	2,645,000	820,000
			Totals	$ 140,811,240	$ 8,619,729	$ 132,180,805	$ 6,286,962

The following is a summary of scheduled payments to be collected on the receivables from state entities as of June 30, 2012:

	Principal	Interest	Total
Fiscal year ending June 30			
2013	$ 6,286,962	$ 6,471,084	$ 12,758,046
2014	7,766,334	6,127,630	13,893,964
2015	7,341,438	5,773,494	13,114,932
2016	6,884,184	5,424,462	12,308,646
2017	7,103,814	5,097,956	12,201,770
2018 – 2022	39,208,779	20,146,297	59,355,076
2023 – 2027	32,190,000	10,033,138	42,223,138
2028 – 2032	12,695,000	5,134,250	17,829,250
2033 – 2037	12,704,294	1,629,000	14,333,294
Intergovernmental receivables	$ 132,180,805	$ 65,837,311	$ 198,018,116

6) Capital Assets

A summary of changes in capital assets follows:

	Balance at June 30, 2011	Increases	Decreases	**Balance at June 30, 2012**
Depreciable assets				
Furniture and fixtures	$ 227,468	$ -	$ 198,803	**$ 28,665**
Computer hardware and software	835,050	198,897	451,759	**582,188**
Equipment	49,117	-	49,117	**-**
Leasehold improvement	48,490	-	40,249	**8,241**
	1,160,125	198,897	739,928	**619,094**
Accumulated depreciation				
Furniture and fixtures	(208,358)	(9,611)	198,803	**(19,166)**
Computer hardware and software	(666,749)	(137,108)	451,759	**(352,098)**
Equipment	(49,117)	-	49,117	**-**
Leasehold improvement	(48,490)	-	40,249	**(8,241)**
	(972,714)	(146,719)	739,928	**(379,505)**
Net capital assets	$ 187,411	$ 52,178	$ -	**$ 239,589**

Depreciation expense for the fiscal year was $146,719.

7) 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 Court Facilities Fees, Cigarette Excise Tax, State Gross Receipts Tax, Workers' Compensation Fees and Income from Land Grant Permanent Fund.

Bonds payable consist of the following at June 30, 2012:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt				
2002 A	4.400% to 5.000%	June 1, 2012 to June 1, 2023	$ 55,610,000	$ 6,170,000
2003 A	3.550% to 4.750%	June 1, 2012 to June 1, 2032	39,945,000	1,063,000
2003 B	3.500% to 5.000%	June 1, 2012 to June 1, 2021	25,370,000	10,020,000
2004 A-1	3.050% to 4.625%	June 1, 2012 to June 1, 2031	28,410,000	1,390,000
2004 A-2	4.625% to 5.875%	June 1, 2012 to June 1, 2027	14,990,000	-
2004 B-1	4.250% to 5.500%	June 1, 2012 to June 1, 2033	48,135,000	24,590,000
2004 B-2	5.630% to 6.010%	June 1, 2012 to June 1, 2018	1,405,000	735,000
2004 C	3.500% to 5.250%	June 1, 2012 to June 1, 2024	168,890,000	105,575,000
2005 A	3.750% to 5.000%	June 1, 2012 to June 1, 2025	19,015,000	9,510,000
2005 B	3.500% to 4.500%	June 1, 2012 to June 1, 2020	13,500,000	6,025,000
2006 B	4.250% to 5.000%	June 1, 2012 to June 1, 2036	38,260,000	29,955,000
2006 D	4.250% to 5.000%	June 1, 2012 to June 1, 2036	56,400,000	48,000,000
2007 E	4.250% to 5.000%	June 1, 2012 to June 1, 2032	61,945,000	45,765,000
2008 A	3.000% to 5.000%	June 1, 2012 to June 1, 2038	158,965,000	139,635,000
2008 B	4.000% to 5.250%	June 1, 2012 to June 1, 2035	36,545,000	29,145,000
2008 C	4.250% to 6.000%	June 1, 2012 to June 1, 2033	29,130,000	24,520,000
2009 A	2.250% to 5.000%	June 1, 2012 to June 1, 2038	18,435,000	15,990,000
2009 B	2.750% to 5.500%	June 1, 2012 to June 1, 2039	30,225,000	-
2009 C	2.500% to 5.250%	June 1, 2012 to June 1, 2029	55,810,000	49,915,000
2009 D-1	3.000% to 4.500%	June 1, 2012 to June 1, 2030	13,570,000	11,395,000
2009 D-2	2.320% to 6.070%	June 1, 2012 to June 1, 2036	38,845,000	37,600,000
2009 E	3.000% to 4.500%	June 1, 2012 to June 1, 2019	35,155,000	26,265,000
2010 A-1	3.000% to 4.500%	June 1, 2012 to June 1, 2034	13,795,000	10,795,000
2010 A-2	3.777% to 6.406%	June 1, 2016 to June 1, 2039	15,170,000	13,795,000
2010 B-1	2.000% to 5.000%	June 1, 2012 to June 1, 2035	38,610,000	34,265,000
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2016	17,600,000	17,600,000
2011 A	2.236% to 6.230%	June 1, 2013 to June 1, 2036	15,375,000	12,485,000
2011 B-1	2.000% to 4.000%	June 1, 2013 to June 1, 2031	42,735,000	39,720,000
2011 B-2	2.000% to 4.950%	June 1, 2013 to June 1, 2031	14,545,000	13,755,000
2011 C	3.000% to 5.000%	June 1, 2013 to June 1, 2036	53,400,000	52,055,000
2012 A	1.500% to 5.500%	June 1, 2012 to June 1, 2038	24,340,000	24,340,000
			1,224,125,000	842,073,000
Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt				
2005 C	3.625% to 5.000%	June 15, 2011 to June 15, 2025	50,395,000	42,485,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	4.000% to 5.000%	June 15, 2011 to June 15, 2025	21,950,000	18,315,000
2006 A	4.000% to 5.000%	June 15, 2011 to June 15, 2035	49,545,000	45,230,000
2006 C	4.000% to 5.000%	June 15, 2011 to June 15, 2026	39,860,000	31,185,000
2007 A	4.000% to 5.000%	June 15, 2011 to June 15, 2027	34,010,000	23,270,000
2007 B	4.250% to 5.000%	June 15, 2011 to June 15, 2034	38,475,000	27,970,000
2007 C	4.250% to 5.250%	June 15, 2011 to June 15, 2027	131,860,000	110,915,000
			389,725,000	323,000,000
		Subtotal - PPRF Bonds	1,613,850,000	1,165,073,000
Pooled Equipment Certificates of Participants				
1995 A	6.30%	October 1, 2015	4,288,000	107,000
1996 A	5.80%	April 1, 2016	1,458,000	32,000
			5,746,000	139,000
State Capitol Building Improvement Revenue Bonds				
1996	5.50% to 5.60%	Sept. 1, 2011 to Sept. 1, 2016	4,310,000	-
State Capitol Building Improvement Revenue Bonds				
1999	7.00%	Sept. 15, 2011 to Mar. 15, 2015	9,315,000	2,645,000
Cigarette Tax Revenue Bonds - UNM Health Sciences Center Project				
2004A	4.0% to 5.0%	April 1, 2012 to April 1, 2019	39,035,000	12,865,000
Cigarette Tax Revenue Bonds - Behavioral Health Projects				
2006	5.51%	May 1, 2012 to May 1, 2026	2,500,000	1,750,000
Total bonds outstanding			$ 1,674,756,000	1,182,472,000
Add net unamortized premium				36,052,300
Less deferred charge on refunding				(1,406,001)
Total bonds payable, net				1,217,118,299
Less current portion of bonds payable				(81,431,000)
Noncurrent portion of bonds payable				$ 1,135,687,299

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30			
2013	$ 81,431,000	$ 55,901,809	$ 137,332,809
2014	81,360,000	52,398,982	133,758,982
2015	82,065,000	48,922,441	130,987,441
2016	81,329,000	45,240,990	126,569,990
2017	73,107,000	41,609,329	114,716,329
2018 – 2022	348,810,000	156,575,352	505,385,352
2023 – 2027	249,485,000	79,753,538	329,238,538
2028 – 2032	115,410,000	33,993,513	149,403,513
2033 – 2037	66,955,000	8,945,311	75,900,311
2038 – 2041	2,520,000	123,565	2,643,565
	1,182,472,000	$ 523,464,830	$ 1,705,936,830
Add unamortized premium	36,052,300		
Less deferred charge on refunding	(1,406,001)		
Bonds payable, net	$ 1,217,118,299		

The bonds payable activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$ 1,187,265,000	$ 135,020,000	$ (139,813,000)	$ 1,182,472,000	$ 81,431,000
Add unamortized premium	37,290,456	1,163,605	(2,401,761)	36,052,300	-
Less deferred charge on refunding	(1,513,414)	-	107,413	(1,406,001)	-
	$ 1,223,042,042	$ 136,183,605	$ (142,107,348)	$ 1,217,118,299	$ 81,431,000

8) Advanced Loan Payments

Advanced loan payments 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 borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. The balance of advanced loan payments was $70,884,890 at June 30, 2012.

9) 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 $50,000,000. 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 70% of U.S. dollar monthly LIBOR plus 75 basis points. The LIBOR rate at June 30, 2012, was .246. The Authority pays a 15 basis point fee on the unused portion of the facility. No balances were outstanding under the line of credit at June 30, 2012.

10) Operating Lease Commitment

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are classified as operating leases. Lease expenditures for the year ended June 30, 2012, were $398,230. Future minimum lease payments are as follows:

Fiscal year ending June 30	
2013	$ 401,489
2014	400,891
2015	394,314
2016	276,906
2017	246,000
Total	$ 1,719,600

11) 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 $634,842 for the year ended June 30, 2012. 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. This plan was not active in fiscal year 2012 thus no contributions were made.

12) Compensated Absences

The following changes occurred in the liability for compensated absences:

Balance at June 30, 2011	$	295,994
Additions		156,000
Deletions		(175,000)
Balance at June 30, 2012	$	276,994
Due within one year	$	276,994

13) 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). Approximately $1.6 billion of such bonds are outstanding at June 30, 2012.

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; therefore, 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.

14) Contingencies

Litigation
In the normal course of operations, the Authority is involved in certain litigation and arbitration proceedings involving former employee complaints and subcontractor claims. Management and legal counsel believe the outcomes will not have a materially adverse impact on the financial position of the Authority.

Loan Prepayment and Bond Call Provisions

Certain loans included in loans receivable contain provisions that allow for prepayment of the loan after one year whereas the related bonds used to fund the loans cannot be called for up to 10 years. In the event of a loan prepayment prior to the tenth year, the Authority's bond indentures require the substitution of a loan with similar cash flow characteristics or the defeasance of the related bond.

If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. The variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately $593 million and the related bonds total approximately $473 million at June 30, 2012. During FY 2011, loans totaling $111.2 million exercised this call provision and $40.7 million exercised the option during fiscal year 2012.

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 commercial insurance to cover losses to which it may be exposed related to their leased office space.

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 Transactions

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 New Mexico Department of Finance and Administration and the Secretary of the New Mexico Department of Energy, Minerals and Natural Resources) are members of the Authority's board of directors.

16) Finance New Mexico LLC

The Authority has invested in, and is the managing member of, Finance New Mexico, LLC (FNMLLC) which was formed on June 19, 2006, under the laws of the State of New Mexico. FNMLLC is an approved Community Development Entity (CDE) that holds New Market Tax Credits (NMTC) allocation authority to be used for investment in Qualified Active Low-Income Community Businesses (QALICB) pursuant to Section 45D of the Internal Revenue Code (IRC).

The principal business objective of FNMLLC is to provide nontraditional investment capital to underserved markets and enhance the return on such investments by providing its members with Federal tax credits. In general, under Section 45D of the Internal Revenue Code, a qualified investor in a CDE can receive tax credits to be used to reduce Federal taxes.

In accordance with the operating agreement, profits, losses and cash flows of NMFLLC are allocated 99% to the New Mexico Finance Authority, the managing member and 1% to New Mexico Community Capital, the nonmanaging member.

The Authority's interest in NMFLLC is accounted for using the equity method of accounting. Under the equity method, the initial investment is recorded at cost and is subsequently increased or decreased by its share of earnings and decreased by its share of losses and distributions.

The financial statements of FNMLLC are presented using the FASB financial reporting framework. Condensed financial information is as follows:

Balance Sheet
June 30, 2012

Assets	
Cash	$ 1,333,408
Due from affiliates	401,937
Investment in limited liability companies	9,545
Total assets	$ 1,744,890
Liabilities	
Accounts payable	$ 88,067
Due to affiliate	1,224,422
Total liabilities	1,312,489
Equity	
Members equity	432,358
Noncontrolling interest	43
Total liabilities and equity	432,401
	$ 1,744,890
Operating Income	
Interest income	$ 586
Sponsor fee income	1,530,000
Management fee income	250,429
Total operating income	1,781,015
Operating Expense	
Sponsor fee expense	1,404,731
Management fee expense	85,854
Gross receipt tax	136,859
Bad debt expense	39,008
Administrative expense	514
Total operating expenses	1,666,966
Net operating income	114,049
Nonoperating Expenses	
Share of income from investment in limited liability companies	(422)
Net income	113,627
Less net income attributable to noncontrolling interest	(11)
Net income attributable to controlling interest	$ 113,616

Statement of Operations
For the Year Ended June 30, 2012

Operating Income	
Interest income	$ 586
Sponsor fee income	1,530,000
Management fee income	250,429
Total operating income	1,781,015
Operating Expense	
Sponsor fee expense	1,404,731
Management fee expense	85,854
Gross receipt tax	136,859
Bad debt expense	39,008
Administrative expense	514
Total operating expenses	1,666,966
Net operating income	114,049
Nonoperating Expenses	
Share of income from investment in limited liability companies	(422)
Net income	113,627
Less net income attributable to noncontrolling interest	(11)
Net income attributable to controlling interest	$ 113,616

Statement of Members Equity
For the Year Ended June 30, 2012

	Controlling Interest	Noncontrolling Interest	Total Equity
Balance, June 30, 2011	$ 318,742	$ 32	$ 318,774
Net income	113,616	11	113,627
Balance, June 30, 2012	$ 432,358	$ 43	$ 432,401

17) Subsequent Events

In 2012, the Authority underwent a special investigation and audit directed by its oversight agents and the Office of the New Mexico State Auditor. Results of the investigations indicated several areas of concern resulting in the adoption of a protocol severely impacting loan capacity for the fiscal year 2013 by placing a $5 million limit on Public Project Revolving Fund loans. The external audit report for fiscal year 2011, dated February 5, 2013, reflected findings consistent with the special audit and investigations.

Immediately following the approval of the fiscal year 2011 audit report by the Office of the State Auditor, the protocol limiting new loans was lifted. The Authority will however report a substantial decrease in loan and related activity for fiscal year 2013.

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 2013B Bonds, copies of the Indenture will be available at the principal office of the Financial Advisor. Subsequent to the offering of the Series 2013B 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.

"Annual Common Debt Service Reserve Deposit Amount" means the lesser of (a) the positive difference, if any, between the Required Common Debt Service Reserve Funding Level and the amount then on deposit in the Common Debt Service Reserve (and if there is no positive difference, then the amount under this clause (a) shall be deemed to be zero), and (b) twenty-five percent (25%) of the remaining NMFA Portion of the Governmental Gross Receipts Tax for a given Bond Fund Year that was distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture, through the process described in the Indenture.

"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 Series 2013B Bonds, $5,000 or any integral multiple thereof and means, with respect to the Loans that are subject to the Eighty-Fifth Supplemental Indenture, $1 or any integral multiple thereof.

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

"Beneficial Owner" means, while DTC or its nominee is the registered owner of the Series 2013B Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on Series 2013B Bonds and otherwise exercise ownership rights with respect to Series 2013B 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" shall, with respect to each Series of Bonds, have the meaning set forth in the related Supplemental Indenture.

"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 2013B Bonds.

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

"Common Debt Service Reserve Fund" means the fund by that name which is created and established by the Indenture.

"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 2013B 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 Fund and the Accounts created in therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, the Bond Fund, and the Common Debt Service Reserve 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 2013B Bonds, each June 1 and December 1, commencing June 1, 2014.

"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.

"Maximum Debt Service Year" means the Bond Fund Year in which the aggregate annual Principal Component and Interest Component due in relation to all Loans is at its greatest, less any reserves, sinking fund redemption deposits or other funds deposited with the Trustee to the extent such reserves, sinking fund redemption deposits or funds may be used as a matter of right for such payments (as opposed to other reserves that are available for the payment of debt service solely in the event of non-performance of a party), for the payment of the Principal Component and Interest Component due, provided, however, amounts within the Agreement Reserve Fund shall in no event be accounted for in any calculation of the Maximum Debt Service Year.

"NMFA" means the New Mexico Finance Authority.

"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 2013B 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 2013B Bonds as Securities Depository.

"Paying Agent," when used with respect to the Series 2013B Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2013B 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 Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund, the Rebate Fund, and the Common Debt Service Reserve 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) U.S. 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(f)(2) of the Code and defined as "Rebate Amount"

in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 2013B 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.

"Required Common Debt Service Reserve Funding Level" means an amount (unless amended pursuant to the provisions of this definition of Required Common Debt Service Reserve Funding Level), rounded up to the nearest thousand dollars, equal to the sum of:

(i) 0% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans secured by revenue pledges classified by the NMFA as fire protection fund, law enforcement protection fund, governmental gross receipts tax, or state gross receipts tax (collectively, "Risk Group One");

(ii) 20% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as general obligation, limited mill levy (limited general obligation), or gross receipts tax (other than governmental gross receipts tax, or state gross receipts tax) (collectively, "Risk Group Two");

(iii) 35% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as enterprise system revenues, special assessments or a local special tax such as a lodgers' tax, cigarette tax, gasoline tax, special fuel excise tax, pari-mutuel tax, or court facilities fees (collectively, "Risk Group Three," and together with Risk Group One and Risk Group Two, "Risk Groups").

Pursuant to the following provisions, the NMFA may revise the method of calculating the Required Common Debt Service Reserve Funding Level. The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, add or revise revenue pledge categories in addition to those included above. New revenue pledge categories either may be included in one of the three Risk Groups identified above or included in a new Risk Group established using a different Risk Group calculation percentage (a "Factor"). The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, adjust the funding percentages of the Risk Group Factors, adjust the Risk Group in which a revenue pledge is categorized and add or revise revenue pledge categories within Risk Groups as to any future Bond issuances. As to any Bonds outstanding at the time a supplemental indenture as described above is entered into, the Risk Groups and Risk Group Factors as they existed prior to the supplemental indenture shall continue to be applied to such Bonds. In the event of any adjustment pursuant to a supplemental indenture whereby the Required Common Debt Service Reserve Level is decreased over time below the amount that is currently on deposit in the Common Debt Service Reserve Fund, then as provided in the Indenture, the excess amount shall remain on deposit in the Common Debt Service Reserve Fund unless used for shortfalls in any Governmental Unit's Account of the Debt Service Fund, or to redeem or defease Bonds. The NMFA's and the Trustee's ability to enter into supplemental indentures for the foregoing purposes without the consent of the Owners is an integral term and condition of subjecting the Common Debt Service Reserve Fund to the Indenture, and the Trustee is authorized to execute any such supplemental indentures, and the provisions of Article XIII of the Indenture shall not apply to such supplemental indentures as long as such supplemental indentures comply with the terms of this definition of "Required Common Debt Service Reserve Funding Level." In conjunction with executing such supplemental

indentures, the Trustee shall not be required to make any determination as to whether such a supplemental indenture is materially adverse to the interests of the Owners or any other party; whether such a supplemental indenture otherwise is permitted pursuant to Article XIII of the Indenture; or any other determination.

"Revenue Fund" means the Governmental Gross Receipts Tax, Additional Pledged Loan Revenue 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, (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), and (v) all 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).

"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 2013B 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 2013B Bonds" means the New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2013B.

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

"Subordinated Indenture" means that certain Subordinated General Indenture of Trust and Pledge between the NMFA and BOKF, NA, dba Bank of Albuquerque, Albuquerque, New Mexico, dated as of March 1, 2005, and all supplemental indentures supplementing or amending such Subordinated Indenture.

"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 BOKF, NA, dba Bank of Albuquerque, Albuquerque, New Mexico, and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor Trustee under the Indenture.

THE INDENTURE

Registration and Exchange of Bonds

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

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

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

Nonpresentment of Bonds

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

Covenants of the NMFA

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

Covenant Against Creating or Permitting Liens. Except for the pledge of the Trust Estate to secure payment of the Bonds, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that (i) nothing contained in the Indenture will prevent the NMFA from issuing, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinated to that of the Bonds and (ii) Revenues constituting NMFA Portion of the Governmental Gross Receipts Tax and payments of Additional Pledged Loans not needed for payments under the Indenture in any Bond Year may be released to the NMFA free and clear of the lien as provided in the Indenture.

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

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

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

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

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

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

Deposit and Advance of Funds

The NMFA and the Trustee will deposit the proceeds of the Bonds to the Accounts created under the Indenture and will make the advances of funds thereunder to fund the Program and the NMFA will enter into the Loan Agreements and Grant Agreements with the Governmental Units and purchase and receive the Securities and Security Documents from the Governmental Units on the terms and conditions and upon submission of the documents as provided in the Indenture.

Loan Agreement and Securities - Loan Payments

The Loan Payments will be governed by the following provisions:

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

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

(c) Agreement Payment. Each Loan Agreement and Security will provide that the related Governmental Unit will pay Loan Payments directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee (less a portion of the interest rate, if any, retained by the NMFA in lieu of an upfront payment as an administrative fee for the payment of Program Costs. The administrative fee is calculated as .015% of the loan amount, capped at $75,000, or the NPV equivalent of .015% if the administrative fee is included in the interest rate) 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 Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

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

(e) an Expense Fund;

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

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

(h) a Common Debt Service Reserve Fund.

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

Flow of Funds

All Funds 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, except that Accounts may be consolidated within one or more special trust accounts within funds. Any amount deposited pursuant to a consolidation shall remain traceable and sufficiently distinguishable in relation to each Agreement and Governmental Unit to permit any applicable arbitrage, yield restriction or similar calculations to be made. 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 or in a single disbursement for the purpose of funding a Governmental Unit's capital projects account to the extent permitted by the Indenture, and upon acknowledgment of the Governmental Units of its obligation to comply with the provisions of the Indenture. 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." The following paragraphs supplement that discussion.

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 (a) any excess attributable to earnings on funds and accounts for the Governmental Unit will be returned to the Governmental Unit or will be credited to the Loan Payments next coming due under the Governmental Unit's related Loan Agreement, Grant Agreement or Securities; and (b) any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the relevant Outstanding Series of 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.

Common Debt Service Reserve Fund

Pursuant to a Supplemental Indenture, the NMFA has established the Common Debt Service Reserve Fund, which is currently funded in the amount of $30,214,317 (as of September 1, 2013). The NMFA will determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The NMFA will deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the NMFA of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture. The disbursement of the NMFA Portion of the Governmental Gross Receipts Tax becomes available to the NMFA pursuant to the following process: (i) at the end of each Bond Fund Year, amounts remaining in the Revenue Fund are disbursed to the NMFA pursuant to the Indenture, (ii) pursuant to the Subordinated Indenture, the NMFA is obligated to transfer such amounts to the trustee under the Subordinated Indenture on June 1 of each year, (iii) the trustee under the Subordinated Indenture applies such amounts as required under the Subordinated Indenture, and (iv) the trustee under the Subordinated Indenture transfers the remaining balance of the revenue fund under the Subordinated Indenture to the NMFA on June 16 of each year.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit will be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the NMFA, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the NMFA has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the NMFA will not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount will be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee will transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

If all of the following are true: (i) amounts in the Common Debt Service Reserve Fund have been disbursed to pay Principal Component or and Interest Component due under a Loan Agreement or in relation to Securities, (ii) at a Bond Fund Year end following such disbursement, a portion of the Annual Common Debt Service Reserve Deposit Amount that was funded into the Common Debt Service Reserve Fund was attributable to disbursements that should have been restored by a Governmental Unit prior to such Bond Fund Year end (a "CDSR Restorative Funding"), (iii) the relevant Governmental Unit later came into compliance as to certain delinquent payments that had been covered by Common Debt Service Reserve Fund disbursements (a "CDSR Compliance Restoration"), and (iv) the amount in the Common Debt Service Reserve Fund exceeds the Required Common Debt Service Reserve Funding Level; then no more frequently than every three months, the Trustee, upon the written request of the NMFA (which written request will also certify that the foregoing conditions have been satisfied) will disburse to the NMFA the amount by which aggregate CDSR Compliance Restoration amounts exceed the aggregate CDSR Restorative Funding amounts.

If no Bonds remain outstanding (or all Bonds have been defeased), then upon the request of the NMFA, any amount remaining in the Common Debt Service Reserve Fund will be disbursed by the Trustee to the NMFA, and the disbursed amounts may be used by the NMFA for any purpose described in the Indenture.

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, the Bond Fund or the Common Debt Service Reserve 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 Finance Authority payable solely from the Trust Estate. THE FINANCE AUTHORITY HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2013B Bonds do not constitute or give rise to a personal liability on the part of the directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority 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 Finance Authority has not verified and does not guarantee the accuracy of any such information.

Generally

he State, admitted as the forty-seventh state on January 6, 1912, is the fifth largest state, containing approximately 121,593 square miles. The current population of the State is 2,082,224. The State has a semiarid subtropical climate with light precipitation. Its 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 30 to 60 percent. 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).

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. These officials are elected to four-year terms beginning 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 22 departments, each headed by a cabinet secretary appointed by the Governor and approved by the Legislature, and approximately 9 cabinet-level agencies. Elections for all Executive Branch offices were held on November 6, 2012.

The State Board of Finance has seven voting members consisting of the Governor, the Lieutenant Governor, the State Treasurer, and four members appointed by the Governor with the advice and consent of the Senate. No more than two appointed members may be from the same political party. The Department of Finance and Administration ("DFA") Secretary serves as the Executive Officer of the Board and is a non-voting Board member. The Board, in addition to other powers and duties provided by law, has general supervisory authority over the fiscal affairs of the State and over the safekeeping and depositing of all money and securities belonging to, or in the custody of, the State. The Governor serves as the President of the Board.

The DFA is the principal financial organization of State government and performs through its divisions the duties and functions relating to State and local government financing and general administration. The executive and administrative head of the DFA is the Secretary, who is appointed by the Governor with the advice and consent of the Senate. The State Board of Finance is a division of the DFA. The Director of the Board is appointed by the Secretary with the approval of the Board.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected for four-year terms and members of the House are elected 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 60 calendar days in odd-numbered years and 30 calendar days in even-numbered years. Special sessions of the Legislature may be convened by the Governor. Extraordinary sessions may be convened by the Legislature under certain limited circumstances. Legislators do not receive any 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 Courts are the trial courts 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 2012 estimate of the United States Census was 2,085,538. From 2000 to 2010, the State's population grew 13.2 percent, while the national population grew 9.7 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 Bernalillo, Doña Ana, McKinley, Sandoval, and Otero. The following table sets forth information on population growth in New Mexico and nationally.

POPULATION
NEW MEXICO AND THE UNITED STATES
2002-2012

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2002	1,849,187	287,745,630	1.1%	0.9%
2003	1,868,121	290,242,027	1.0	0.9
2004	1,890,215	292,936,109	1.2	0.9
2005	1,914,699	295,618,454	1.3	0.9
2006	1,940,631	298,431,771	1.4	1.0
2007	1,966,357	301,393,632	1.3	1.0
2008	1,984,179	304,177,401	0.9	0.9
2009	2,007,315	306,656,290	1.2	0.8
2010 (est.)	2,059,179	308,747,508	2.6	0.7
2011 (est.)	2,078,674	311,587,816	0.9	0.9
2012 (est.)	2,085,538	313,914,040	0.3	0.7

(Source: Source: U.S. Census Bureau, Population Division. Last Revised: January 2013.)

Major industries in the State include oil and natural gas production, manufacturing, service, 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 of 2002 through 2011.

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TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Growth 2010-2011	Growth 2002-2011
Total employment	979,946	999,286	1,023,303	1,046,746	1,076,098	1,100,589	1,103,123	1,070,984	1,060,446	1,065,886	0.5%	8.8%
Wage and salary employment	800,588	812,914	829,861	845,127	868,119	878,205	881,348	848,392	840,219	840,690	0.1%	5.0%
Proprietors employment	179,358	186,372	193,442	201,619	207,979	222,384	221,775	222,592	220,227	225,196	2.3%	25.6%
Farm proprietors employment	14,530	16,045	15,632	15,588	15,255	18,193	17,745	17,581	18,664	19,797	6.1%	36.2%
Nonfarm proprietors employment	164,828	170,327	177,810	186,031	192,724	204,191	204,030	205,011	201,563	205,399	1.9%	26.2%
Farm employment	20,845	22,838	22,619	23,262	22,829	25,804	24,416	24,549	25,307	26,300	3.9%	26.2%
Nonfarm employment	959,101	976,448	1,000,684	1,023,484	1,053,269	1,074,785	1,078,707	1,046,435	1,035,139	1,039,586	0.4%	8.4%
Private employment	750,194	762,831	783,120	804,832	838,993	864,918	865,478	830,307	817,883	825,756	1.0%	10.1%
Forestry, fishing, related activities, and other[1]	5,096	4,979	5,181	5,239	5,136	5,164	5,332	5,131	5,238	5,360	2.3%	5.2%
Mining[2]	17,957	18,576	19,245	21,171	23,726	25,165	28,359	24,470	27,133	31,092	14.5%	73.1%
Utilities	4,078	4,114	4,040	4,075	4,121	4,418	4,570	4,805	4,576	4,537	-0.9%	11.3%
Construction[3]	61,864	64,135	68,382	73,978	79,826	80,568	77,969	67,210	61,864	59,668	-3.6%	-3.6%
Manufacturing	43,908	41,544	40,542	41,106	42,710	42,753	40,600	36,358	34,626	35,419	2.3%	-19.3%
Durable goods manufacturing[4]	30,838	28,715	27,857	28,451	29,821	29,719	27,979	24,358	23,065	23,471	1.8%	-23.9%
Nondurable goods manufacturing[5]	13,070	12,829	12,685	12,655	12,889	13,034	12,621	12,000	11,561	11,948	3.4%	-8.6%
Wholesale trade	27,232	26,633	27,285	28,377	29,288	29,951	28,705	26,657	26,916	26,030	-3.3%	-4.4%
Retail trade[6]	111,167	112,445	114,169	116,097	116,750	118,998	118,176	114,066	111,136	111,191	0.1%	0.1%
Transportation and warehousing[7]	24,229	24,158	24,961	25,321	25,953	27,312	26,672	24,317	23,741	24,468	3.1%	1.0%
Information[8]	18,578	17,927	17,163	17,299	18,445	18,648	18,749	17,313	17,051	16,181	-5.1%	-12.9%
Finance and insurance[9]	31,251	31,544	31,769	32,039	32,172	33,357	34,809	36,160	34,699	35,218	1.5%	12.7%
Real estate and rental and leasing[10]	30,229	31,922	34,715	38,209	40,313	42,406	41,858	40,019	40,073	40,596	1.3%	35.2%
Professional and technical services	59,834	62,534	65,461	66,337	73,827	81,546	81,578	80,716	78,627	78,570	-0.1%	34.3%
Management of companies and enterprises	6,129	5,440	5,354	6,354	6,425	6,076	5,912	5,571	5,392	5,497	2.0%	-10.3%
Administrative and waste services[11]	54,229	53,292	54,598	55,224	58,489	60,429	60,315	55,858	54,559	55,609	1.9%	2.5%
Educational services	12,765	13,932	14,888	15,384	15,919	15,767	15,986	16,152	16,749	17,580	5.0%	37.7%
Health care and social assistance[12]	94,469	99,899	103,691	105,151	108,016	111,935	114,850	118,184	119,722	121,828	1.8%	29.0%
Arts, entertainment and recreation[13]	19,994	20,376	20,987	21,463	21,795	22,952	23,311	23,251	23,049	23,311	1.1%	25.6%
Accommodation and food services[14]	77,972	79,682	80,465	81,343	84,403	85,141	84,022	81,722	81,659	82,471	1.0%	16.6%
Other services, except public administration[15]	49,213	49,699	50,224	50,665	51,679	53,332	53,705	52,347	51,073	51,130	0.1%	3.9%
Government and government enterprises[16]	208,907	213,617	217,564	218,652	214,276	209,867	213,229	216,128	217,256	213,830	-1.6%	2.4%

(1) The "Forestry, fishing, related activities, and other" category includes: forestry and logging; fishing, hunting and trapping; agriculture and 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 goods 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; and
(16) The "Government and government enterprises" category includes: federal, civilian; military; state and local; and state government and local government.
(Source: Regional Economic Information System, Bureau of Economic Analysis, January 2013.)

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
2002-2011

	Civilian Labor Force (Thousands)		Number of Employed (Thousands)		Unemployment Rate		
Year	New Mexico[1]	United States[1]	New Mexico[1]	United States[1]	New Mexico[1]	United States[1]	N.M. as % of U.S. Rate
2002	872	145,066	823	136,426	5.5%	6.0%	92%
2003	888	146,729	836	138,441	5.9	5.7	104
2004	902	148,059	850	140,125	5.8	5.4	107
2005	913	150,030	866	142,752	5.2	4.9	106
2006	925	152,732	887	145,970	4.1	4.4	93
2007	934	153,936	902	146,272	3.4	5.0	68
2008	952	154,669	910	143,324	4.5	7.3	62
2009	942	153,172	876	137,960	7.0	9.9	71
2010	956	153,690	874	139,206	8.6	9.4	91
2011	927	153,887	863	140,790	7.0	8.9	79

(1) Details may not add to total because of rounding. Figures rounded to nearest thousand.
(Source: Bureau of Business and Economic Research, University of New Mexico; last revised January 2013.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2002-2011

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2002	$46,340,515	$9,054,702,000	2.2%	2.0%
2003	48,139,404	9,369,072,000	3.9	3.5
2004	51,578,691	9,928,790,000	7.1	6.0
2005	55,341,826	10,476,669,000	7.3	5.5
2006	59,274,367	11,256,516,000	7.1	7.4
2007	63,043,607	11,899,853,000	6.4	5.7
2008	66,724,334	12,379,745,000	5.8	4.0
2009	65,585,583	11,852,715,000	-2.6	-4.8
2010	68,050,198	12,308,496,000	3.8	3.8
2011	71,073,183	12,949,905,000	4.4	5.2

(Source: U.S. Department of Commerce and Bureau of Business and Economic Research, University of New Mexico; last revised January 2013.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2002-2011

Year	Per Capita Income: New Mexico	Per Capita Income: United States	N.M. as a % of U.S.	Annual Percentage Change: New Mexico.	Annual Percentage Change: United States
2002	$25,048	$31,461	80%	1.0%	1.0%
2003	25,747	32,271	80	2.8	2.6
2004	27,264	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	32,022	39,458	81	4.9	4.7
2008	33,584	40,673	83	4.9	3.1
2009	32,200	38,637	83	-3.9	-5.6
2010	32,940	39,791	83	2.3	3.0
2011	34,133	41,560	82	3.6	4.4

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of Business and Economic Research, University of New Mexico; last revised January 2013.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
2000-2010

NAICS Earnings by Place of Work[(1)] Applicable to 2000-2010	New Mexico (Dollars in Thousands)		United States (Dollars in Millions)		Average Annual Percent Change 2000–2010		Distribution of 2010 Wages & Salaries	
	2010	2000	2010	2000	N.M.	U.S.	N.M.	U.S.
Farm Wage and Salary	$259,852	$175,927	$23,958	$16,974	47.7%	41.1%	0.8%	0.4%
Non-farm Wage and Salary	33,484,889	21,768,869	6,376,376	4,806,753	53.8	32.7	99.2	99.6
Private Wage and Salary	24,014,545	15,499,869	5,202,622	4,036,501	55.0	28.9	71.2	81.3
Forestry, Fishing, related activities, and other	61,309	48,710	13,095	9,881	25.9	32.5	0.2	0.2
Mining	1,387,603	655,321	58,698	29,596	74.4	98.3	4.1	0.9
Utilities	319,804	216,386	48,962	38,553	47.8	27.0	0.9	0.8
Construction	1,901,821	1,329,587	289,253	256,653	43.0	12.7	5.6	4.5
Manufacturing	1,557,409	1,608,961	674,177	744,469	6.8	5.6	4.6	10.5
Wholesale Trade	1,107,646	810,747	356,373	282,226	36.6	26.3	3.3	5.6
Retail Trade	2,378,805	1,859,564	402,405	345,355	27.9	16.5	7.0	6.3
Transportation and Warehousing	813,820	672,520	198,222	164,529	21.0	20.5	2.4	3.1
Information	620,037	528,684	205,165	213,363	17.3	6.2	1.8	3.2
Finance and Insurance	1,171,675	789,215	487,074	348,707	48.5	39.7	3.5	7.6
Real Estate and Rental and Leasing	344,010	241,608	89,609	67,824	42.4	32.1	1.0	1.4
Professional, Scientific, and Technical Services	3,844,579	1,875,284	593,609	404,183	50.1	46.9	11.4	9.3
Management of Companies and Enterprises	309,509	227,540	185,820	120,606	36.0	54.1	0.9	2.9
Administrative and Waste Services	1,380,887	883,242	257,471	189,320	56.3	36.0	4.1	4.0
Educational Services	323,596	185,864	118,483	62,931	74.1	88.3	1.0	1.9
Health Care and Social Assistance	3,990,102	1,955,118	730,408	413,244	40.8	76.7	11.8	11.4
Arts, Entertainment, and Recreation	194,489	136,637	71,072	47,977	42.3	48.1	0.6	1.1
Accommodations and Food Services	1,323,915	858,820	219,094	151,741	54.2	44.4	3.9	3.4
Other Services, Except Public Administration	983,529	633,074	203,632	145,543	55.4	39.9	2.9	3.2
Government and Government Enterprises	9,470,344	6,268,322	1,173,754	770,252	51.1	52.4	28.0	18.3
Total	$91,244,175	$59,229,869	$17,979,332	$13,667,181				

(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, September 22, 2011.)

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

BOKF, NA, dba Bank of Albuquerque
201 Third Street NW, Suite 1400
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2013B

We have acted as bond counsel in connection with the issuance by the New Mexico Finance Authority (the "Finance Authority" or the "NMFA") of its Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2013B in the aggregate principal amount of $16,360,000 (the "Series 2013B Bonds"). The Series 2013B Bonds are being issued for the purpose of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from certain governmental units (the "Governmental Units") that will be or were used to finance or refinance certain Projects for such Governmental Units (the "Loans"); and (ii) paying costs incurred in connection with the issuance of the Series 2013B Bonds.

The Finance Authority 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 2013B 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 an Eighty-Fifth Supplemental Indenture of Trust dated as of October 1, 2013 (together with the General Indenture, the "Indenture"), by and between the Finance Authority and BOKF, NA, dba Bank of Albuquerque, 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 Finance Authority, 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 Finance Authority 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 2013B Bonds.

2. The Indenture has been duly authorized, executed and delivered by the Finance Authority, is valid and binding upon the Finance Authority 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 2013B 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 2013B 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 Finance Authority, payable solely

from the Trust Estate and do not constitute a debt or liability of the State, the Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

4. The interest on the Series 2013B 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 2013B Bonds.

5. The interest on the Series 2013B 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 2013B 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 2013B Bonds or any other offering material relating to the Series 2013B 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 Finance Authority and the Financial Advisor believe to be reliable, but the Finance Authority and the Financial Advisor 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 2013B Bonds, payment of principal, premium, if any, interest on the Series 2013B Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2013B 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 2013B Bonds. The Series 2013B 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 2013B Bond certificate will be issued for each maturity of the Series 2013B 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 rating of AA+. 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.

Purchases of Series 2013B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013B 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 2013B 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 2013B Bonds, except in the event that use of the book-entry system for the Series 2013B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013B 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 2013B 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 2013B Bonds; DTC's records reflect only the identity of

the Direct Participants to whose accounts such Series 2013B 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 2013B 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 2013B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Finance Authority 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 2013B 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 2013B 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 Finance Authority 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 Finance Authority, 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 Finance Authority 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 2013B Bonds at any time by giving reasonable notice to the Finance Authority 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 Finance Authority 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 Finance Authority does not have responsibility for distributing such notices to the Beneficial Owners.

The Finance Authority 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 2013B Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2013B 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 2013B Bonds.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Finance Authority and the Financial Advisor believe to be reliable, but the Finance Authority and the Financial Advisor take no responsibility for the accuracy thereof.

APPENDIX F

2013B GOVERNMENTAL UNITS; LARGEST REPAYMENT OBLIGATIONS

2013B Governmental Units

As previously stated, a portion of the proceeds of the Series 2013B Bonds is being used to originate Loans to be made to the 2013B Governmental Units or to reimburse the Finance Authority, in whole or in part, for Loans made to 2013B Governmental Units. The 2013B 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 Socorro	$1,495,751	$80,132	5/1/2038
Taos County	181,361	-	5/1/2024
City of Jal	357,683	-	5/1/2024
Sandoval County	131,990	-	5/1/2023
Sandoval County	118,892	-	5/1/2023
City of Truth or Consequences	228,113	-	5/1/2024
Vaughn Municipal Schools	850,000	-	8/1/2025
Grant County	245,657	-	5/1/2020
Hagerman Municipal Schools	400,000	-	8/1/2023
Sierra County	161,210	-	5/1/2029
Otero County	201,500	-	5/1/2033
Otero County	226,688	-	5/1/2030
Chaves County	619,613	-	5/1/2033
Mesa Vista Consolidated School District	865,000	-	9/1/2020
Sandoval County	2,146,263	214,626	5/1/2018
Wagon Mound	226,701	-	5/1/2024
Grant County	157,678	-	5/1/2024
West Las Vegas School District	800,000	-	8/15/2025
City of Roswell	493,999	49,400	5/1/2016
Dexter Consolidated School District	425,000	-	8/1/2016
Dexter Consolidated School District	550,000	-	8/1/2017
Cuba Independent School District	605,000	-	8/1/2022
Sandoval County[2]	7,968,456	704,000	5/1/2026
Total	$19,456,555		

(1) The Finance Authority 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) This Loan is expected to be closed simultaneously with the issuance of the Series 2013B Bonds. The principal amount, the reserve amount and maturity date of the Loan may change due to market conditions.

(Source: The Finance Authority.)

Agreements Generating Largest Amount of Agreement Revenues

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

State of New Mexico General Services Department. The Finance Authority 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 $87,096,675 and are scheduled to mature on June 1, 2039.

New Mexico Spaceport Authority. The Finance Authority has previously issued a series of bonds and has applied certain Prepayments of Loans 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 Regional Spaceport District from gross receipts taxes imposed by Dona Aña and Sierra Counties which are pledged by the Regional Spaceport District and the Spaceport Authority to pay the Spaceport Authority Securities. The Spaceport Authority Securities are currently outstanding in the aggregate principal amount of $69,270,000 and are scheduled to mature on December 1, 2029.

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 Finance Authority totaling $171,815,000, the ABCWUA pledged to the Finance Authority, 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 Finance Authority 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 June 1, 2036. The current outstanding principal amount of the ABCWUA Loan Agreements is $118,775,000.

As stated previously, ABCWUA is planning to make prepayments of certain of the ABCWUA Loan Agreements. Assuming that such prepayments are made, there will be $57,770,000 of ABCWUA Loan Agreements that will remain following such prepayments.

City of Albuquerque – Enterprise Systems. The Finance Authority has entered into various obligations with the City of Albuquerque (the "Albuquerque Enterprise Obligations") in which enterprise system revenues of the City are used to secure the debt obligations. The proceeds of the Albuquerque Enterprise Obligations were used to finance various projects including the refinancing of approximately $49,855,000 in debt obligations issued to fund projects for improvement to the Albuquerque Airport. These obligations are payable from and secured by the net operating revenues of the Albuquerque Airport and have a current outstanding principal amount of $34,655,177. The last of the Albuquerque Enterprise Obligations is scheduled to mature on July 1, 2019.

City of Albuquerque – Gross Receipts Taxes. The Finance Authority has previously entered into various obligations with the City of Albuquerque (the "Albuquerque Gross Receipts Tax Obligations"). The Albuquerque Gross Receipts Tax Obligations were used to finance or refinance certain infrastructure projects in the City of Albuquerque. The Albuquerque Gross Receipts Tax Obligations have a current outstanding principal amount of $31,680,000 and are payable from and secured by certain gross receipt taxes. The last of the Albuquerque Gross Receipts Tax Obligations is scheduled to mature on July 1, 2028.

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NEW MEXICO FINANCE AUTHORITY • SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2013B

New Mexico FINANCE AUTHORITY

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Ratings: **S & P "AAA"**
Moody's "Aa1"
(See "RATINGS" herein.)

In the opinion of Sherman & Howard L.L.C., Bond Counsel to the Finance Authority, assuming continuous compliance with certain covenants described herein, interest on the Series 2014B Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Series 2014B Bonds (the "Tax Code"), and interest on the Series 2014B Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. Interest on the Series 2014B Bonds is exempt from taxation by the State of New Mexico, except for estate or gift taxes and taxes on transfers. See "TAX MATTERS."

New Mexico FINANCE AUTHORITY

$58,235,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS, SERIES 2014B

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 2014B (the "Series 2014B 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 2014B 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 2014B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2014B Bonds will be made in book-entry form only, and beneficial owners of the Series 2014B 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 2014B Bonds.

The Series 2014B Bonds will be issued under and secured by the General Indenture. Interest on the Series 2014B Bonds accrues from the date of initial delivery of the Series 2014B Bonds and is payable on June 1 and December 1 of each year, commencing December 1, 2014. Principal of the Series 2014B 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 2014B Bonds are subject to optional redemption prior to maturity.

Proceeds of the Series 2014B Bonds will be used by the Finance Authority for the purposes of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority 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 2014B Bonds. The principal of and premium, if any, and interest on the Series 2014B Bonds and additional bonds issued or to be issued are payable solely from and secured solely by the Trust Estate. The Finance Authority has issued or incurred and expects to issue or incur parity bonds and other obligations pursuant to the Indenture.

The Series 2014B Bonds are special limited obligations of the Finance Authority, payable, together with additional bonds issued or to be issued, solely from and secured solely by the Trust Estate. The Series 2014B Bonds will not constitute or create a general obligation or other indebtedness of the State of New Mexico, the Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. No provision of the Series 2014B Bonds will be construed or interpreted as a donation by or lending of the credit of the Finance Authority, the State or any Governmental Unit within the meaning of the Constitution of the State. THE FINANCE AUTHORITY HAS NO TAXING POWERS. The Series 2014B Bonds do not constitute or give rise to personal liability on the part of the members, directors or officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

The Series 2014B Bonds were sold pursuant to a competitive bidding process held on July 24, 2014 to Piper Jaffray & Co.

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 2014B Bonds will be passed on by Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel to the Finance Authority. Certain legal matters will be passed upon by the General Counsel of the Finance Authority. Certain matters relating to disclosure will be passed upon by Ballard Spahr LLP, Salt Lake City, Utah, Disclosure Counsel to the Finance Authority. Western Financial Group, LLC has acted as municipal advisor to the Finance Authority in connection with the issuance of Series 2014B Bonds. It is expected that a single certificate for each maturity of each series of the Series 2014B Bonds will be delivered to DTC or its agent on or about August 13, 2014.

This Official Statement is dated July 24, 2014, and the information contained herein speaks only as of that date.

NEW MEXICO FINANCE AUTHORITY

$58,235,000 SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2014B

MATURITY SCHEDULE

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2015	$3,265,000	5.00%	0.18%	64711N VX0
2016	4,890,000	5.00	0.37	64711N VY8
2017	4,545,000	5.00	0.58	64711N VZ5
2018	5,100,000	5.00	0.91	64711N WA9
2019	4,235,000	2.00	1.26	64711N WB7
2020	3,130,000	5.00	1.51	64711N WC5
2021	3,605,000	5.00	1.76	64711N WD3
2022	4,030,000	5.00	2.00	64711N WE1
2023	4,125,000	5.00	2.16	64711N WF8
2024	4,235,000	5.00	2.28	64711N WG6
2025	3,440,000	3.00	2.44 c	64711N WH4
2026	2,805,000	3.00	2.59 c	64711N WJ0
2027	2,345,000	3.50	2.85 c	64711N WK7
2028	2,225,000	3.50	2.93 c	64711N WL5
2029	1,505,000	3.50	3.01 c	64711N WM3
2030	1,095,000	3.50	3.08 c	64711N WN1
2031	800,000	3.75	3.05 c	64711N WP6
2032	670,000	3.75	3.22 c	64711N WQ4
2033	1,085,000	3.75	3.28 c	64711N WR2
2034	880,000	3.75	3.33 c	64711N WS0
2035	225,000	3.75	3.38 c	64711N WT8

c Yield to call on June 1, 2024.

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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 2014B Bonds. None of the Finance Authority, the Trustee, or the Municipal Advisor, is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2014B Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2014B 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 Finance Authority, 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 Finance Authority, or in any other information contained herein since the date hereof.

No dealer, broker, salesman or any other person has been authorized by the Finance Authority 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 2014B Bonds by any person in any jurisdiction in which it is unlawful for such offer, solicitation or sale.

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 2014B 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 winning bidder of the Series 2014B Bonds may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2014B Bonds. Such transactions, if commenced, may be discontinued at any time.

The Finance Authority 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 2014B Bonds.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

THE SERIES 2014B 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 2014B BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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NEW MEXICO FINANCE AUTHORITY

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Santa Fe, New Mexico 87501
Telephone: (505) 984-1454

Members
John E. McDermott(1), Chair
Ryan Flynn, Vice Chair
William F. Fulginiti, Secretary
Katherine Ulibarri, Treasurer
Jon Barela
Tom Clifford
Blake Curtis
Jerry L. Jones(2)
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David Martin
Terry White

Chief Executive Officer
Robert P. Coalter

Finance Authority General Counsel
Daniel C. Opperman

Municipal Advisor
Western Financial Group, LLC
Portland, Oregon

Bond Counsel
Sherman & Howard L.L.C.
Denver, Colorado

Disclosure Counsel
Ballard Spahr LLP
Salt Lake City, Utah

Trustee, Registrar and Paying Agent
BOKF, NA, dba Bank of Albuquerque
Albuquerque, New Mexico

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(1) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate. See "NEW MEXICO FINANCE AUTHORITY—Governing Body" for a discussion of the effect of senate confirmations on their respective terms.

(2) Term has expired but continues to serve until replaced or reappointed.

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OFFICIAL STATEMENT

RELATING TO

NEW MEXICO FINANCE AUTHORITY

$58,235,000
SENIOR LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS, SERIES 2014B

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 $58,235,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2014B (the "Series 2014B Bonds") being issued by the New Mexico Finance Authority (the "Finance Authority" or the "NMFA"). The Series 2014B Bonds, together with additional bonds the Finance Authority 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 Eighty-Sixth Supplemental Indenture of Trust, dated as of August 1, 2014 (the "Eighty-Sixth Supplemental Indenture" and together with the General Indenture, the "Indenture"), all between the Finance Authority and BOKF, NA, dba Bank of Albuquerque, 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 Finance Authority, 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 Finance Authority, see "NEW MEXICO FINANCE AUTHORITY" and the Finance Authority's financial statements for the fiscal year ended June 30, 2013 included as APPENDIX A hereto. See "FINANCIAL STATEMENTS" herein.

Authority and Purpose

The Series 2014B 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 2014B Bonds will be used by the Finance Authority for the purposes of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from certain 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 2014B Bonds. See "THE PLAN OF FINANCING" for more information with respect to the sources and uses of proceeds of the Series 2014B 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 2014B Bonds. Such Governmental Units whose Loans are being financed with proceeds of the Series 2014B Bonds are sometimes referred to herein as the "2014B Governmental Units."

Parity Obligations

Bonds with a lien on the Trust Estate on a parity with the lien of the Series 2014B 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 2014B Bonds

The Series 2014B Bonds will be dated the date of their initial delivery. Interest on the Series 2014B Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2014. The Series 2014B 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 2014B 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 2014B 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 2014B 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 2014B Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2014B 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 2014B 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 Finance Authority, the Trustee, the Registrar or the Paying Agent will be given only to DTC.

Redemption

The Series 2014B Bonds are subject to optional redemption prior to maturity. See "THE SERIES 2014B BONDS—Redemption."

Security and Sources of Payment for the Bonds

Trust Estate. The Bonds, including the Series 2014B Bonds, are special limited obligations of the Finance Authority 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 Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE FINANCE AUTHORITY HAS NO TAXING POWERS. No provision of the Series 2014B Bonds will be construed or interpreted as a donation or lending of the credit of the Finance Authority, 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 2014B Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the

general credit of the State, the Finance Authority or any political subdivision of the State, or upon the taxing power of the State or any political subdivision of the State.

Common Debt Service Reserve Fund. The Finance Authority has established a Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011, and as of June 30, 2014, the Common Debt Service Reserve Fund was funded in the amount of $30,226,600.70. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds—Common Debt Service Reserve Fund."

Additional Bonds. The Finance Authority 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 2014B Bonds. The Finance Authority 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 Finance Authority has undertaken for the benefit of the Series 2014B Bond Owners that, so long as the Series 2014B Bonds remain outstanding, the Finance Authority will provide certain annual financial information, operating data and audited financial statements with respect to the Finance Authority and each Governmental Unit expected by the Finance Authority 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 Sherman & Howard L.L.C., Bond Counsel to the Finance Authority, assuming continuous compliance with certain covenants described herein, interest on the Series 2014B Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Series 2014B Bonds (the "Tax Code"), and interest on the Series 2014B Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. Interest on the Series 2014B Bonds is included in gross income for federal income tax purposes, and interest on the Series 2014B Bonds is exempt from taxation by the State of New Mexico, except for estate or gift taxes and taxes on transfers. See "TAX MATTERS."

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2014B Bonds, Sherman & Howard L.L.C., Denver, Colorado, as Bond Counsel to the Finance Authority, will deliver its opinion in the form included in APPENDIX D. Certain legal matters will be passed upon for the Finance Authority by its General Counsel. Certain matters relating to disclosure will be passed upon by Ballard Spahr LLP, Salt Lake City, Utah, Disclosure Counsel to the Finance Authority. Western Financial Group, LLC, Portland, Oregon has acted as municipal advisor to the Finance Authority (the "Municipal Advisor") in connection with its issuance of the Series 2014B Bonds. See "MUNICIPAL ADVISOR."

The Finance Authority's audited financial statements for the fiscal year ended June 30, 2013, included in APPENDIX A, have been audited by REDW, LLC, Certified Public Accountants, Albuquerque, New Mexico. See also "FINANCIAL STATEMENTS."

Offering, Sale and Delivery of the Series 2014B Bonds

The Series 2014B 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 2014B Bonds will be delivered to DTC or its agent on or about August 13, 2014. The Series 2014B Bonds were sold pursuant to a competitive bidding process held on July 24, 2014.

Changes from the Preliminary Official Statement

Changes have been made under the caption in this Official Statement entitled "CONTINUING DISCLOSURE UNDERTAKING" since the Preliminary Official Statement dated July 10, 2014 to reflect the discovery of a failure to report a rating upgrade to its Subordinate Bonds. See "CONTINUING DISCLOSURE UNDERTAKING," herein.

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 Finance Authority, may be obtained during the offering period, upon request to the Finance Authority and upon payment to the Finance Authority of a charge for copying, mailing and handling, at 207 Shelby Street, Santa Fe, New Mexico 87501, Tel: (505) 984-1454, Attention: Chief Financial Strategist.

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 Finance Authority and any purchaser or holder of Series 2014B Bonds.

THE SERIES 2014B BONDS

General

The Series 2014B Bonds will be dated the date of their initial delivery and interest will accrue on the Series 2014B 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, 2014. The Series 2014B 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 2014B 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 2014B 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 2014B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2014B Bonds will be made in book-entry only form, and beneficial owners of the Series 2014B 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 2014B 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 2014B Bonds maturing on and after June 1, 2025, are subject to optional redemption at any time on and after June 1, 2024, in whole or in part, in such order of maturity as may be selected by the Finance Authority and by lot within each maturity within each Series (if in part, in integral multiples of $5,000), at the option of the Finance Authority, upon notice as provided in the General Indenture and at the redemption price of 100% of the principal amount of the Series 2014B Bonds to be redeemed, but without premium, plus interest accrued to the redemption date.

Notice of Redemption. In the event any of the Series 2014B Bonds are to be redeemed, notice of such redemption is to be mailed by first class mail, postage prepaid, to all Registered Owners of Series 2014B 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 Series 2014B Bonds is to be given by the Trustee at least two Business Days in advance of the mailed notice to Registered Owners, by registered or certified mail or overnight delivery service, to all registered securities depositories then in the business of holding substantial amounts (as reasonably determined by the Trustee) of obligations of types comprising the Series 2014B Bonds and to at least two national information services that disseminate notices of redemption of obligations such as the Series 2014B 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 Series 2014B 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 Series 2014B Bonds or portions thereof redeemed but who failed to deliver Series 2014B 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 Series 2014B Bonds receives the notice. Receipt of such notice is not a condition precedent to such redemption and failure so to receive any such notice by any of such Registered Owners will not affect the validity of the proceedings for the redemption of the Series 2014B Bonds.

Partially Redeemed Bonds. In case any Series 2014B Bond is redeemed in part, upon the presentation of such Series 2014B Bond for such partial redemption, the Finance Authority 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 Finance Authority, a Series 2014B Bond or Series 2014B Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2014B Bond. A portion of any Series 2014B 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 Series 2014B Bonds for redemption, the Trustee will treat each such Series 2014B Bond as representing that number of Series 2014B Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 2014B 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 2014B Bonds, are special limited obligations of the Finance Authority payable solely from the Trust Estate. The Series 2014B Bonds do not constitute nor create a general obligation or other indebtedness of the State, the Finance Authority or any Governmental Unit within the meaning of any constitutional or statutory debt limitation. THE FINANCE AUTHORITY HAS NO TAXING POWERS. No provision of the Series 2014B Bonds will be construed or interpreted as a donation by or lending of the credit of the Finance Authority, 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 2014B Bonds do not constitute or give rise to a personal liability on the part of the members, directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority 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 Finance Authority 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 Finance Authority 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 Finance Authority. Under each Loan Agreement or issue of Securities, the respective Governmental Unit pledges to the Finance Authority 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 Finance Authority 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 2014B Governmental Units and the allocable portions of the Loans financed with the Series 2014B 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 2014-2015. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

Type of Revenue	FY 2014-2015 Amounts	% of Total Agreement Revenues
Gross Receipts Tax	$29,877,191	30.74%
Enterprise System Revenues	23,518,632	24.20
General Obligation (ad valorem taxes)	14,379,753	47.79
Local Special Tax	12,700,489	13.07
State Gross Receipts Tax	6,763,000	6.96
Fire Protection Funds	4,330,271	4.45
Special Assessments	2,715,216	2.79
Governmental Gross Receipts Tax State	2,549,055	2.62
Law Enforcement Protection Funds	211,145	0.22
Mill Levy	159,685	0.16
Total	$97,204,437	100.00%

Note: Totals may not add due to rounding. Assumes that the Loans funded with proceeds of the Series 2014B Bonds are executed and delivered.

(Source: The Finance Authority.)

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 2014-2015 and assuming no further prepayments of any Agreements, are expected to generate the largest amount of Agreement Revenues in fiscal year 2014-2015. The Agreement Revenues generated from such Agreements account for 41.12% of projected Agreement Revenues for fiscal year 2014-2015.

AGREEMENTS EXPECTED TO GENERATE THE LARGEST AGREEMENT REVENUES(1)

Borrower	FY 2014-2015 Debt Service	% of Total Pledged Agreement Revenues(1)
City of Albuquerque (Enterprise System Revenue)	$7,710,445	7.93%
General Services Department	5,949,168	6.12
New Mexico Spaceport	5,648,444	5.81
Albuquerque Bernalillo County Water Utility Authority	5,473,481	5.63
City of Albuquerque (Gross Receipts Tax)	3,365,210	3.46
City of Santa Fe (Gross Receipts Tax)	2,631,926	2.71
State Parks and Recreation Department (GGRT)	2,382,377	2.45
Jicarilla Apache Nation	2,373,194	2.44
New Mexico Highlands University(2)	2,300,782	2.37
County of Taos	2,140,094	2.20
Total	$39,975,121	41.12%

(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.

(Source: The Finance Authority.)

Although Agreement Revenues are received at various times throughout the year, they are held under the Indenture until June 1 of each year to be applied to pay debt service on the Bonds. For more information with respect to the Governmental Units with the largest repayment obligations, see “APPENDIX F—2014B GOVERNMENTAL UNITS, LARGEST REPAYMENT OBLIGATIONS.”

The Finance Authority 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 Finance Authority may make loans from or purchase securities with available funds in the Public Project Revolving Fund. At its option, the Finance Authority 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 Finance Authority 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 Finance Authority 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, or 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 State's 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 Finance Authority. 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 2008-2009 through 2013-2014.

GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2008-2009 THROUGH 2013-2014

	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013	Fiscal Year 2013-2014
Total Net Receipts	$29,370,303	$30,375,481	$32,872,185	$34,939,052	$36,766,258	$36,396,929
NMFA Portion of the Governmental Gross Receipts Tax	$21,493,438	$23,053,051	$24,518,214	$26,204,289	$27,451,328	$27,297,697

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

Data that identifies the top payers of the governmental gross receipts tax for recent fiscal years is not publicly available from the State of New Mexico Taxation and Revenue Department. Based upon data provided by individual governmental entities in the previous fiscal years, the payers of the governmental gross receipt tax whose payments accounted for at least 5% of the total net receipts from the governmental gross receipts tax were the Albuquerque Bernalillo County Water Utility Authority, the City of Albuquerque, the City of Santa Fe and the City of Las Cruces. Although the Finance Authority has not verified and does not guarantee the accuracy of such information, the Finance Authority does not have any reason to believe that the list of entities providing at least 5% of the governmental gross receipts tax has changed in any material respect in recent fiscal years.

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), a Common Debt Service Reserve Fund, 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 Finance Authority 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: to 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;

Third: in the event the Common Debt Service Reserve Fund has been used to satisfy amounts due under a Loan Agreement or in relation to certain Securities, then to the extent Loan Payments are received as to that specific Loan Agreement or Securities, to the Common Debt Service Reserve Fund to the extent necessary to cause the payments to the Common Debt Service Reserve Fund to equal the amounts withdrawn from the Common Debt Service Reserve Fund to satisfy amounts due under the Loan Agreement or as to such Securities; and

Fourth: 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 2014B 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.

On the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the next Business Day preceding such third day), if the amount on deposit in any Governmental Unit's account of the Debt Service Fund is insufficient, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, the Trustee shall transfer the amount of such deficiency from the Common Debt Service Reserve Fund. See "Common Debt Service Reserve Fund" below under this caption.

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 Finance Authority 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 Finance Authority 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 (5%) 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 Finance Authority 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 Finance Authority 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) and to make any deposits to the Common Debt Service Reserve Fund (as described below), the Finance Authority 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.

Common Debt Service Reserve Fund. The Finance Authority has established the Common Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Bonds issued under the Indenture. The Common Debt Service Reserve Fund was initially funded on January 14, 2011, and, as of June 30, 2014, the Common Debt Service Reserve Fund was funded in the amount of $30,226,600.70.

The Finance Authority shall determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The Finance Authority shall deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the Finance Authority of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the Finance Authority by the trustee under the Subordinated Indenture on June 16.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit shall be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the Finance Authority, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the Finance Authority has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the Finance Authority shall not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount shall be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee shall transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

Investment Earnings. All income earned from the investment of moneys in the respective Accounts held by the Finance Authority 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 returned to the Governmental Units or 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 2014B Bonds. The Finance Authority covenants pursuant to the Eighty-Sixth Supplemental Indenture, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to the Loans reimbursed or originated with proceeds of the Series 2014B Bonds with debt service payable on the Series 2014B Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2014B 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 Series 2014B 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 Finance Authority 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 Series 2014B Bonds from which the Loan relating to the Prepayment was initially funded and which Series 2014B 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 2014B BONDS—Redemption."

The Finance Authority 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 Finance Authority has received prepayments (including Prepayments under the Indenture as well as prepayments of obligations under the Subordinated Indenture) 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 Finance Authority in future fiscal years.

Fiscal Year	Number of Prepayments	Aggregate Principal Amount
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	23	6,945,375
2010-2011	58	124,271,480
2011-2012	55	118,727,583
2012-2013[1]	33	54,407,892
2013-2014[1]	23	71,812,973

(1) Reflects prepayments received for the period of July 1, 2012 thru June 1, 2014, including Prepayments under the Indenture as well as prepayments under the Subordinated Indenture. The large amount of prepayments is attributable to a favorable interest rate climate that permitted governmental units to refinance their respective loans. As discussed above under "Covenants Applicable to the Series 2014B Bonds," the NMFA may originate additional Loans, redeem outstanding Bonds that related to the prepaid Loans, if such Bonds are subject to redemption, or defease outstanding Bonds that relate to the prepaid Loans. As of the date of this Official Statement, the NMFA has applied $4,872,715 of the proceeds of such prepayments to originate additional loans which, pursuant to a Pledge Notification, have been pledged to the Indenture if the prepaid loan related to Bonds issued under the Indenture or the Subordinated Indenture if the prepaid loan related to bonds issued under the Subordinated Indenture. The NMFA has also applied $116,386,231 of such prepayments to redeem obligations under the Indenture or the Subordinated Indenture. There remains $5,006,919 of prepayments for which the NMFA is working to identify new loans.

(Source: The Finance Authority.)

Additional Bonds

Additional Bonds or other indebtedness, bonds or notes of the Finance Authority 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 Finance Authority 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 Finance Authority (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 Finance Authority 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 2014B 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 2014B Bonds

No additional indebtedness, bonds or notes of the Finance Authority 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 July 1, 2014:

Series[1][2]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of 7/1/2014[3]
2005A	$19,015,000	$6,980,000
2005B	13,500,000	4,365,000
2006B	38,260,000	26,265,000
2006D	56,400,000	46,015,000
2007E	61,945,000	40,030,000
2008A	158,965,000	129,605,000
2008B	36,545,000	25,780,000
2008C	29,130,000	21,150,000
2009A	18,435,000	14,230,000
2009C	55,810,000	45,795,000
2009D-1	13,570,000	9,370,000
2009D-2	38,845,000	36,290,000
2009E	35,155,000	19,945,000
2010A-1	15,170,000	7,555,000
2010A-2	13,795,000	13,795,000
2010B-1	38,610,000	28,450,000
2010B-2	17,600,000	17,285,000
2011A	15,375,000	6,425,000
2011B-1	42,735,000	32,500,000
2011B-2	14,545,000	12,225,000
2011C	53,400,000	46,025,000
2012A	24,340,000	22,445,000
2013A	44,285,000	41,245,000
2013B	16,360,000	15,455,000
Total	$1,239,555,000	$669,225,000

(1) The official statements for the various Series of Senior Bonds are available at the Internet site of the Finance Authority, http://www.nmfa.net, under "Investors, Public Project Revolving Fund."
(2) Does not include the Series 2014B Bonds.
(3) All series of bonds have maturities on June 1.
(Source: The Finance Authority.)

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 2013-2014 and assuming no further prepayment, expected to generate the highest percentages of estimated annual Revenues in fiscal year 2013-2014.

Outstanding Subordinate Lien Bonds

Pursuant to a Subordinated General Indenture of Trust and Pledge dated as of December 1, 2005 (the "Subordinated Indenture"), the Finance Authority 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 Finance Authority 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, 2014:

Series[1]	Original Principal Amount Issued	Aggregate Principal Amount Outstanding as of 7/1/2014[2]
2005C	$50,395,000	$36,410,000
2005E	23,630,000	23,445,000
2005F	21,950,000	16,245,000
2006A	49,545,000	42,525,000
2006C	39,860,000	27,845,000
2007A	34,010,000	18,260,000
2007B	38,475,000	24,050,000
2007C	131,860,000	96,700,000
2013C-1	3,745,000	3,325,000
2013C-2	10,550,000	9,350,000
2014A-1	15,135,000	15,135,000
2014A-2	16,805,000	16,805,000
Total	$435,960,000	$330,095,000

(1) The official statements for the various series of Outstanding Parity Bonds are available at the Internet site of the Finance Authority, http://www.nmfa.net, under "Investors, Public Project Revolving Fund."

(2) All series of bonds have maturities on June 15.

(Source: The Finance Authority.)

The Finance Authority 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 2014B 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 Finance Authority 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 Finance Authority 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 2014B Bonds will be used by the Finance Authority for the purpose of (i) originating Loans to or purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from the 2014B Governmental Units that will be or were used to finance certain Projects for such 2014B Governmental Units, and (ii) paying costs incurred in connection with the issuance of the Series 2014B Bonds. See APPENDIX F for a list of the 2014B Governmental Units and the amount of the Loans expected to be financed with the Series 2014B 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 2014B Bonds.

Sources of Funds

Principal Amount	$58,235,000.00
Original Issue Premium	6,930,442.05
Governmental Unit Contribution	449,115.77
Total Sources	**$65,614,557.82**

Uses of Funds

Deposit to the Public Project Revolving Fund[1]	$65,193,183.17
Costs of Issuance[2]	421,374.65
Total Uses	**$65,614,557.82**

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(1) Amounts in the Program Fund Accounts will be used to reimburse or fund the Loans to or purchase securities from certain of the 2014B Governmental Units at or about the same time as the issuance of the Series 2014B Bonds. See “APPENDIX F—2014B GOVERNMENTAL UNITS; LARGEST REPAYMENT OBLIGATIONS.”

(2) Costs of issuance include underwriter’s discount, legal fees, rating agency fees, Trustee fees, financial advisory fees, and other miscellaneous costs.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2014B 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	Series 2014B Bonds Principal	Series 2014B Bonds Interest	Outstanding Parity Bonds[(2)]	Total Annual Debt Service
2015	$3,265,000	$2,005,200	$76,226,861	$81,497,061
2016	4,890,000	2,343,250	74,512,569	81,745,819
2017	4,545,000	2,098,750	69,308,665	75,952,415
2018	5,100,000	1,871,500	68,568,387	75,539,887
2019	4,235,000	1,616,500	66,463,812	72,315,312
2020	3,130,000	1,531,800	60,869,637	65,531,437
2021	3,605,000	1,375,300	59,259,064	64,239,364
2022	4,030,000	1,195,050	55,240,140	60,465,190
2023	4,125,000	993,550	54,124,558	59,243,108
2024	4,235,000	787,300	48,374,700	53,397,000
2025	3,440,000	575,550	46,110,214	50,125,764
2026	2,805,000	472,350	43,201,042	46,478,392
2027	2,345,000	388,200	40,229,287	42,962,487
2028	2,225,000	306,125	36,884,298	39,415,423
2029	1,505,000	228,250	31,148,576	32,881,826
2030	1,095,000	175,575	24,613,196	25,883,771
2031	800,000	137,250	22,703,496	23,640,746
2032	670,000	107,250	21,753,647	22,530,897
2033	1,085,000	82,125	19,542,087	20,709,212
2034	880,000	41,438	17,310,796	18,232,234
2035	225,000	8,438	15,693,866	15,927,303
2036	–	–	13,529,172	13,529,172
2037	–	–	2,897,384	2,897,384
2038	–	–	2,885,554	2,885,554
2039	–	–	58,523	58,523
Total	$58,235,000	$18,340,750	$971,509,532	$1,048,085,282

(1) Assumes the Series 2014B Bonds are issued and Outstanding. Totals may not add due to rounding.
(2) Includes principal and interest.
(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 2014B 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 2013-2014 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 "Aggregate Pledged Borrower Payments." See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate" and "INVESTMENT CONSIDERATIONS" for a list of some factors which may affect Revenues.

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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[(3)]	Estimated Annual Coverage Ratios[(5)]
2015	$27,297,697	$97,204,443	$124,502,140	$81,497,061	1.53 x
2016	27,297,697	95,320,285	122,617,982	81,745,819	1.50 x
2017	27,297,697	83,977,998	111,275,695	75,952,415	1.47 x
2018	27,297,697	81,428,884	108,726,581	75,539,887	1.44 x
2019	27,297,697	75,791,868	103,089,565	72,315,312	1.43 x
2020	27,297,697	72,108,594	99,406,291	65,531,437	1.52 x
2021	27,297,697	65,735,894	93,033,591	64,239,364	1.45 x
2022	27,297,697	61,823,700	89,121,397	60,465,190	1.47 x
2023	27,297,697	62,621,580	89,919,277	59,243,108	1.52 x
2024	27,297,697	55,306,395	82,604,092	53,397,000	1.55 x
2025	27,297,697	52,432,960	79,730,657	50,125,764	1.59 x
2026	27,297,697	47,362,714	74,660,411	46,478,392	1.61 x
2027	27,297,697	43,293,605	70,591,302	42,962,487	1.64 x
2028	27,297,697	40,545,515	67,843,212	39,415,423	1.72 x
2029	27,297,697	42,978,177	70,275,874	32,881,826	2.14 x
2030	27,297,697	26,246,760	53,544,457	25,883,771	2.07 x
2031	27,297,697	23,696,608	50,994,305	23,640,746	2.16 x
2032	27,297,697	21,909,416	49,207,113	22,530,897	2.18 x
2033	27,297,697	21,528,566	48,826,263	20,709,212	2.36 x
2034	27,297,697	19,221,691	46,519,388	18,232,234	2.55 x
2035	27,297,697	16,930,497	44,228,194	15,927,303	2.78 x
2036	27,297,697	14,766,645	42,064,342	13,529,172	3.11 x
2037	27,297,697	5,126,681	32,424,378	2,897,384	11.19 x
2038	27,297,697	4,645,175	31,942,872	2,885,554	11.07 x
2039	27,297,697	617,380	27,915,077	58,523	476.99 x

(1) Assumes the Series 2014B Bonds are issued and Outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Parity Bonds."

(2) Based upon distributions for the 2013-2014 Fiscal Year. Assumes receipts will remain the same over the life of the Bonds.

(3) Assumes Pledged Borrower Payments for Loans outstanding as of May 31, 2014, as well as for the Loans financed with proceeds of the Series 2014B Bonds.

(4) Amounts are rounded to the nearest dollar.

(5) Calculated using the NMFA Portion of the Governmental Gross Receipts Tax for the fiscal year 2013-14 and assuming that no Additional Bonds will be issued under the Indenture; subject to change.

(Sources: The Finance Authority and Western Financial Group LLC.)

NEW MEXICO FINANCE AUTHORITY

General Information

The Finance Authority is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality of the State. The Finance Authority 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 Finance Authority and its corporate existence will continue until terminated by law, provided that no such law will take effect so long as the Finance Authority has bonds or other obligations outstanding, unless provision has been made for the payment of all such obligations. The Finance Authority is comprised of 11 members who also constitute the Finance Authority's board of directors and currently employs 38 persons, including a Chief Executive Officer. The Chief Executive Officer directs the business and affairs of the Finance Authority, subject to the policies, control and direction of the Finance Authority.

The Finance Authority staff provides a full range of services to its borrowers and other parties benefiting from or otherwise interested in the Finance Authority's financing programs. Those services include loan servicing and program fund administration, financial analysis relating to all aspects of the Finance Authority'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 Finance Authority 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 Finance Authority 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 Finance Authority;

(c) to accept, administer, hold and use all funds made available to the Finance Authority 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 Finance Authority has no authority to impose or collect taxes.

Organization and Governance

The Finance Authority is composed of 11 members who serve as the governing body of the Finance Authority. Six 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 six 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), 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 Finance Authority exercises and oversees the exercise of the powers of the Finance Authority. The governing body of the Finance Authority satisfies those responsibilities through monthly meetings and through the standing committees that the governing body has established. A quorum of the governing body exists when a majority of the members then serving are present. A majority vote of a quorum of the members present may transact any business of the Finance Authority. A vacancy in the membership of the governing body does not impact the ability of a quorum to exercise all rights and duties of the Finance Authority. The committees are advisory and have no authority to act on behalf of the governing body, except that the Contracts Committee has authority to award certain contracts and the Investment Committee has authority to authorize certain investments. Each committee reviews and makes recommendations to the governing body concerning matters assigned to it by the governing body.

The Executive Committee provides oversight and direction relating to the operations of the Finance Authority. Other committees include the Finance and Loan Committee, the Audit Committee, the Economic Development Committee, the Investment Committee, the Disclosure Committee, and the Contracts Committee. The committees typically meet monthly.

The governing body has also established written policies concerning the exercise of the powers of the Finance Authority, 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 Finance Authority.

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Governing Body and Key Staff Members

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

Name	Occupation	Term Expires
John E. McDermott (Chair) (1) (3)	President, McDermott Advisory Services, LLC	03/21/2015
Ryan Flynn (Vice Chair)(2) (3)	Cabinet Secretary, Environment Department, State of New Mexico	not applicable
William F. Fulginiti (Secretary) (2)	Executive Director, New Mexico Municipal League	not applicable
Katherine Ulibarri (Treasurer) (3)	Vice President for Finance and Operations, Central New Mexico Community College	12/31/2018
Jon Barela (2) (3)	Cabinet Secretary, Economic Development Department, State of New Mexico	not applicable
Tom Clifford (2) (3)	Cabinet Secretary, Department of Finance and Administration	not applicable
Blake Curtis (3)	Chief Executive Officer, Senior Vice President, Curtis & Curtis, Inc., Clovis, New Mexico	01/01/16
Jerry Jones (3) (4)	Chief Executive Officer, Stolar Research Corporation, Raton, New Mexico	01/01/13
Steve Kopelman(2)	Executive Director, New Mexico Association of Counties	not applicable
David Martin(2) (3)	Cabinet Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Terry White(3)	Chief Executive Officer of Sunwest Trust, Inc., Albuquerque, New Mexico	01/01/16

(1) Designees to their respective positions as they have been appointed by the Governor of the State but are awaiting confirmation by the New Mexico State Senate during the 2015 session of the New Mexico Legislature, and will continue to serve until the expiration of such session if no confirmation is received.

(2) 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 Finance Authority. 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.

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

(4) Term has expired but continues to serve until replaced or reappointed.

Presented below is certain information concerning key staff members of the Finance Authority involved in the issuance of the Series 2014B Bonds and the administration of the Finance Authority's financing programs.

Robert P. Coalter, Chief Executive Officer. Mr. Coalter began serving as the Chief Executive Officer of the Finance Authority in January 2014. Previously, Mr. Coalter served as Executive Director of the Texas Public Finance Authority (TPFA), one of the largest bond issuers in the State of Texas with over $5 billion in outstanding debt. Prior to his work at TPFA, Mr. Coalter served as Assistant Director of Treasury Operations for the Comptroller of Public Accounts for 16 years. He has been employed in various positions within state government for over 20 years, working with senior officials and staff in the both the legislative and executive branches. Mr. Coalter holds a Masters of Business Administration in Finance and has been accountable for the issuance, payment, and compliance of over $90 billion dollars in various municipal instruments during his career.

Donna Trujillo, Chief Financial Officer. Ms. Trujillo joined the Finance Authority in October 2012 as Chief Financial Officer. She has over 15 years of experience in government financial management, investment management and public accounting. Previously, she served as Chief Financial Officer for the New Mexico Department of Finance and Administration and the New Mexico Department of Workforce Solutions. Both agencies were brought into financial reporting compliance during Ms. Trujillo's service. She earned a Bachelor of Arts in Business Administration from Highlands University and has certification in public accounting and information systems auditing.

Michael J. Zavelle, Chief Financial Strategist. Mr. Zavelle joined the Finance Authority 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.

Zach Dillenback, Chief Lending Officer. Mr. Dillenback joined the Finance Authority in February 2006, and was promoted to Chief Lending Officer in 2012. Mr. Dillenback has over 10 years of experience in the finance industry, the majority of such time being devoted to public finance. He holds a Bachelor of Arts degree in Finance from Florida State University and is in the process of obtaining an Executive Master of Business Administration degree from the University of New Mexico.

Marquita Russel, Chief of Programs. Ms. Russel joined the Finance Authority 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 Finance Authority, 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.

Daniel C. Opperman, General Counsel. Mr. Opperman joined the Finance Authority in November 2010 as Assistant General Counsel and was hired as the chief General Counsel in October 2012. Prior to joining the Finance Authority, Mr. Opperman served as Chief General Counsel for the New Mexico Department of Transportation (NMDOT) for two years. Mr. Opperman obtained his law degree from the University New Mexico School of Law and his Bachelor of Arts degree in Economics from the University of New Mexico, and is a retired professional baseball player with the Los Angeles Dodgers organization.

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 Finance Authority, and in that connection it, among other things: (i) meets on a regular basis to receive and review reports from the Finance Authority and to review and approve regulations proposed for adoption pursuant to the Act; (ii) monitors and provides assistance and advice on the public project financing program of the Finance Authority; (iii) oversees and monitors State and local government capital planning and financing; (iv) provides advice and assistance to the Finance Authority 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 Finance Authority 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 31, 2014, the Finance Authority had made 1,169 PPRF loans totaling approximately $2.3 billion. To implement the PPRF Program, the Finance Authority 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 Finance Authority;

(b) to make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Finance Authority 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 or hold securities at prices and in a manner the Finance Authority 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 Finance Authority 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 Finance Authority 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 Finance Authority, 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 Finance Authority;

(g) to the extent permitted under its contracts with the holders of bonds of the Finance Authority, 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 Finance Authority 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 Finance Authority;

(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 Finance Authority 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 Finance Authority established a contingency account (the "Contingent Liquidity Account"). Although it will not be pledged to the Series 2014B Bonds, or any other Finance Authority bonds, the Contingent Liquidity Account is intended to enhance the Finance Authority'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 Finance Authority bonds; however, such use is within the sole discretion of the Finance Authority and such funds may also be used for other purposes, including but not limited to payments of unforeseen expenses of the Finance Authority, urgent economic development projects, loan originations, or addressing other purposes as determined by the Finance Authority. As of May 31, 2014, the Contingent Liquidity Account was funded to an amount of approximately $26,504,810. Upon approval of the Finance Authority, the Contingent Liquidity Account may receive increases. The Finance Authority annually evaluates the level of the Contingent Liquidity Account to determine the amount, if any, of subsequent deposits.

Temporary Borrowing. The Finance Authority has entered into an arrangement (the "Wells Fargo Short-Term Borrowing") with Wells Fargo Bank, National Association ("Wells Fargo") for Wells Fargo to provide to the Finance Authority an amount up to $100,000,000 to reimburse the Finance Authority for loans made to eligible entities that are incurred prior to the issuance of a series of bonds or to make loans to eligible entities by using funds drawn from the Wells Fargo Short-Term Borrowing. Once the amounts are advanced, the Finance Authority has up to 180 days to repay the advancement. The Wells Fargo Short-Term Borrowing is currently scheduled to expire on December 10, 2015. The Wells Fargo Short-Term Borrowing is secured by proceeds of bonds that are anticipated to be issued subsequent to the advances. The Finance Authority has entered into Wells Fargo Short-Term Borrowing to assist it with its cash flows. The Wells Fargo Short-Term Borrowing is not secured by the Trust Estate.

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Other Bond Programs and Projects

The Finance Authority 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 July 1, 2014

Program	Project	Original Principal Amount	Outstanding as of July 1, 2014	Scheduled Final Maturity
Cigarette Tax	University of New Mexico Health Sciences Building	$39,035,000	$8,850,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	1,500,000	5/1/2026
Transportation	Highways	700,000,000	61,255,000	6/15/2024
Transportation	Highways	150,000,000	83,270,000	12/15/2026
Transportation	Highways	40,085,000	24,085,000	12/15/2026
Transportation	Highways	115,200,000	35,200,000	6/15/2024
Transportation	Highways	220,000,000	100,000,000	12/15/2026
Transportation	Highways	112,345,000	15,080,000	6/15/2017
Transportation	Highways	95,525,000	33,760,000	12/15/2024
Transportation	Highways	79,100,000	73,475,000	12/15/2021
Transportation	Highways	461,075,000	444,800,000	6/15/2024
Transportation	Highways	80,000,000	80,000,000	12/15/2026
Transportation	Highways	120,000,000	120,000,000	12/15/2026
Transportation	Highways	84,800,000	84,800,000	12/15/2026
Transportation	Highways	220,400,000	217,455,000	6/15/2026
Transportation	Highways	70,110,000	70,110,000	6/15/2032

(Source: The Finance Authority.)

LITIGATION

To the knowledge of the Finance Authority, 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 2014B 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 Finance Authority to pay debt service on the Series 2014B Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2014B Bonds, the Indenture, or any proceeding and authority of the Finance Authority taken with respect to the foregoing. The Finance Authority will deliver a non-litigation certification as to the foregoing prior to the issuance of the Series 2014B Bonds.

SALE OF SERIES 2014B BONDS

The Series 2014B Bonds were sold to Piper Jaffray & Co. at an aggregate purchase price of $65,067,024.90 (being the par amount of the Series 2014B Bonds plus an original issue premium of $6,930,442.05, and less a purchaser's discount of $98,417.15). The Series 2014B Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2014B Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside front cover pages of this Official Statement and such public offering prices may be changed from time to time.

Piper Jaffray & Co. ("Piper") and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper, including the Series 2014B Bonds. Under the Agreement, Piper will share with Pershing LLC a portion of the fee or commission paid to Piper.

TAX MATTERS

The following sections are not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Series 2014B 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.

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

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Series 2014B Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Series 2014B Bonds (the "Tax Code"), and interest on the Series 2014B Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described below. Interest on the Series 2014B Bonds is exempt from taxation by the state of New Mexico, except for estate or gift taxes and taxes on transfers.

The Tax Code and New Mexico law impose several requirements which must be met with respect to the Series 2014B Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations). Certain of these requirements must be met on a continuous basis throughout the term of the Series 2014B Bonds. These requirements include: (a) limitations as to the use of proceeds of the Series 2014B Bonds; (b) limitations on the extent to which proceeds of the Series 2014B Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Series 2014B Bonds above the yield on the Series 2014B Bonds to be paid to the United States Treasury. The Finance Authority will covenant and represent in the Indenture that it will take all steps to comply with the requirements of the Tax Code (in effect on the date of delivery of the Series 2014B Bonds) to the extent necessary to maintain the exclusion of interest on the Series 2014B Bonds from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations) under such federal income tax laws. Bond Counsel's opinion as to the exclusion of interest on the Series 2014B Bonds from gross income and alternative minimum taxable income (to the extent described above) is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the Finance Authority to comply with these requirements could cause the interest on the Series 2014B Bonds to be included in gross income or alternative minimum taxable income, or a combination thereof, from the date of issuance. Bond Counsel's opinion also is rendered in reliance upon certifications of the Finance Authority and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

Section 55 of the Tax Code contains a 20% alternative minimum tax on the alternative minimum taxable income of corporations. Under the Tax Code, 75% of the excess of a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (determined without regard to this adjustment and the alternative minimum tax net operating loss deduction) is included in the corporation's alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" includes interest on the Series 2014B Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Series 2014B Bonds. Owners of the Series 2014B Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal and New Mexico tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the Series 2014B Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. Certain of the Series 2014B Bonds may be sold at a premium, representing a difference between the original offering price of those Series 2014B Bonds and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such bonds (if any) may realize a taxable gain upon their disposition, even though such bonds are sold or redeemed for an amount equal to the owner's acquisition cost. Bond Counsel's opinion relates only to the exclusion of interest on the Series 2014B Bonds from gross income, alternative minimum taxable income and State of New Mexico income taxes as described above and will state that no opinion is expressed regarding other federal or New Mexico tax consequences arising from the receipt or accrual of interest on or ownership of the Series 2014B Bonds. Owners of the Series 2014B Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the Series 2014B Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the Series 2014B Bonds, the exclusion of interest on the Series 2014B Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the Series 2014B Bonds or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the Series 2014B Bonds. Owners of the Series 2014B Bonds are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Series 2014B Bonds. If an audit is commenced, the market value of the Series 2014B Bonds may be adversely affected. Under current audit procedures, the Service will treat the Finance Authority as the taxpayer and the Owners may have no right to participate in such procedures. The Finance Authority has covenanted in the Indenture not to take any action that would cause the interest on the Series 2014B Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income except to the extent described above for the owners thereof for federal income tax purposes. None of the Finance Authority, the Municipal Advisor, the Trustee, Bond Counsel or Disclosure Counsel is responsible for paying or reimbursing any Bond holder with respect to any audit or litigation costs relating to the Series 2014B Bonds.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2014B Bonds, Sherman & Howard L.L.C., Denver, Colorado, as Bond Counsel to the Finance Authority, will deliver its opinion in substantially the form included in APPENDIX D. Certain legal matters will be passed upon for the Finance Authority by its General Counsel. Certain matters relating to disclosure will be passed upon for the Finance Authority by Ballard Spahr LLP, Salt Lake City, Utah, Disclosure Counsel to the Finance Authority. The counsels involved in this transaction have not participated in any independent verification of the information concerning the financial condition or capabilities of the Finance Authority contained in this Official Statement.

MUNICIPAL ADVISOR

The Finance Authority has retained Western Financial Group, LLC, as municipal advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2014B 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 financial statements of the Finance Authority for the year ended June 30, 2013, included in APPENDIX A of this Official Statement, have been audited by REDW, LLC, certified public accountants, Albuquerque, New Mexico, as set forth in its report thereon dated December 2, 2013. REDW, LLC has not been asked to consent to the use of its name and audited financial reports of the Finance Authority in this Official Statement nor has REDW, LLC participated in the preparation of this Official Statement.

In July 2012, the Finance Authority disclosed that what it believed was the audit of its financial statements for the fiscal year ended June 30, 2011 was not completed properly (the "Incomplete Audit"). Upon such discovery, the Finance Authority withdrew the Incomplete Audit. The Finance Authority then initiated an investigation and determined that its former controller had misrepresented the status of the Incomplete Audit and provided financial statements for use with third parties that he falsely represented as "audited." For additional information, see www.nmfa.net/investors/disclosures/.

The Finance Authority acknowledges the seriousness of the events relating to the Incomplete Audit. In September 2012, the Finance Authority terminated its Chief Executive Officer and Chief Operating Officer. It has since hired a new Chief Executive Officer, a new Chief Financial Officer, and has completely restructured its Audit Committee. Based upon its own investigations, the Finance Authority is confident and the various investigations and audits confirm that the Finance Authority is financially sound.

CONTINUING DISCLOSURE UNDERTAKING

The Finance Authority will execute and deliver a Continuing Disclosure Undertaking in connection with the issuance of the Series 2014B 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 2014B 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 2008-2009 Through 2013-2014" 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 Finance Authority, 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 Finance Authority 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 Finance Authority, any Governmental Unit meeting the 20% Test and each additional Governmental Unit designated by the Finance Authority, 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, but not more than ten business days after the occurrence of the event, 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 2014B Bonds:

  1. principal and interest payment delinquencies;

  2. unscheduled draws on debt service reserves reflecting financial difficulties;

  3. unscheduled draws on credit enhancements reflecting financial difficulties;

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

  5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2014B Bonds;

  6. defeasances;

  7. tender offers;

  8. bankruptcy, insolvency, receivership or similar proceedings; and

  9. rating changes.

- in a timely manner, but not more than ten business days after the occurrence of the event, 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 2014B Bonds, if material:

  1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

  2. appointment of a successor or additional trustee or the change of the name of a trustee;

  3. non-payment related defaults;

  4. modification of rights of owners of the Series 2014B Bonds;

  5. bond calls; and

  6. release, substitution, or sale of property securing repayment of the Series 2014B Bonds.

The Finance Authority 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 Finance Authority, such other event is material with respect to the Series 2014B Bonds. However, the Finance Authority does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The Finance Authority 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 Finance Authority; provided that, the Finance Authority has agreed that any such modification will be done in a manner consistent with the Rule. The

Finance Authority 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 2014B 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 Finance Authority's obligations, and any failure by the Finance Authority to comply with the provisions of the undertaking will not be an event of default with respect to the Series 2014B 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 2014B Bonds. See APPENDIX F for a discussion of Loans to Governmental Units with the largest outstanding principal loan balances.

Previous continuing disclosure undertakings of the Finance Authority required the Finance Authority to provide information with respect to Governmental Units whose Loan repayment obligations exceeded 5% of Revenues. Some of those disclosure undertakings varied from other disclosure undertakings. In an effort to promote consistency amongst its continuing disclosure undertakings, in August 2005, the Finance Authority amended many of its disclosure undertakings to change the 5% provision to 20% as set forth above. However, the Finance Authority subsequently discovered that an undertaking executed in 1999 relating to bonds that were retired in 2009 was not amended. As a result, information with respect to certain underlying borrowers was not filed within the previous five years from the date of this Official Statement. That previous undertaking expired in 2009 when the bonds relating to that undertaking were retired.

In July 2012, the Finance Authority disclosed that what it believed was the audit of its financial statements for the fiscal year ended June 30, 2011 was not properly completed (the "Incomplete Audit"). Due to the Incomplete Audit, the Finance Authority was unable to file its audit for the fiscal year ended June 30, 2011 in a manner that was in material compliance with its previous undertakings. Eventually, the audit for fiscal year ended June 30, 2011 was completed and made available, and the Finance Authority filed such audit with the MSRB as specified in its disclosure undertakings.

Subsequent to the date of the Preliminary Official Statement relating to the Series 2014B Bonds, the Finance Authority became aware that it did not provide notice to the MSRB of an upgrade on its Subordinate Lien Bonds by Moody's from Aa3 to Aa2. The Finance Authority has since filed notice of such upgrade with the MSRB.

Other than as described under this caption "Continuing Disclosure Undertaking," the Finance Authority believes that it is currently in compliance in all material respects with each of its previous continuing disclosure undertakings.

RATINGS

S&P and Moody's have assigned ratings of "AAA" and "Aa1," respectively, to the Series 2014B 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 2014B 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 2014B Bonds may have an adverse effect on the market price of the Series 2014B Bonds. The Municipal Advisor has not undertaken any responsibility to bring to the attention of the owners of the Series 2014B Bonds any proposed revision or withdrawal of the ratings on the Series 2014B Bonds, or to oppose any such proposed revision or withdrawal. The Finance Authority 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 2014B Bonds.

INVESTMENT CONSIDERATIONS

Availability of Revenues

The amount of Revenues actually received by the Finance Authority may be affected by several factors. Among other things, the amount of governmental gross receipts taxes that will be collected and distributed to the Finance Authority 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 Finance Authority. 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 Finance Authority 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 2014B 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 future Agreement Revenues will be consistent with historical receipts.

The mandate from the Budget Control Act of 2011 that became effective in March 2013 requires a reduction of federal spending ("Sequestration"). The Finance Authority receives an insignificant amount of federal revenues. In addition, various entities throughout the State of New Mexico have been receiving federal revenues. While some of those entities may experience a reduction in the receipt of federal revenues due to Sequestration, the Finance Authority does not believe that any such reductions will impact the ability of the Finance Authority to pay debt service on its Bonds.

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 Finance Authority, may be obtained during the offering period, upon request to the Finance Authority and upon payment to the Finance Authority 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 Finance Authority and the purchasers or holders of any of the Series 2014B Bonds.

NEW MEXICO FINANCE AUTHORITY

By /s/ John E. McDermott
John E. McDermott,
Chair

By /s/ Robert P. Coalter
Robert P. Coalter,
Chief Executive Officer

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE FINANCE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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New Mexico Finance Authority
(A Component Unit of the State of New Mexico)

Financial Statements
and
Independent Auditors' Report

June 30, 2013

REDW LLC
CPAs | Business & Financial Advisors

New Mexico Finance Authority
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New Mexico Finance Authority

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Prepared by:
Finance and Accounting Department
Donna Trujillo CPA
Chief Financial Officer

New Mexico Finance Authority

Official Roster

Year Ended June 30, 2013

Independent Auditor's Report

Governing Board
New Mexico Finance Authority
and
Mr. Hector H. Balderas
New Mexico Office of the State Auditor
Santa Fe, NM

Report on the Financial Statements

We have audited the accompanying financial statements of New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the accompanying 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

REDW LLC

Albuquerque, New Mexico
December, 2, 2013

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2013

Introduction

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 position at June 30, 2013 and its financial performance during the fiscal year then ended. 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, cities, school districts and certain departments of the 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 Project 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 in which 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

The financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles. In 2013, the Authority implemented Statement No. 63 of the Governmental Accounting Standards Board. That statement identifies "net position" as the residual of all other elements presented in a statement of financial position. Previously, the residual was referred to as "net assets." Accordingly, the Authority presents and include the following three financial statements for fiscal year 2013:

- ♦ The *Statement of Net Position* presents information on the assets and liabilities of the Authority, with the difference between the assets and the liabilities reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the funds are improving or deteriorating.
- ♦ The *Statement of Revenues, Expenses and Changes in Net Position* present information reflecting how the net position of the Authority changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.
- ♦ The *Statement of Cash Flows* reports the cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities, and the resulting impact on cash and cash equivalents for the fiscal year.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2013

As discussed in Note 1, the basic financial statements herein present the financial position, change in financial position and cash flows of the Authority. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following the financial statements.

Financial Highlights

- On August 1, 2012, the criterion for PPRF loans was temporarily amended, placing a lending limit of $5 million for new loans. The lending protocol amendment was in response to the discovery that fiscal year 2011 financial statements had been inappropriately released and falsely represented as having been audited. The protocol was lifted in March 2013 after the 2011 and 2012 financial statements had been audited and approved for release by the Office of the New Mexico State Auditor. The temporary loan limit impacted activity in several financial areas.
- The Authority's overall financial position improved slightly in the past year. The key indicator is total net position which increased by $22.4 million or 5.4%.
- Unrestricted cash increased 44.5% or $35.7 million. Restricted cash increased by 4.1% or $4.3 million in 2013. Restricted investments increased in 2013 by 4.2% or $5.3 million.
- Loans receivable decreased by $84.3 million or 6.4% in 2013, primarily as a result of diminished loan activity due to the lending protocol in place for seven months during fiscal year 2013.
- Bonds payable decreased by $36.7 million or 3.0% in 2013, the result of issuing of $44.3 million of new bonds, principal payments on outstanding bonds of $81.4 million, and amortization of bond premium of $0.4 million.
- Undisbursed loan proceeds decreased by $28.4 million or 38.4% during 2013 consist with reduced loan activity against loan proceeds from borrowers.
- Appropriation revenue decreased by $9.1 million in fiscal year 2013, representing a 21.1% decrease from fiscal year 2012. The decrease reflects a reduction in the Local Transportation Program.
- The Authority experienced a $4.0 million or 53.8% decrease in administrative fees revenue from $7.4 million in 2012 to $3.4 million in 2013. This drop in revenue was in direct relation to the lending limits that were in place during seven months of the year, as discussed above.
- Expenses increased 8.0% or from $105.3 million in 2012 to $113.8 million in 2013 representing an expected increase of $8.5 million.
- Grant revenue and corresponding activity decreased 16.3% or $6.8 million as the Authority leveled its program grant expenses.
- No reversions were due to the State General Fund for fiscal year 2013.

Statement of Net Position

The following presents condensed, combined statements of net position as of June 30, 2013 and 2012, with the dollar and percentage change:

	2013	2012	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	$ 116,073,324	$ 80,351,262	$ 35,722,062	44.5%
Restricted	109,965,262	106,424,138	3,541,124	3.3%
Investments – restricted	131,565,455	125,496,887	6,068,568	4.8%
Loans receivable, net of allowance	1,231,232,043	1,315,526,827	(84,294,784)	-6.4%
Intergovernmental receivables	125,274,549	132,180,805	(6,906,256)	-5.2%
Other receivables	10,960,455	11,195,806	(235,351)	-2.1%
Capital assets	220,772	239,589	(18,817)	-7.9%
Other assets	10,284,110	10,878,718	(594,608)	-5.5%
Total assets	**$ 1,735,575,970**	**$ 1,782,294,032**	**$ (46,718,062)**	-2.6%
Liabilities				
Bonds payable, net	$ 1,180,405,517	$ 1,217,118,299	$ (36,712,782)	-3.0%
Undisbursed loan proceeds	45,485,533	73,864,493	(28,378,960)	-38.4%
Advanced loan payments	68,380,111	70,884,890	(2,504,779)	-3.5%
Accounts payable, accrued payroll and compensated absences	831,236	571,388	259,848	45.5%
Other liabilities	4,998,215	6,806,772	(1,808,557)	-26.6%
Total liabilities	**1,300,100,612**	**1,369,245,842**	**(69,145,230)**	-5.0%
Net Position				
Invested in capital assets	220,772	239,589	(18,817)	-7.9%
Restricted for debt service	68,069,252	74,009,248	(5,939,996)	-8.0%
Restricted for program commitments	143,292,282	196,844,296	(53,552,014)	-27.2%
Unrestricted	223,893,052	141,955,057	81,937,995	57.7%
Total net position	**435,475,358**	**413,048,190**	**22,427,168**	5.4%
Total liabilities and net position	**$ 1,735,575,970**	**$ 1,782,294,032**	**$ (46,718,062)**	**-2.6%**

The Authority's overall financial position improved slightly in the past year. The key indicator is total net position which increased by $22.4 million or 5.4%.

Assets

Loans receivable decreased by $84.3 million or 6.4% in 2013. New loans made during the year totaled $73.7 million while loan payments received were $155.7 million.

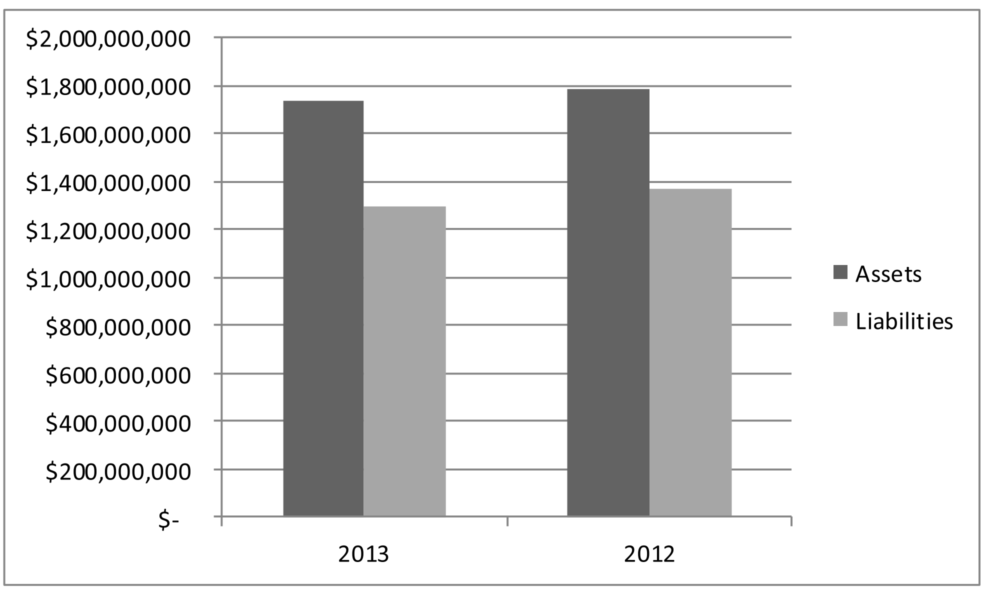
The allowance for uncollectible loans increased $2.3 million due to changes in estimated losses based on the risk evaluations performed by a third party. The number and amount of early loan payoffs decreased significantly from 2012 as interest rates continued to stabilize.

Total cash and investments increased 14.5% from $312.3 million in 2012 to $357.6 million in 2013 due to the disproportionate number of new loans made compared with loan payments received and debt issued during the year. The majority of the new loans will be reimbursed through the issue of new debt in fiscal year 2014.

Liabilities

Bonds payable decreased by $36.7 million in 2013 resulting from the issuance of $44.3 million of new bonds, principal payments on outstanding bonds of $81.4 million, and amortization of bond premium of $2.4 million. Undisbursed loan proceeds decreased by $28.4 million during 2013 indicating stable draw requests against loan proceeds from borrowers. Advanced loan payments remained fairly constant with a $2.5 million or 3.5% decrease from 2012.

The following chart indicates the ratio of assets to liabilities:



Statement of Revenue, Expenses and Changes in Net Position

The following table presents the condensed combined statement of revenue, expenses and changes in net position for 2013 and 2012 fiscal years:

	2013	2012	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Operating Revenues				
Administrative and processing fees	$ 3,395,491	$ 7,352,753	$ (3,957,262)	-53.8%
Interest on loans	52,942,880	54,459,612	(1,516,732)	-2.8%
Interest on investments	139,403	436,387	(296,984)	-68.1%
Total operating revenues	56,477,774	62,248,752	(5,770,978)	-9.3%
Expenses				
Grants to local governments	$ 48,828,884	42,063,551	6,765,333	16.1%
Bond issuance costs	752,792	1,272,046	(519,254)	-40.8%
Professional services	2,651,079	2,520,763	130,316	5.2%
Salaries and benefits	3,926,740	3,976,586	(49,846)	-1.3%
Debt service – interest expense	53,026,726	55,005,184	(1,978,458)	-3.6%
Other expense	4,636,406	510,604	4,125,802	808.0%
Total operating expenses	113,822,627	105,348,734	8,473,893	8.0%
Net operating loss	(57,344,853)	(43,099,982)	(14,244,871)	33.1%
Nonoperating Revenues (Expenses)				
Appropriation revenue	34,033,130	43,146,845	(9,113,715)	-21.1%
Grant revenue	48,692,048	41,883,216	6,808,832	16.3%
Reversions and transfers	(2,953,157)	(8,725,047)	5,771,890	-66.2%
	79,772,021	76,305,014	3,467,007	4.5%
Increase in net position	22,427,168	33,205,032	(10,777,864)	-32.5%
Net position, beginning of year	413,048,190	379,843,158	33,205,032	8.7%
Net position, end of year	**$ 435,475,358**	**$ 413,048,190**	**$ 22,427,168**	**5.4%**

Operating revenue decreased 9.3% to $56.5 million in 2013. Interest on investments continued to decline, experiencing 68.1% decline compared to 2012. Appropriation revenue decreased 21.1% while grant revenue increased 16.3%.

Overall operating costs increased 8% due to increased grant expenses of $6.8 million and an increase in loan loss provision of $2.3 million. The increase in loan loss provision was made based on third party review of the risk of the outstanding direct equity loans. Grant expense increased in 2013 after a grant activity recovery effort in fiscal years 2011 and 2012.

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 2013, the total amount outstanding was $1.2 billion (excluding the $1.6 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 7 to the financial statements.

During the fiscal year, the Authority issued $44.3 million in PPRF bonds, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Programs

The Authority accounts for each of its programs separately, each with its own assets, liabilities, net position, income and expense. The Public Project Revolving Fund is highlighted in the following discussion 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 1,119 loans totaling $2.4 billion.

The PPRF makes loans of less than $5 million from its own funds on hand. It then replenishes 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 at the same time a reimbursement bond issue closes, thus ensuring a precise matching of loan and bond interest rates.

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.

Public Project Revolving Fund
Statements of Net Position
June 30

	2013	2012	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	$ 79,007,637	$ 53,637,734	$ 25,369,903	47%
Restricted	79,173,378	67,315,479	11,857,899	18%
Restricted investments	130,787,736	125,496,887	5,290,849	4%
Accounts receivable and other	10,367,285	10,494,432	(127,147)	-1%
Loans receivable, net of allowance	1,138,450,511	1,226,886,603	(88,436,092)	-7%
Due from the State of New Mexico	108,025,000	111,305,000	(3,280,000)	-3%
Capital assets	186,696	205,513	(18,817)	-9%
Other assets	22,813,527	26,784,977	(3,971,450)	-15%
Total assets	**$ 1,568,811,770**	**$ 1,622,126,625**	**$ (53,314,855)**	-3%
Liabilities				
Accounts payable and accrued payroll liabilities	$ 6,202,814	$ 5,923,640	$ 279,174	4.7%
Undisbursed loan proceeds	45,423,441	73,787,401	(28,363,960)	-38.4%
Borrowers' debt service and reserve deposits	72,016,499	77,039,173	(5,022,674)	-6.5%
Bonds payable, net	1,165,236,955	1,198,797,118	(33,560,163)	-2.8%
Total liabilities	**1,288,879,709**	**1,355,547,332**	**(66,667,623)**	-4.9%
Net Position				
Invested in capital assets	$ 186,696	205,513	(18,817)	-9.2%
Restricted for program funds	113,492,695	144,405,478	(30,912,783)	-21.4%
Unrestricted	166,252,670	121,968,302	44,284,368	36.3%
Total net position	**279,932,061**	**266,579,293**	**13,352,768**	5.0%
Total liabilities and net position	**$ 1,568,811,770**	**$ 1,622,126,625**	**$ (53,314,855)**	**-3.3%**

Loan Volume

	2013	2012	Since Inception
Amount of loans made	$61.2 million	$310.0 million	$2.38 billion
Number of loans made	67	86	1,119
Average loan size	$0.9 million	$3.6 million	$2.1 million

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2013

Public Project Revolving Fund
Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30

	2013	2012	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Interest Income				
Loans	$ 50,708,332	$ 52,000,267	$ (1,291,935)	-2.5%
Investments	127,387	276,618	(149,231)	-53.9%
Total interest income	50,835,719	52,276,885	(1,441,166)	-2.8%
Interest Expense				
Bonds	52,317,500	54,039,449	(1,721,949)	-3.2%
Short-term borrowing	94,931	114,479	(19,548)	-17.1%
Total interest expense	52,412,431	54,153,928	(1,741,497)	-3.2%
Net Interest Income (Loss)				
Interest income (loss) less interest expense	(1,576,712)	(1,877,043)	300,331	-16.0%
Provision for loan losses	(699,842)	1,633,297	(2,333,139)	-142.8%
Net interest loss after provision for loan losses	(2,276,554)	(243,746)	(2,032,808)	834.0%
Noninterest Income				
Loan administration fees	1,659,473	3,366,234	(1,706,761)	-50.7%
Appropriation revenues	26,585,797	27,405,961	(820,164)	-3.0%
Total noninterest income	28,245,270	30,772,195	(2,526,925)	-8.2%
Noninterest Expense				
Salaries and benefits	2,507,794	2,543,974	(36,180)	-1.4%
Professional services	874,564	1,075,421	(200,857)	-18.7%
Bond issuance costs	674,703	1,145,628	(470,925)	-41.1%
Other	1,068,106	1,283,993	(215,887)	-16.8%
Total noninterest expense	5,125,167	6,049,016	(923,849)	-15.3%
Excess of revenues over expenditures	20,843,549	24,479,433	(3,635,884)	-14.9%
Transfers to other funds or agencies	193,951	(754,733)	948,684	-125.7%
Increase (decrease) in net assets	**21,037,500**	**23,724,700**	**(2,687,200)**	**-11.3%**
Net assets, beginning of year	**266,579,293**	**242,854,593**	**23,724,700**	**9.8%**
Net assets, end of year	**$ 287,616,793**	**$ 266,579,293**	**$ 21,037,500**	**7.9%**

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. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2013, the PPRF had a net interest loss of $1.3 million, compared to $.24 million in 2012. This is a result of market conditions in which $ 111.2 million in PPRF loans exercised their early call provisions in 2012 and 2013 and the Authority relent those loan repayments at moderately lower interest rates. See Note 14 Contingencies – Loan Prepayment and Bond Call Provisions.

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 $27.8 million in 2013, a $1.6 million increase from the $26.2 million received in 2012. The GGRT funds are used as follows:

- 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.
- To fund loans to borrowers, especially smaller loans which the Authority may choose to not reimburse in a bond issue.
- To pay operating expenses of the PPRF.

Other Programs

The PPRF accounts for a large portion of total Authority activity. At June 30, 2013, and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	$1.6 billion	$1.7 billion	94%
Net assets	$279.9 million	$435.5 million	64%
Revenues	$79.0 million	$139.2 million	57%

There are 14 other programs administered by the Authority, some of which are loan programs and some of which are grant programs.

A decline occurred in grant volume for the Local Government Transportation Fund because most of the funds were appropriated to the Authority on a one-time basis. Most of the funds have been expended, and the program is in its final stages with expected final disbursements by June 2013.

Similar to the Local Government Transportation Fund, an increase in the Water and Wastewater Project Grant Fund grant activity reflects the fact that the program is closing out its nonrecurring appropriation received from the state legislature and with final expenditures for projects expected by December 2013.

A for profit limited liability company operated by the Authority has been awarded a total of $156 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. Prior to 2013, the Authority made two awards totaling $24 million. During 2013, the Authority has made eight additional awards totaling $109.3 million. 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.

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. Substantial additional information is available on the Authority's website at www.nmfa.net. 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 87501

Financial Statements

Statement of Net Position
June 30, 2013

Assets	
Current assets	
Cash and equivalents	
Unrestricted	$ 116,073,324
Restricted	109,965,262
Interest receivable	8,307,828
Grants and other receivable	2,440,284
Prepaid rent	19,500
Administrative fees receivable	212,343
Investment in Finance New Mexico	99,130
Loans receivable, net of allowance	97,173,649
Intergovernmental receivables	7,125,628
Total current assets	341,416,948
Noncurrent assets	
Restricted investments	131,565,455
Loans receivable, net of allowance	1,134,058,394
Intergovernmental receivables	118,148,921
Capital assets, net of accumulated depreciation	220,772
Deferred cost, net of accumulated amortization	10,165,480
Total assets	$ 1,735,575,970
Liabilities	
Current liabilities	
Accounts payable	473,039
Accrued payroll	84,120
Compensated absences	274,077
Funds held for others	80,263
Bond interest payable	3,961,874
Undisbursed loan proceeds	45,485,533
Advanced loan payments	68,380,111
Bonds payable, net	84,400,000
Cost of loan issuance payable	750,663
Other liabilities	205,415
Total current liabilities	204,095,095
Noncurrent liabilities	
Bonds payable	1,096,005,517
Total liabilities	1,300,100,612
Net Position	
Invested in capital assets	220,772
Restricted for debt service	68,069,252
Restricted for program commitments	143,292,282
Unrestricted	223,893,052
Total net position	435,475,358
Total liabilities and net position	$ 1,735,575,970

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

NEW MEXICO FINANCE AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

Operating Revenues	
Administrative fees revenue	$ 1,661,973
Processing fee	1,733,518
Interest on loans	52,942,880
Interest on investments	139,403
Total operating revenues	56,477,774
Operating Expenses	
Grants to others	48,828,884
Bond issuance costs	752,792
Administrative fees	202,713
Professional services	2,651,079
Salaries and benefits	3,926,740
Other operating costs	1,665,905
Depreciation expense	168,246
Bond interest expense	53,026,726
Provision for loan losses	2,321,946
Interest expense	277,596
Total operating expenses	113,822,627
Net operating loss	(57,344,853)
Nonoperating Revenues (Expenses)	
Appropriation revenue	34,033,130
Grant revenue	48,692,048
Transfers to the State of New Mexico	(2,953,157)
Increase in net position	22,427,168
Net position, beginning of year	413,048,190
Net position, end of year	$ 435,475,358

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

NEW MEXICO FINANCE AUTHORITY

Statement of Cash Flows

For the Year Ended June 30, 2013

Cash flows from operating activities	
Cash paid for employee services	$ (3,682,346)
Cash paid to vendors for services	(5,707,511)
Intergovernmental payments received	7,860,017
Loans payments received	127,297,147
Loans funded	(76,208,868)
Grants to local governments	(48,817,104)
Loan funds on deposit	4,043,047
Interest income received	52,345,390
Administrative fees received	4,227,941
Net cash provided by operating activities	61,357,713
Cash flows from noncapital financing activities	
Appropriations received from the State of New Mexico	35,026,526
Cash transfers to the State of New Mexico	40,702,501
Interfund transfers	(953,761)
Proceeds from the sale of bonds	44,254,000
Payment of bonds	(80,966,782)
Bond issuance costs	(488,392)
Interest expense paid	(53,534,384)
Cash disbursed for program purposes	(54,505)
Net cash used in noncapital financing activities	(16,014,797)
Cash flows from capital and related financing activities	
Purchase of capital assets	(149,429)
Net cash used in capital and related financing activities	(149,429)
Cash flows from investing activities	
Purchase of investments	(6,068,568)
Sale of Investments	(430)
Interest received	138,697
Net cash used in investing activities	(5,930,301)
Net increase in cash and cash equivalents	39,263,186
Cash and cash equivalents, beginning of year	186,775,400
Cash and cash equivalents, end of year	$ 226,038,586

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

Reconciliation of operating loss to net cash provided by operating activities	
Total operating income (loss)	$ (57,344,878)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	168,246
Amortization on bond issuance costs	594,751
Amortization on bond premiums	(2,304,283)
Provision for loan losses	2,321,946
Interest on investments	(133,653)
Bond interest paid	55,512,924
Bond issuance costs	158,063
Cash received from federal grants	4,042,995
Grants to local governments	11,780
Interest expense	94,931
Changes in assets and liabilities	
Loan receivables	88,369,501
Prepaids and receivables	3,270,188
Payables and other accrued liabilities	(33,404,798)
Net cash provided by operating activities	$ 61,357,713

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

Assets	
Cash held by Trustee	
Program funds	$ 41,500
Expense funds	64,712
Revenue funds	54,603,949
Rebate fund	1,540,475
Bond reserve funds	32,979,765
Total assets	$ 89,230,401
Liabilities	
Accounts payable	$ 1,605,186
Debt service payable	87,583,715
Program funds held for the NM Department of Transportation	41,500
Total liabilities	$ 89,230,401

1) Nature of Organization

The New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico (the "State"), is a public instrumentality of the State, organized and existing pursuant to the New Mexico Finance Authority Act (the "Act") created by the Laws of 1992 Chapter 61, as amended. The Authority has broad powers to provide financing for an array of infrastructure and economic development projects. The Authority also provides for long-term planning and assessment of state and local capital needs and improves 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 eleven members including 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 other members who are residents of the State. The appointed members serve at the pleasure of the Governor.

The Authority issues loans to entities pursuant to the rules and regulations governing the Public Projects Revolving Loan Fund Program (PPRF). The PPRF provides low cost financing to local government entities for a variety of infrastructure projects throughout the State. The PPRF Program receives 75 percent of the Governmental Gross Receipts Tax of the State of New Mexico pursuant to section 7-1-6.1 NMSA, 1978, and may issue bonds in amounts deemed necessary to provide sufficient money for the purposes set forth by the New Mexico Finance Authority Act. Bonds are issued under a Master Indenture as well as individual Series Indentures, proceeds and covenants of which are administered through a trust relationship established by contract with a trust company or bank bearing trust powers (Trustee) and the Authority. The Authority may also serve as conduit issuer of revenue bonds for other governmental agencies.

The Authority manages the Drinking Water State Revolving Loan Program (DWRLF) and the Water Trust Board Program (WTB).

The DWRLF 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 is required to match by 20%.

The WTB program provides grant and interest free loans to support water projects which support water use efficiency, resource conservation and protection and fair distribution and allocation of water.

Other significant programs administered by the Authority include:

- The Local Transportation Infrastructure Projects Program which provides for grants and low-cost financial assistance for local governments transportation projects which are not eligible for federal funding and funding for which have not been set by the existing Local Government Road Fund.
- The Economic Development Program provides comprehensive financing tools to stimulate economic development projects statewide.
- The New Markets Tax Credit Program acts as 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.
- The Primary Care Capital Program is a revolving loan program which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide 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.
- The Water and Wastewater Project Grant Program provides grant funding for water and wastewater system projects authorized by legislation.
- The Local Government Planning Grant Program provides grants to qualified entities on a per project basis for water and wastewater related studies, long-term water management plans and economic development plans.
- The 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 UNM Health Sciences Program administers 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.
- The Worker`s 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 2010 Legislature adopted the Colonias Infrastructure Act which appropriates to the Authority 5% of the senior lien severance tax bond proceeds for loans and grants to certain communities in southern New Mexico that lack basic infrastructure for water and wastewater, solid waste disposal, flood and drainage control, roads and housing. The act took effect July 1, 2011.

- Through a Memorandum of Understanding entered into with the New Mexico Economic Development Department, the Authority received $13.2 million in federal State Small Business Credit Initiative funds to help increase the flow of capital to small businesses by mitigating bank risk. The Authority uses the funds to buy loan participations from banks for economic development projects under a program marketed as the Collateral Support Participation.

Activities for all the programs administered by the Authority are reported as supplemental schedules in these financial statements.

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 Act. 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 New Mexico Finance Authority Finance Committee was created by the Act and was appointed by the Legislative Council Service to provide legislative oversight.

2) Summary of Significant Accounting Policies

<u>Accounting Principles</u>
The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and funds. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

<u>Basis of Presentation</u>
The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. All of the Authority's activities, except those in which the Authority acts as an agent, are reported as an enterprise fund. Enterprise funds are used for activities for which a fee is charged to external users for goods and services.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing financial services in connection with on-going operations. Primary operating revenues includes financing income and fees charged to program borrowers. Operating expenses include interest expense, program support, as well as funds granted to others in the form of loan forgiveness and other subsidies to governmental entities.

Nonoperating items consist primarily of governmental gross receipts and other tax distributions reported as appropriations, grant revenue, and transfers-out for excess distributions and reversions of prior year appropriated revenue.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. When restricted resources meet the criteria to be available for use and unrestricted resources are also available, it is the Authority's policy to use restricted resources first. Expenses are recorded when they are incurred. Expenses charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

Agency Funds
Agency Funds are used to report resources held by the Authority in a purely custodial capacity. These funds result from transactions associated with the Authority acting as fiscal agent for the New Mexico Department of Transportation (the "Department") on several of the Department's bond transactions. The amounts reported as agency funds do not belong to the Authority and are held in separate accounts on the Authority's books in the name of the Department. Accordingly, all assets held and reported in the Agency Fund are offset by a corresponding liability.

Cash, Cash Equivalents and Investments
The Authority considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash on deposit with Wells Fargo Bank and the Bank of Albuquerque which also acts as bond trustee. Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment are invested in certain allowable securities. All investments are stated at fair value.

Accounts Receivable
Accounts receivable consists of payments due from governmental entities, administrative fees due from projects, and other receivables arising from the normal course of operations. A reserve for uncollectible accounts is established based on management's estimates based on factors including payment history and economic factors.

Loans Receivable
Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. Loans that become past due as to principal and interest are evaluated for collectability. Generally, loans are not placed on nonaccrual status because they are insured, guaranteed, or collateralized.

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.

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. No allowance has been established, as all such receivables are considered collectable.

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 individually exceeding $5,000 that significantly extend the useful life of an asset are capitalized.

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. With the implementation of GASB Statement No. 65 in fiscal year 2014, current bond issuance costs will be expensed and previously deferred bond issuance costs of $10.2 million will be eliminated as a charge against net position.

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

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.

Undisbursed Loan Proceeds
Program funds to be provided represent loan amounts awaiting disbursement to loan recipients. 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 loans of the PPRF program.

Net Position
In 2013, the Authority implemented GASB Statement No. 63. Accordingly, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is referred to as net position. Previously, this difference was referred to as net assets. Net position is categorized as investment in capital assets (net of related debt), restricted and unrestricted, based on the following:

Investment in capital assets (*net of related debt*) is intended to reflect the portion of net position which are associated with 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 net position has third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.

Unrestricted net position represents net position not otherwise classified as invested in capital assets or restricted net position.

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.

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.

Budget
The Authority's budget represents a financial plan, not a legal constraint, therefore, budgetary comparison information is not presented in the financial statements or as required supplementary information.

Component Units
The Authority does not have any component units.

Recently Issued Accounting Standards
In March 2012, GASB issued Statement No. 65*, Items Previously Reported as Assets and Liabilities* (GASB 65The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were

previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Adopting GASB 65 for fiscal year 2013 will result in a charge to net position of approximately $10.2m of previously capitalized debt issuance costs.

In March 2012, GASB issued Statement No. 66, *Technical Corrections–2012* (GASB 66). The objective of this Statement is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements–Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No.62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre – November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Authority does not anticipate the implementation of GASB 66 will have a significant impact on its financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67). The objective of this Statement is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. GASB 67 will not have an impact on the Authority.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The objective of this Statement is to improve the information provided in government financial reports about pension related financial support provided by certain non-employer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of GASB 68 on its financial statements.

3) Cash and Cash Equivalents and Investments

The Authority follows GASB No. 40, *Deposit and Investment Risk Disclosures*. This statement requires the disclosure of applicable interest rate, credit, custodial credit, concentration of credit and foreign currency risks.

Investments conform to the provisions of the Statements of Investment Policies, Objectives and Guidelines adopted by the Board on March 26, 2008, as revised. The investment policy applies to all of the Authority’s funds; including funds the Authority may manage for others, except for those funds where trust indentures, bond resolutions, or other documents or agreements control the investment of funds. This policy is the Authority master investment policy and may be amended or supplemented as applied to specific categories of funds by adoption of addenda by the Board applicable to specific categories of the Authority funds.

Except where prohibited by statute, trust indenture, or other controlling authority, the Authority consolidates cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income is allocated to the various funds based on their respective participation. The primary objectives, in order of priority, of investment activity shall be safety, liquidity and yield.

Investments shall be undertaken in a manner that seeks to ensure the preservation and principal in the overall portfolio while mitigating credit risk and interest rate risk.

The Authority has Primary Care Capital Program funds invested in the New Mexico State Treasurer's Office investment pool. State law (Section 8-6-3 NMSA 1978) requires investments of these funds be managed by the New Mexico State Treasurer's Office.

Credit Risk
The Authority minimizes credit risk (the risk of loss due to the failure of securities issuer or backer) by limiting investments, prequalifying financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

The New Mexico State Treasurer pools are not rated.

Interest Rate Risk
The Authority minimizes interest rate risk (the risk that the market value of securities in the portfolio will decline due to changes in market interest rates) by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market prior to maturity and by investing operating funds primarily in short-term securities limiting the average maturity of the portfolio.

For the Primary Care Capital program funds invested in the New Mexico State Treasurer's Office investment pool, the New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should refer to the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2013.

Permitted Investments
As provided in Sections 6-21-6 and 6-21-2 of the Act, money pledged for or securing payment of bonds issued by the Authority shall be deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued. The following table identifies the investment types permitted by the investment policy:

	Description	Maximum Percentage of Authority Funds [1]
A	Direct and general U.S. Government Obligations (Treasury Bills, Treasury Notes, Treasury Bonds)	100%
B	U.S. Government Agencies (any federal agency or instrumentality notes, bonds, debentures, with implicit guarantee of the United States of America)	75%
C	SEC-registered money market funds with total assets at time of deposit in excess of $100,000,000[2]	100%
E	Certificates of deposits and bank deposits[3]	20%
F	Commercial paper issued by corporations organized and operating on the United States and rated A1 P1 or equivalent by two or more rating services.	10%
G	Bonds or notes issued by any municipality, county or school district of the State	10%
H	Overnight repurchase agreements[4]	25%
I	Investment contracts (guaranteed investment contracts (GIC's) and flexible repurchase agreements)[1]	N/A
J	State Treasurer's Short-term Investment Fund	50%

Investment of Bond Proceeds
All or any portion of the proceeds of bonds or other obligations of the Authority may be invested in a GIC or flexible repurchase agreement without regard to the investment allocation ranges set forth in the investment policy, if the GIC or repurchase agreement provides for disbursement upon request of the Authority in amounts necessary to meet expense requirements for the bonds or other obligations.

[1] Limits do not apply to cash invested by trustee per bond indenture.
[2] Money markets must be rated AAA by Standards & Poor or Aaa by Moody and in compliance with the diversification, quality and maturity requirements 2a-7 of the U.S. Securities and Exchange Commission applicable to money markets with no sales load or deferred sales charge.
[3] Interest bearing certificates of deposit or bank deposits must be in banks having a branch location in New Mexico, and all principal and interest must be fully insured by the Federal Deposit Insurance Corporation or secured by obligations described in A) and B) above, registered in the name of the Authority and held by a third party safe-keeping agent, or collateralized as required by 6.10.16 NMSA at 102% of the value of the deposit that is not FDIC insured.
[4] Investment contracts and repurchase agreements investments must be fully secured by obligations described in A) and B) above with all collateral held by an independent third party safekeeping agent.

Cash and equivalents at June 30, 2013, were as follows:

Description	Balance at June 30, 2013	Rated	Percentage of Authority Funds [1]
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	$ 10,169,082	N/A	<2.8%
Wells Fargo deposit account	355,231	N/A	<1%
Wells Fargo Repurchase agreement -fully secured[2]	418,097	N/A	<1%
Government Money Market Funds	205,059,730	AAA	57.3%
U.S. Treasury notes	10,036,444	AAA	2.8%
Total cash and equivalents	$ 226,038,584		
Cash held in agency fund	$ 89,230,400[3]		

Maturity Restrictions

It is the policy of the Authority to diversify investment maturities based on cash flow requirements. Unless matched to a specific cash flow, the Authority will invest in securities maturing five years or less from date of purchase.

Investments consist of bond proceeds which are restricted to uses specified in the related bond indentures. Such restricted investments at June 30, 2013, are comprised of the following:

Description	Fair Value at June 30, 2013	Average Years to Maturity	Percentage of Authority Funds
U.S. Treasury notes	$ 53,666,134	1.05	15.0%
Primary Care Capital Program funds held with the State Treasurer Fund Investment Pool	777,719	1 day to 5 years	<1%
Federal Home Loan Mortgage Corporation bonds	77,121,602	1.54	21.57%
Total investments	$ 131,565,455		

1 Limits described in the "permitted investments" section above do not apply to cash invested by trustee per bond indenture.

2 Wells Fargo accounts FDIC insured for $250,000. Remaining $544,081 is secured by a pledge of Agency securities in the name of the State of New Mexico monitored by the New Mexico State Treasurer's Office.

3 All cash held as agent by the Authority is fully collateralized by securities held in the name of the Authority.

4) Loans Receivable

Loans receivable activity for the year ended June 30, 2013, was as follows:

Program Description	Term (Years)	Rates	2012	Increases	Decreases	2013
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,228,269,914	$ 61,210,086	$ 148,949,493	$ 1,140,530,507
Drinking Water State Revolving Loans	1 to 30	0% to 4%	64,625,366	2,105,419	3,389,558	63,341,227
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	2,774,422	-	157,613	2,616,809
Primary Care Capital Fund Loans	10 to 20	3%	4,827,517	-	611,141	4,216,376
Water Projects Fund Loan Grants	10 to 20	0%	13,853,297	6,404,485	1,921,236	18,336,546
Smart Money Participation Loans	3 to 20	2% to 5%.	3,382,434	1,319,570	540,293	4,161,711
Behavioral Health Care Loan	15	3%	236,787	-	38,275	198,512
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	473,558	-	32,286	441,272
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	139,000	-	31,000	108,000
Colinias Infrastructure Fubd Loans	10 to 20	3%	-	202,731	-	202,731
SSBCI Loans	10 to 20	3%	-	2,461,746	-	2,461,746
Child Care Revolving Loans	8	3%	31,952	-	5,982	25,970
			1,318,614,247	73,704,037	155,676,877	1,236,641,407
Less allowance for loan losses			(3,087,420)	(2,321,946)	(2)	(5,409,364)
Totals			$ 1,315,526,827	$ 71,382,091	$ 155,676,875	$ 1,231,232,043

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2013:

	Principal	Interest	Total
Fiscal year ending June 30			
2014	$ 97,173,648	$ 43,979,893	$ 141,153,541
2015	95,322,467	41,575,111	136,897,578
2016	93,909,896	38,839,050	132,748,946
2017	82,748,272	36,089,076	118,837,348
2018	81,304,402	33,511,899	114,816,301
2019 -- 2023	359,828,356	127,895,801	487,724,157
2024 -- 2028	234,217,326	69,647,727	303,865,053
2029 – 2033	131,108,898	29,934,007	161,042,905
2034 – 2038	56,967,284	6,570,892	63,538,176
2039 – 2042	4,060,858	38,364	4,099,222
Subtotals	1,236,641,407	$ 428,081,820	$ 1,664,723,227
Less allowance for loan losses	(5,409,364)		
Loans receivable net	$ 1,231,232,043		

5) 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.

Intergovernmental receivables activity during the year ended June 30, 2013, was as follows:

State Entity	Revenue Pledge	Rates	Maturity	2012	Payments	2013	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	$ 42,485,000	$ 2,400,000	$ 40,085,000	$ 2,525,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,630,000	65,000	23,565,000	120,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	45,190,000	815,000	44,375,000	855,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.00%	4/1/2019	12,865,000	2,040,000	10,825,000	1,975,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	5,365,805	766,256	4,599,549	770,628
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	2,645,000	820,000	1,825,000	880,000
			Totals	$ 132,180,805	$ 6,906,256	$ 125,274,549	$ 7,125,628

The following is a summary of scheduled payments to be collected on the receivables from state entities as of June 30, 2013:

	Principal	Interest	Total
Fiscal year ending June 30			
2014	$ 7,125,628	$ 6,127,630	$ 13,253,258
2015	7,341,438	5,773,494	13,114,932
2016	6,884,184	5,424,462	12,308,646
2017	7,103,814	5,097,956	12,201,770
2018	7,315,443	4,760,840	12,076,283
2019-2023	40,569,042	18,226,169	58,795,211
2024-2028	25,825,000	8,448,425	34,273,425
2029-2033	13,340,000	4,511,000	17,851,000
2034-2042	9,770,000	993,250	10,763,250
Intergovernmental receivables	$ 125,274,549	$ 59,363,226	$ 184,637,775

6) Capital Assets

A summary of changes in capital assets follows:

	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
Depreciable assets				
Furniture and fixtures	$ 28,665	$ -	$ -	$ 28,665
Computer hardware and software	582,189	149,429	-	731,618
Leasehold improvement	8,241	-	-	8,241
	619,095	149,429	-	768,524
Accumulated depreciation				
Furniture and fixtures	(19,166)	(9,499)	-	(28,665)
Computer hardware and software	(352,099)	(158,747)	-	(510,846)
Leasehold improvement	(8,241)	-	-	(8,241)
	(379,506)	(168,246)	-	(547,752)
Net total	$ 239,589	$ (18,817)	$ -	$ 220,772

Depreciation expense for the fiscal year was $168,246.

7) 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 Court Facilities Fees, Cigarette Excise Tax, State Gross Receipts Tax, Workers' Compensation Fees and Income from Land Grant Permanent Fund.

Bonds payable consist of the following at June 30, 2013:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt				
2002 A	4.400% to 5.000%	June 1, 2013 to June 1, 2023	$ 55,610,000	$ 5,010,000
2003 A	3.550% to 4.750%	June 1, 2013 to June 1, 2032	39,945,000	783,000
2003 B	3.500% to 5.000%	June 1, 2013 to June 1, 2021	25,370,000	7,415,000
2004 A-1	3.050% to 4.625%	June 1, 2013 to June 1, 2031	28,410,000	880,000
2004 B-1	4.250% to 5.500%	June 1, 2013 to June 1, 2033	48,135,000	21,405,000
2004 B-2	5.630% to 6.010%	June 1, 2013 to June 1, 2018	1,405,000	630,000
2004 C	3.500% to 5.250%	June 1, 2013 to June 1, 2024	168,890,000	92,765,000
2005 A	3.750% to 5.000%	June 1, 2013 to June 1, 2025	19,015,000	8,165,000
2005 B	3.500% to 4.500%	June 1, 2013 to June 1, 2020	13,500,000	5,210,000
2006 B	4.250% to 5.000%	June 1, 2013 to June 1, 2036	38,260,000	28,000,000
2006 D	4.250% to 5.000%	June 1, 2013 to June 1, 2036	56,400,000	47,005,000
2007 E	4.250% to 5.000%	June 1, 2013 to June 1, 2032	61,945,000	42,765,000
2008 A	3.000% to 5.000%	June 1, 2013 to June 1, 2038	158,965,000	134,730,000
2008 B	4.000% to 5.250%	June 1, 2013 to June 1, 2035	36,545,000	27,325,000
2008 C	4.250% to 6.000%	June 1, 2013 to June 1, 2033	29,130,000	22,865,000
2009 A	2.250% to 5.000%	June 1, 2013 to June 1, 2038	18,435,000	15,110,000
2009 C	2.500% to 5.250%	June 1, 2013 to June 1, 2029	55,810,000	47,895,000
2009 D-1	3.000% to 4.500%	June 1, 2013 to June 1, 2030	13,570,000	10,370,000
2009 D-2	2.320% to 6.070%	June 1, 2013 to June 1, 2036	38,845,000	36,955,000
2009 E	3.000% to 4.500%	June 1, 2013 to June 1, 2019	35,155,000	23,155,000
2010 A-1	3.000% to 4.500%	June 1, 2013 to June 1, 2034	13,795,000	9,160,000
2010 A-2	3.777% to 6.406%	June 1, 2016 to June 1, 2039	15,170,000	13,795,000
2010 B-1	2.000% to 5.000%	June 1, 2013 to June 1, 2035	38,610,000	31,430,000
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2035	17,600,000	17,445,000
2011 A	2.000% to 4.000%	June 1, 2013 to June 1, 2016	15,375,000	9,485,000
2011 B-1	2.000% to 4.000%	June 1, 2013 to June 1, 2036	42,735,000	36,115,000
2011 B-2	2.000% to 4.950%	June 1, 2013 to June 1, 2031	14,545,000	12,995,000
2011 C	3.000% to 5.000%	June 1, 2013 to June 1, 2036	53,400,000	49,100,000
2012 A	1.500% to 5.500%	June 1, 2013 to June 1, 2038	24,340,000	23,605,000
2013 A	2.000% to 5.000%	June 1, 2013 to June 1, 2038	44,285,000	44,285,000
			1,223,195,000	825,853,000
Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt				
2005 C	3.625% to 5.000%	June 15, 2013 to June 15, 2025	50,395,000	40,085,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,565,000	23,565,000
2005 F	4.000% to 5.000%	June 15, 2013 to June 15, 2025	21,950,000	17,465,000
2006 A	4.000% to 5.000%	June 15, 2013 to June 15, 2035	49,545,000	44,020,000
2006 C	4.000% to 5.000%	June 15, 2013 to June 15, 2026	39,860,000	29,535,000
2007 A	4.000% to 5.000%	June 15, 2013 to June 15, 2027	34,010,000	20,800,000
2007 B	4.250% to 5.000%	June 15, 2013 to June 15, 2034	38,475,000	26,020,000
2007 C	4.250% to 5.250%	June 15, 2013 to June 15, 2027	131,860,000	103,600,000
			389,660,000	305,090,000
		Subtotal - PPRF Bonds	1,612,855,000	1,130,943,000

Pooled Equipment Certificates of Participants				
1995 A	6.30%	October 1, 2015	4,288,000	83,000
1996 A	5.80%	April 1, 2016	1,458,000	25,000
			5,746,000	108,000
State Capitol Building Improvement Revenue Bonds				
1996	5.50% to 5.60%	Sept. 1, 2011 to Sept. 1, 2016	9,315,000	1,825,000
Cigarette Tax Revenue Bonds - UNM Health Sciences Center Project				
2004A	4.0% to 5.0%	April 1, 2012 to April 1, 2019	39,035,000	10,825,000
Cigarette Tax Revenue Bonds - Behavioral Health Projects				
2006	5.51%	May 1, 2012 to May 1, 2026	2,500,000	1,625,000
Total bonds outstanding			$ 1,669,451,000	1,145,326,000
Add net unamortized premium				36,378,109
Less deferred charge on refunding				(1,298,592)
Total bonds payable, net				1,180,405,517
Less current portion of bonds payable				(84,400,000)
Noncurrent portion of bonds payable				$ 1,096,005,517

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2014	$ 84,400,000	$ 54,172,283	$ 138,572,283
2015	85,400,000	50,696,091	136,096,091
2016	84,669,000	46,914,590	131,583,590
2017	76,477,000	43,149,329	119,626,329
2018	79,980,000	39,595,782	119,575,782
2019-2023	353,045,000	144,678,941	497,723,941
2024-2028	221,205,000	69,170,991	290,375,991
2029-2033	107,565,000	28,767,377	136,332,377
2034-2038	52,530,000	5,670,954	58,200,954
2039-2040	55,000	3,523	58,523
	1,145,326,000	$ 482,819,861	$ 1,628,145,861
Add: Unamortized premium	36,378,109		
Less: Deferred charge on refunding	(1,298,592)		
Bonds payable, net	$ 1,180,405,517		

The bonds payable activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Bonds payable	$ 1,182,472,000	$ 44,285,000	$ (81,431,000)	$ 1,145,326,000	$ 84,400,000
Add: Unamortized premium	36,052,300	2,742,078	(2,416,269)	36,378,109	-
Less: Deferred charge on refunding	(1,406,003)	-	107,411	(1,298,592)	-
Total	$ 1,217,118,297	$ 47,027,078	$ (83,739,858)	$ 1,180,405,517	$ 84,400,000

8) Advanced Loan Payments

Advanced loan payments 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 borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. The balance of advanced loan payments was $68,380,111 at June 30, 2013.

9) 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 $50,000,000. 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 70% of U.S. dollar monthly LIBOR plus 75 basis points. The LIBOR rate at June 30, 2013, was .246. The Authority pays a 15 basis point fee on the unused portion of the facility. No balance was outstanding under the line of credit at June 30, 2013.

10) Operating Lease Commitment

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are classified as operating leases. Lease expenditures for the year ended June 30, 2013, were $451,066. Future minimum lease payments are as follows:

Fiscal year ending June 30		
2014	$	392,655
2015		242,797
2016		-
2017		-
2018		-
Total	$	635,452

11) 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 $634,842 for the year ended June 30, 2013. 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 year ended June 30, 2013, were $475,734.

12) Compensated Absences

The following changes occurred in the compensated absences liabilities:

Balance at June 30, 2012	$	295,994
Additions		172,878
Deletions		(194,795)
Balance at June 30, 2013	$	274,077
Due within one year	$	274,077

13) Agency Transactions

The Authority was authorized in 2003 to issue bonds as agent for the New Mexico Department of Transportation (NMDOT). Approximately $1.6 billion of such bonds are outstanding at June 30, 2013.

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; therefore, these bonds are not reflected in the Authority's financial statements. The Authority receives an annual fee at 12.5 basis points from the Department of Transportation for management of the bond issues. The fee is recognized on a cost reimbursement basis.

14) Contingencies

Litigation
In the normal course of operations, the Authority is involved in certain litigation and arbitration proceedings involving former employee complaints and subcontractor claims. Management and legal counsel believe the outcomes will not have a materially adverse impact on the financial position of the Authority.

Loan Prepayment and Bond Call Provisions
Certain loans included in loans receivable contain provisions that allow for prepayment of the loan after one year whereas the related bonds used to fund the loans cannot be called for up to 10 years. In the event of a loan prepayment prior to the tenth year, the Authority's bond indentures require the substitution of a loan with similar cash flow characteristics or the defeasance of the related bond.

If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. The variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately $593 million and the related bonds total approximately $473 million at June 30, 2013. During FY 2011, loans totaling $111.2 million exercised this call provision and $40.7 million exercised the option during fiscal year 2013.

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 commercial insurance to cover losses to which it may be exposed related to their leased office space.

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 Transactions

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 New Mexico Department of Finance and Administration and the Secretary of the New Mexico Department of Energy, Minerals and Natural Resources) are members of the Authority's board of directors.

16) Finance New Mexico LLC

The Authority has invested in and is the managing member of, Finance New Mexico, LLC (FNMLLC) which was formed on June 19, 2006, under the laws of the State of New Mexico. FNMLLC is an approved Community Development Entity (CDE) that holds New Market Tax Credits (NMTC) allocation authority to be used for investment in Qualified Active Low-Income Community Businesses (QALICB) pursuant to Section 45D of the Internal Revenue Code (IRC).

The principal business objective of FNMLLC principal is to provide nontraditional investment capital to underserved markets and enhance the return on such investments by providing its members with Federal tax credits. In general, under Section 45D of the Internal Revenue Code, a qualified investor in a CDE can receive the tax credits to be used to reduce Federal taxes.

In accordance with the operating agreement of NMFLLC, profits, losses and cash flows are allocated 99% to the New Mexico Finance Authority, the managing member and 1% to New Mexico Community Capital, the nonmanaging member.

The Authority’s interest in NMFLLC is accounted for using the cost method of accounting. The Authority’s interest in NMFLLC is reported at its initial investment of $99,130.

The financial statements of FNMLLC as of June 30, 2013 and the year then ended are presented using the FASB financial reporting framework. Condensed financial information is as follows:

Balance Sheet	
Assets	
Cash	$ 448,020
Due from affiliates	723,021
Investment in limited liability companies	23,605
Total assets	$ 1,194,646
Liabilities	
Accounts payable	$ 27,754
Due to affiliate	415,783
Total liabilities	443,537
Equity	
Members equity	751,034
Noncontrolling interest	75
	751,109
Total equity	$ 1,194,646
Statement of Operations	
Operating Income	
Interest income	$ 803
Sponsor fee income	450,000
Management fee income	522,262
Total operating income	973,065
Operating Expense	
Sponsor fee expense	413,156
Management fee expense	139,350
Gross receipt tax	61,017
Bad debt expense	39,565
Administrative expense	1,293
Total operating expenses	654,381
Net operating income	318,684
Nonoperating Expenses	
Share of income from investment in limited liability companies	23
Net income	318,707
Less net income attributable to noncontrolling interest	(32)
Net income attributable to controlling interest	$ 318,675

Statement of Members Equity

	Controlling Interest	Noncontrolling Interest	Total Equity
Balance, June 30, 2012	$ 432,358	$ 43	$ 432,401
Net income	318,676	32	318,708
Balance, June 30, 2013	$ 751,034	$ 75	$ 751,109

17) Other Matters

In 2012, the Authority underwent a special investigation and audit directed by its oversight agents and the Office of the New Mexico State Auditor. Results of the investigations indicated several areas of concern resulting in the adoption of a protocol severely limiting loan capacity for fiscal year 2013. The protocol limiting loan capacity was lifted during January 2013; however, it resulted in a decrease in loan and related activity for fiscal year 2013.

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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 2014B Bonds, copies of the Indenture will be available at the principal office of the Municipal Advisor. Subsequent to the offering of the Series 2014B 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.

"Annual Common Debt Service Reserve Deposit Amount" means the lesser of (a) the positive difference, if any, between the Required Common Debt Service Reserve Funding Level and the amount then on deposit in the Common Debt Service Reserve (and if there is no positive difference, then the amount under this clause (a) shall be deemed to be zero), and (b) twenty-five percent (25%) of the remaining NMFA Portion of the Governmental Gross Receipts Tax for a given Bond Fund Year that was distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture, through the process described in the Indenture.

"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 Series 2014B Bonds, $5,000 or any integral multiple thereof and means, with respect to the Loans that are subject to the Eighty-Sixth Supplemental Indenture, $1 or any integral multiple thereof.

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

"Beneficial Owner" means, while DTC or its nominee is the registered owner of the Series 2014B Bonds, any person entitled to receive payment of principal of, premium, if any, and interest on Series 2014B Bonds and otherwise exercise ownership rights with respect to Series 2014B 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" shall, with respect to each Series of Bonds, have the meaning set forth in the related Supplemental Indenture.

"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 2014B Bonds.

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

“Common Debt Service Reserve Fund” means the fund by that name which is created and established by the Indenture.

“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 2014B 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 Fund and the Accounts created in therein, the Agreement Reserve Fund and the Accounts created therein, the Program Fund and the Accounts created therein, the Expense Fund, the Rebate Fund and the Accounts created therein, the Revenue Fund, the Bond Fund, and the Common Debt Service Reserve 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 2014B Bonds, each June 1 and December 1, commencing December 1, 2014.

“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.

"Maximum Debt Service Year" means the Bond Fund Year in which the aggregate annual Principal Component and Interest Component due in relation to all Loans is at its greatest, less any reserves, sinking fund redemption deposits or other funds deposited with the Trustee to the extent such reserves, sinking fund redemption deposits or funds may be used as a matter of right for such payments (as opposed to other reserves that are available for the payment of debt service solely in the event of non-performance of a party), for the payment of the Principal Component and Interest Component due, provided, however, amounts within the Agreement Reserve Fund shall in no event be accounted for in any calculation of the Maximum Debt Service Year.

"NMFA" means the New Mexico Finance Authority.

"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 2014B 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 2014B Bonds as Securities Depository.

"Paying Agent," when used with respect to the Series 2014B Bonds, means the person or persons authorized by the NMFA to pay the principal of, premium, if any, and interest on, the Series 2014B 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 Fund has the meaning set forth in each Agreement, and (ii) with respect to the investment of the Revenue Fund, the Bond Fund, the Expense Fund, the Rebate Fund, and the Common Debt Service Reserve 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) U.S. 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(f)(2) of the Code and defined as "Rebate Amount"

in Section 1.148-3 of the Treasury Regulations, which are payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

"Register" means the record of ownership of the Series 2014B 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.

"Required Common Debt Service Reserve Funding Level" means an amount (unless amended pursuant to the provisions of this definition of Required Common Debt Service Reserve Funding Level), rounded up to the nearest thousand dollars, equal to the sum of:

(i) 0% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans secured by revenue pledges classified by the NMFA as fire protection fund, law enforcement protection fund, governmental gross receipts tax, or state gross receipts tax (collectively, "Risk Group One");

(ii) 20% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as general obligation, limited mill levy (limited general obligation), or gross receipts tax (other than governmental gross receipts tax, or state gross receipts tax) (collectively, "Risk Group Two");

(iii) 35% of maximum annual Principal Component and Interest Component payable in the Maximum Debt Service Year of Loans outstanding secured by revenue pledges classified by the NMFA as enterprise system revenues, special assessments or a local special tax such as a lodgers' tax, cigarette tax, gasoline tax, special fuel excise tax, pari-mutuel tax, or court facilities fees (collectively, "Risk Group Three," and together with Risk Group One and Risk Group Two, "Risk Groups").

Pursuant to the following provisions, the NMFA may revise the method of calculating the Required Common Debt Service Reserve Funding Level. The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, add or revise revenue pledge categories in addition to those included above. New revenue pledge categories either may be included in one of the three Risk Groups identified above or included in a new Risk Group established using a different Risk Group calculation percentage (a "Factor"). The NMFA may, from time to time pursuant to an indenture supplemental to the Indenture and without obtaining the consent of the Owners, adjust the funding percentages of the Risk Group Factors, adjust the Risk Group in which a revenue pledge is categorized and add or revise revenue pledge categories within Risk Groups as to any future Bond issuances. As to any Bonds outstanding at the time a supplemental indenture as described above is entered into, the Risk Groups and Risk Group Factors as they existed prior to the supplemental indenture shall continue to be applied to such Bonds. In the event of any adjustment pursuant to a supplemental indenture whereby the Required Common Debt Service Reserve Level is decreased over time below the amount that is currently on deposit in the Common Debt Service Reserve Fund, then as provided in the Indenture, the excess amount shall remain on deposit in the Common Debt Service Reserve Fund unless used for shortfalls in any Governmental Unit's Account of the Debt Service Fund, or to redeem or defease Bonds. The NMFA's and the Trustee's ability to enter into supplemental indentures for the foregoing purposes without the consent of the Owners is an integral term and condition of subjecting the Common Debt Service Reserve Fund to the Indenture, and the Trustee is authorized to execute any such supplemental indentures, and the provisions of Article XIII of the Indenture shall not apply to such supplemental indentures as long as such supplemental indentures comply with the terms of this definition of "Required Common Debt Service Reserve Funding Level." In conjunction with executing such supplemental

indentures, the Trustee shall not be required to make any determination as to whether such a supplemental indenture is materially adverse to the interests of the Owners or any other party; whether such a supplemental indenture otherwise is permitted pursuant to Article XIII of the Indenture; or any other determination.

"Revenue Fund" means the Governmental Gross Receipts Tax, Additional Pledged Loan Revenue 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, (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), and (v) all 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).

"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 2014B 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 2014B Bonds" means the New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2014B.

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

"Subordinated Indenture" means that certain Subordinated General Indenture of Trust and Pledge between the NMFA and BOKF, NA, dba Bank of Albuquerque, Albuquerque, New Mexico, dated as of March 1, 2005, and all supplemental indentures supplementing or amending such Subordinated Indenture.

"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 BOKF, NA, dba Bank of Albuquerque, Albuquerque, New Mexico, and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor Trustee under the Indenture.

THE INDENTURE

Registration and Exchange of Bonds

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

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

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

Nonpresentment of Bonds

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

Covenants of the NMFA

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

Covenant Against Creating or Permitting Liens. Except for the pledge of the Trust Estate to secure payment of the Bonds, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto; provided, however, that (i) nothing contained in the Indenture will prevent the NMFA from issuing, if and to the extent permitted by law, indebtedness having a lien on the Trust Estate subordinated to that of the Bonds and (ii) Revenues constituting NMFA Portion of the Governmental Gross Receipts Tax and payments of Additional Pledged Loans not needed for payments under the Indenture in any Bond Year may be released to the NMFA free and clear of the lien as provided in the Indenture.

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

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

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

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

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

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

Deposit and Advance of Funds

The NMFA and the Trustee will deposit the proceeds of the Bonds to the Accounts created under the Indenture and will make the advances of funds thereunder to fund the Program and the NMFA will enter into the Loan Agreements and Grant Agreements with the Governmental Units and purchase and receive the Securities and Security Documents from the Governmental Units on the terms and conditions and upon submission of the documents as provided in the Indenture.

Loan Agreement and Securities - Loan Payments

The Loan Payments will be governed by the following provisions:

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

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

(c) Agreement Payment. Each Loan Agreement and Security will provide that the related Governmental Unit will pay Loan Payments directly to the NMFA on or before Loan Payment Dates for remittance to the Trustee (less a portion of the interest rate, if any, retained by the NMFA in lieu of an upfront payment as an administrative fee for the payment of Program Costs. The administrative fee is calculated as .015% of the loan amount, capped at $75,000, or the NPV equivalent of .015% if the administrative fee is included in the interest rate) 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 Fund and within such fund a separate Account for each Agreement;

(c) a Bond Fund;

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

(e) an Expense Fund;

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

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

(h) a Common Debt Service Reserve Fund.

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

Flow of Funds

All Funds 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, except that Accounts may be consolidated within one or more special trust accounts within funds. Any amount deposited pursuant to a consolidation shall remain traceable and sufficiently distinguishable in relation to each Agreement and Governmental Unit to permit any applicable arbitrage, yield restriction or similar calculations to be made. 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 or in a single disbursement for the purpose of funding a Governmental Unit's capital projects account to the extent permitted by the Indenture, and upon acknowledgment of the Governmental Units of its obligation to comply with the provisions of the Indenture. 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." The following paragraphs supplement that discussion.

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 (a) any excess attributable to earnings on funds and accounts for the Governmental Unit will be returned to the Governmental Unit or will be credited to the Loan Payments next coming due under the Governmental Unit's related Loan Agreement, Grant Agreement or Securities; and (b) any excess attributable to the difference in interest rates on the Governmental Unit's Loan and the relevant Outstanding Series of 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.

Common Debt Service Reserve Fund

Pursuant to a Supplemental Indenture, the NMFA has established the Common Debt Service Reserve Fund, which is currently funded in the amount of $30,226,600.70 (as of June 30, 2014). The NMFA will determine, as of the end of each Bond Fund Year, the Required Common Debt Service Reserve Funding Level. The NMFA will deposit the Annual Common Debt Service Reserve Deposit Amount with the Trustee in the Common Debt Service Reserve Fund within three (3) business days of receipt by the NMFA of the disbursement of the NMFA Portion of the Governmental Gross Receipts Tax distributed to the NMFA by the trustee under the Subordinated Indenture on June 16, being the day after the end of the applicable bond fund year under the Subordinated Indenture. The disbursement of the NMFA Portion of the Governmental Gross Receipts Tax becomes available to the NMFA pursuant to the following process: (i) at the end of each Bond Fund Year, amounts remaining in the Revenue Fund are disbursed to the NMFA pursuant to the Indenture, (ii) pursuant to the Subordinated Indenture, the NMFA is obligated to transfer such amounts to the trustee under the Subordinated Indenture on June 1 of each year, (iii) the trustee under the Subordinated Indenture applies such amounts as required under the Subordinated Indenture, and (iv) the trustee under the Subordinated Indenture transfers the remaining balance of the revenue fund under the Subordinated Indenture to the NMFA on June 16 of each year.

If amounts on deposit in the Common Debt Service Reserve Fund are greater than the Required Common Debt Service Reserve Funding Level for a given Bond Fund Year, then no additional deposit will be made to the Common Debt Service Reserve Fund for such Bond Fund Year. Any such excess amount may be used during the subsequent Bond Fund Year, at the discretion of the NMFA, for the redemption of Bonds prior to maturity by depositing the amount into the Bond Fund or the defeasance of any Bonds. If the NMFA has deposited the entirety of the available Annual Common Debt Service Reserve Deposit Amount as of a Bond Fund Year end, but the amount in Common Debt Service Reserve Fund is less than the Required Common Debt Service Reserve Funding Level, then the NMFA will not be required to fund from any other source any such difference in excess of the Annual Common Debt Service Reserve Deposit Amount; provided, however, if a funding difference remains (based on the annual recalculation of the Required Common Debt Service Reserve Funding Level), then the next year's available Annual Common Debt Service Reserve Deposit Amount will be applied to that difference.

If the amounts on deposit in any Governmental Unit's Account of the Debt Service Fund are insufficient for payments coming due under the related Loan Agreement or Securities on the next Loan Payment Date, after applying any applicable Agreement Reserve Account or other source for the payment of Debt Service, on the third day preceding a Loan Payment Date (or, if such third day is not a Business Day, on the Business Day next preceding such third day), the Trustee will transfer from the Common Debt Service Reserve Fund, an amount sufficient, together with amounts in the related Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Amounts on deposit in the Common Debt Service Reserve Fund may not be applied toward payment of the Bonds, except to the extent that amounts are due and owing under the Bonds and amounts are not otherwise available for such payments in the Debt Service Fund.

If all of the following are true: (i) amounts in the Common Debt Service Reserve Fund have been disbursed to pay Principal Component or and Interest Component due under a Loan Agreement or in relation to Securities, (ii) at a Bond Fund Year end following such disbursement, a portion of the Annual Common Debt Service Reserve Deposit Amount that was funded into the Common Debt Service Reserve Fund was attributable to disbursements that should have been restored by a Governmental Unit prior to such Bond Fund Year end (a "CDSR Restorative Funding"), (iii) the relevant Governmental Unit later came into compliance as to certain delinquent payments that had been covered by Common Debt Service Reserve Fund disbursements (a "CDSR Compliance Restoration"), and (iv) the amount in the Common Debt Service Reserve Fund exceeds the Required Common Debt Service Reserve Funding Level; then no more frequently than every three months, the Trustee, upon the written request of the NMFA (which written request will also certify that the foregoing conditions have been satisfied) will disburse to the NMFA the amount by which aggregate CDSR Compliance Restoration amounts exceed the aggregate CDSR Restorative Funding amounts.

If no Bonds remain outstanding (or all Bonds have been defeased), then upon the request of the NMFA, any amount remaining in the Common Debt Service Reserve Fund will be disbursed by the Trustee to the NMFA, and the disbursed amounts may be used by the NMFA for any purpose described in the Indenture.

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, the Bond Fund or the Common Debt Service Reserve 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 Series 2014B Bonds do not constitute a general obligation of the State and are special limited obligations of Finance Authority payable solely from the Trust Estate. THE FINANCE AUTHORITY HAS NO TAXING POWERS. The principal of and interest and premium, if any, on the Series 2014B Bonds do not constitute or give rise to a personal liability on the part of the directors and officers of the Finance Authority. No breach of any pledge, obligation or agreement of the Finance Authority will impose a pecuniary liability or a charge upon the general credit of the State, the Finance Authority 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 Finance Authority has not verified and does not guarantee the accuracy of any such information.

Generally

The State, admitted as the forty-seventh state on January 6, 1912, is the fifth largest state, containing approximately 121,593 square miles. The estimated 2012 population of the State was 2,085,538. The State has a semiarid subtropical climate with light precipitation. Its 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). 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).

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. These officials are elected to four-year terms beginning 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, and approximately 9 cabinet-level agencies. Elections for all executive branch statewide offices were held on November 6, 2012.

The State Board of Finance ("State Board") has seven voting members consisting of the Governor, the Lieutenant Governor, the State Treasurer, and four members appointed by the Governor with the advice and consent of the Senate. No more than two appointed members may be from the same political party. The Department of Finance and Administration (the "DFA") Secretary serves as the Executive Officer of the State Board and is a non-voting member. The State Board, in addition to other powers and duties provided by law, has general supervisory authority over the fiscal affairs of the State and over the safekeeping and depositing of all money and securities belonging to, or in the custody of, the State. The Governor serves as the President of the State Board.

The DFA is the principal financial organization of State government and performs through its divisions the duties and functions relating to State and local government financing and general administration. The executive and administrative head of the DFA is the Secretary, who is appointed by the Governor with the advice and consent of the Senate. The State Board is a division of the DFA. The Director of the State Board is appointed by the Secretary with the approval of the members of the State Board.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected for four-year terms and members of the House are elected 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 60 calendar days in odd-numbered years and 30 calendar days in even-numbered years. Special sessions of the Legislature may be convened by the Governor. Extraordinary sessions may be convened by the Legislature under certain limited circumstances. Legislators do not receive any 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 Courts are the trial courts 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 July 1, 2013 was 2,085,287. From 2000 to 2010, the State's population grew 13.2 percent, while the national population grew 9.7 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 Bernalillo, Doña Ana, McKinley, Sandoval, and Otero. The following table sets forth information on population growth in New Mexico and nationally.

POPULATION
NEW MEXICO AND THE UNITED STATES
2002-2013

	Population		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2002	1,849,187	287,745,630	1.1%	0.9%
2003	1,868,121	290,242,027	1.0	0.9
2004	1,890,215	292,936,109	1.2	0.9
2005	1,914,699	295,618,454	1.3	0.9
2006	1,940,631	298,431,771	1.4	1.0
2007	1,966,357	301,393,632	1.3	1.0
2008	1,984,179	304,177,401	0.9	0.9
2009	2,007,315	306,656,290	1.2	0.8
2010 (Census)	2,064,982	309,326,295	2.6	0.7
2011 (est.)	2,077,919	311,582,564	0.9	0.9
2012 (est.)	2,083,540	313,873,685	0.3	0.7
2013 (est.)	2,085,287	316,128,839	0.1	0.7

(Source: U.S. Census Bureau, Population Division. Last Revised: December 2013.)

Major industries in the State include oil and natural gas production, manufacturing, service, 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 of 2003 through 2012.

TOTAL FULL-TIME AND PART-TIME EMPLOYMENT BY INDUSTRY

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Growth 2011-2012	Growth 2003-2012
Total employment	1,001,654	1,025,906	1,049,656	1,079,057	1,104,513	1,107,052	1,074,041	1,059,328	1,063,280	1,074,538	1.06%	7.28%
Wage and salary employment	813,139	830,103	845,493	868,514	878,579	881,906	849,037	837,460	837,760	842,939	0.62	3.66
Proprietors employment	188,515	195,803	204,163	210,543	225,934	225,146	225,004	221,868	225,520	231,599	2.70	22.85
Farm proprietors employment	16,045	15,632	15,588	15,255	18,193	17,745	17,752	18,664	19,723	20,407	3.47	27.19
Nonfarm proprietors employment	172,470	180,171	188,575	195,288	207,741	207,401	207,252	203,204	205,797	211,192	2.62	22.45
Farm employment	22,838	22,618	23,262	22,829	25,804	24,406	24,710	25,307	26,227	27,288	4.05	19.49
Nonfarm employment	978,816	1,003,288	1,026,394	1,056,228	1,078,709	1,082,646	1,049,331	1,034,021	1,037,053	1,047,250	0.98	6.99
Private employment	765,164	785,682	807,695	841,896	868,770	869,351	833,113	816,586	823,329	834,980	1.42	9.12
Forestry, fishing, related activities, and other(1)	4,979	5,171	5,229	5,135	5,172	5,344	5,208	5,225	5,305	5,431	2.38	9.08
Mining(2)	18,893	19,059	21,116	23,528	24,891	28,295	24,432	27,022	28,326	31,305	10.52	65.70
Utilities	4,113	4,042	4,074	4,122	4,451	4,564	4,801	4,565	4,508	4,524	0.35	9.99
Construction(3)	64,060	68,299	73,896	79,676	80,479	77,888	67,178	61,240	59,444	57,941	(2.53)	(9.55)
Manufacturing	41,557	40,611	41,175	42,745	42,810	40,595	36,422	34,537	35,617	35,862	0.69	(13.70)
Durable goods manufacturing(4)	28,701	27,903	28,502	29,863	29,772	28,038	24,371	23,033	23,612	23,344	(1.14)	(18.66)
Nondurable goods manufacturing(5)	12,856	12,708	12,673	12,882	13,038	12,557	12,051	11,504	12,005	12,518	4.27	(2.63)
Wholesale trade	26,157	26,800	27,878	28,863	28,746	28,606	26,582	26,799	26,378	27,071	2.63	3.49
Retail trade(6)	112,205	113,899	115,813	116,478	118,676	117,897	113,809	110,226	111,408	112,347	0.84	0.13
Transportation and warehousing(7)	24,078	24,888	25,271	25,875	27,377	26,629	24,279	23,351	24,311	25,295	4.05	5.05
Information(8)	17,939	17,152	17,290	18,425	18,805	18,942	17,457	17,114	16,480	16,705	1.37	(6.88)
Finance and insurance(9)	31,262	31,609	31,967	32,245	33,731	34,676	35,913	34,595	35,505	35,948	1.25	14.99
Real estate and rental and leasing(10)	32,003	34,828	38,262	40,428	42,994	42,552	40,370	39,914	39,855	41,229	3.45	28.83
Professional and technical services	62,847	65,973	66,744	74,238	81,915	82,023	80,345	78,336	77,497	76,602	(1.15)	21.89
Management of companies and enterprises	5,428	5,348	6,347	6,429	6,075	5,908	5,587	5,406	5,504	5,416	(1.60)	(0.22)
Administrative and waste services(11)	53,227	54,526	55,159	58,405	60,353	60,255	55,811	54,261	54,794	53,761	(1.89)	1.00
Educational services	13,864	14,825	15,313	15,833	15,679	15,908	16,263	16,734	16,209	16,566	2.20	19.49
Health care and social assistance(12)	99,730	103,520	104,986	107,818	111,681	114,669	118,029	119,371	121,541	124,072	2.08	24.41
Arts, entertainment and recreation(13)	20,357	20,933	21,404	21,792	22,840	23,229	23,212	22,981	23,020	23,937	3.98	17.59
Accommodation and food services(14)	79,661	80,463	81,310	84,401	85,075	83,953	81,653	81,122	82,364	84,113	2.12	5.59
Other services, except public administration(15)	52,804	53,736	54,461	55,460	57,020	57,418	55,762	53,787	55,263	56,855	2.88	7.67
Government and government enterprises(16)	213,652	217,606	218,699	214,332	209,939	213,295	216,218	217,435	213,724	212,270	(0.68)	(0.65)

(1) The "Forestry, fishing, related activities and other" category includes: forestry and logging; fishing, hunting and trapping; agriculture and 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 goods 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; and

(16) The "Government and government enterprises" category includes: federal, civilian; military; state and local; and state government and local government.

(Source: Regional Economic Information System, Bureau of Economic Analysis, Last updated September 2013, including revised estimates for 2003-2011.)

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
2003-2012

	Civilian Labor Force (Thousands)		Number of Employed (Thousands)		Unemployment Rate		
Year	New Mexico[1]	United States[1]	New Mexico[1]	United States[1]	New Mexico[1]	United States[1]	N.M. as % of U.S. Rate
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	101
2006	925	151,428	887	144,427	4.1	4.6	89
2007	936	153,124	904	146,047	3.5	4.6	76
2008	947	154,287	905	145,362	4.5	5.8	78
2009	938	154,142	874	139,877	6.8	9.3	73
2010	936	153,889	861	139,064	7.9	9.6	82
2011	932	153,617	862	139,869	7.5	8.9	84
2012	936	154,975	871	142,469	6.9	8.1	85

(1) Details may not add to total because of rounding. Figures rounded to nearest thousand. Figures in years 2008 through 2012 have been revised.

(Sources: U.S. Department of Labor Statistics and Bureau of Business and Economic Research, University of New Mexico; last revised April 2013.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2003-2012

	Personal Income (000)		Annual Percentage Change	
Year	New Mexico	United States	New Mexico	United States
2003	$48,139,404	$9,369,072,000	3.9%	3.5%
2004	51,578,691	9,928,790,000	7.1	6.0
2005	55,341,826	10,476,669,000	7.3	5.5
2006	59,274,367	11,256,516,000	7.1	7.4
2007	63,035,677	11,900,562,000	6.4	5.7
2008	67,337,890	12,451,660,000	6.8	4.0
2009	65,585,583	11,852,715,000	-2.6	-4.8
2010	68,050,198	12,308,496,000	3.8	3.8
2011	71,073,186	12,949,905,000	4.4	5.2
2012	73,159,160	13,401,868,693	2.9	3.5

(Sources: U.S. Department of Commerce and Bureau of Business and Economic Research, University of New Mexico; last revised April 2013.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2003-2012

	Per Capita Income			Annual Percentage Change	
Year	New Mexico	United States	N.M. as a % of U.S.	New Mexico.	United States
2003	$25,639	$32,295	79%	2.8%	2.6%
2004	27,092	33,909	80	5.7	5.0
2005	28,641	35,452	81	5.7	4.6
2006	30,209	37,725	80	5.5	6.4
2007	31,675	39,506	80	4.9	4.7
2008	33,490	40,947	82	5.7	3.6
2009	32,200	38,637	83	-3.9	-5.6
2010	32,940	39,791	83	2.3	3.0
2011	34,133	41,560	82	3.6	4.4
2012	35,079	42,693	82	2.8	2.7

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of Business and Economic Research, University of New Mexico; last revised April 2013.)

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WAGES AND SALARIES BY INDUSTRY SECTOR
2002-2012

NAICS Earnings by Place of Work[1] Applicable to 2002-2012	New Mexico (Dollars in Thousands)[2]		United States (Dollars in Millions)[2]		Percent Change 2002–2012		Distribution of 2012 Wages & Salaries	
	2012	2002	2012	2002	N.M.	U.S.	N.M.	U.S.
Farm Wage and Salary	$203,903	$199,942	$19,903	$17,911	1.98%	11.12 %	0.58%	0.29%
Nonfarm Wage and Salary	34,865,280	24,128,541	6,897,283	4,975,028	44.50	38.64	99.42	99.71
Total Wages and Salaries	$35,069,183	$24,328,483	$6,917,186	$4,992,939			100.00%	100.00%
Private Nonfarm Wage and Salary	$25,420,163	$16,823,304	$5,717,937	$4,112,705	51.10	39.03	72.49%	82.66%
Forestry, Fishing, related activities	*69,877*	*50,025*	*14,902*	*10,198*	*39.68*	*46.13*	*0.20*	*0.22*
Mining	*1,769,807*	*674,052*	*76,944*	*30,664*	*162.56*	*150.93*	*5.05*	*1.11*
Utilities	*334,125*	*219,348*	*52,694*	*39,882*	*52.33*	*32.12*	*0.95*	*0.76*
Construction	*1,817,255*	*1,440,836*	*306,788*	*274,011*	*26.13*	*11.96*	*5.18*	*4.44*
Manufacturing	*1,698,615*	*1,490,240*	*735,422*	*680,068*	*13.98*	*8.14*	*4.84*	*10.63*
Wholesale Trade	*1,109,476*	*872,515*	*393,753*	*282,485*	*27.16*	*39.39*	*3.16*	*5.69*
Retail Trade	*2,489,637*	*1,974,693*	*427,935*	*359,201*	*26.08*	*19.14*	*7.10*	*6.19*
Transportation and Warehousing	*960,324*	*663,354*	*219,353*	*165,204*	*44.77*	*32.78*	*2.74*	*3.17*
Information	*646,380*	*544,653*	*224,806*	*190,239*	*18.68*	*18.17*	*1.84*	*3.25*
Finance and Insurance	*1,273,142*	*886,039*	*538,403*	*371,169*	*43.69*	*45.06*	*3.63*	*7.78*
Real Estate and Rental and Leasing	*361,315*	*308,089*	*98,161*	*72,316*	*17.28*	*35.74*	*1.03*	*1.42*
Professional, Scientific, and Technical Services	*3,855,410*	*2,059,084*	*673,895*	*401,538*	*87.24*	*67.83*	*10.99*	*9.74*
Management of Companies and Enterprises	*339,340*	*249,444*	*221,010*	*120,576*	*36.04*	*83.30*	*0.97*	*3.20*
Administrative and Waste Services	*1,441,093*	*1,051,499*	*289,634*	*196,003*	*37.05*	*47.77*	*4.11*	*4.19*
Educational Services	*336,759*	*197,053*	*127,948*	*75,036*	*70.90*	*70.52*	*0.96*	*1.85*
Health Care and Social Assistance	*4,274,627*	*2,329,095*	*785,889*	*469,766*	*83.53*	*67.29*	*12.19*	*11.36*
Arts, Entertainment, and Recreation	*199,282*	*136,946*	*73,885*	*52,583*	*45.52*	*40.51*	*0.57*	*1.07*
Accommodations and Food Services	*1,390,185*	*955,239*	*240,823*	*161,901*	*45.53*	*48.75*	*3.96*	*3.48*
Other Services, Except Public Administration	*1,053,514*	*721,100*	*215,692*	*159,865*	*46.10*	*34.92*	*3.00*	*3.12*
Government and Government Enterprises	$9,445,117	$7,305,237	$1,179,346	$862,323	29.29	36.76	26.93%	17.05%

(1) The estimates of wage and salary disbursements for 2002 are based on the 2002 North American Industry Classification System (NAICS). The estimates for 2013 forward are based on the 2012 NAICS.
(2) Dollar estimates are in current dollars (not adjusted for inflation).
(Source: Bureau of Economic Analysis, last updated September 2013.)

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Form of Opinion of Sherman & Howard L.L.C.]

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

Re: New Mexico Finance Authority $58,235,000 Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2014B

Ladies and Gentlemen:

We have acted as bond counsel to the New Mexico Finance Authority (the "Finance Authority"), in connection with the issuance of its New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2014B, in the aggregate principal amount of $58,235,000 (the "Bonds"). The Bonds are being issued for the purpose of (i) originating Loans to or purchasing Securities from, or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from, Governmental Units that will be or were used to finance or refinance certain Projects for such Governmental Units; and (ii) paying costs incurred in connection with the issuance of the Bonds.

The Bonds are authorized to be issued under and secured by a General Indenture of Trust and Pledge dated June 1, 1995, as previously supplemented and amended (the "General Indenture"), by and between Sunwest Bank, National Association, Albuquerque, New Mexico, as the predecessor Trustee, and as further supplemented by an Eighty-Sixth Supplemental Indenture of Trust dated as of August 1, 2014 (together with the General Indenture, the "Indenture"), by and between the Finance Authority and BOKF, NA dba Bank of Albuquerque, Albuquerque, New Mexico (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

In our capacity as bond counsel to the Finance Authority, we have examined the Finance Authority's certified proceedings, the Indenture, and such other documents and such law of the State and of the United States of America as we have deemed necessary to render this opinion letter.

Regarding questions of fact material to our opinions, we have relied upon the Finance Authority's certified proceedings and other representations and certifications of the Finance Authority, the Trustee and of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Finance Authority is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality, duly organized and validly existing under the New Mexico Finance Authority Act, Sections 6-21-1 et seq., NMSA 1978, as amended and supplemented, and has lawful authority to issue the Bonds.

2. The 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 Finance Authority, payable solely from the Trust Estate and do not constitute an obligation, debt or liability of the State, or (except as expressly provided in an Agreement or Securities) any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

3. The Indenture has been duly authorized, executed and delivered by the Finance Authority, and assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Finance Authority and creates a valid lien on the Trust Estate pledged under the Indenture to secure the payment of the

principal of and interest on Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Finance Authority's certified proceedings and in certain other documents and certain other certifications furnished to us.

5. Interest on the Bonds is exempt from taxation by the State, except for estate or gift taxes and taxes on transfers

The opinions expressed in this opinion letter are subject to the following:

The enforceability of the obligations of the Finance Authority pursuant to the Bonds and the Indenture are subject to the application of equitable principles, to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including without limitation, bankruptcy powers.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any offer or sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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 Finance Authority and the Municipal Advisor believe to be reliable, but the Finance Authority and the Municipal Advisor 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 2014B Bonds, payment of principal, premium, if any, interest on the Series 2014B Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2014B 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 2014B Bonds. The Series 2014B 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 2014B Bond certificate will be issued for each maturity of the Series 2014B 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 rating of AA+. 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.

Purchases of Series 2014B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014B 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 2014B 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 2014B Bonds, except in the event that use of the book-entry system for the Series 2014B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014B 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 2014B 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 2014B Bonds; DTC's records reflect only the identity of

the Direct Participants to whose accounts such Series 2014B 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 2014B 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 2014B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Finance Authority 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 2014B 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 2014B 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 Finance Authority 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 Finance Authority, 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 Finance Authority 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 2014B Bonds at any time by giving reasonable notice to the Finance Authority 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 Finance Authority 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 Finance Authority does not have responsibility for distributing such notices to the Beneficial Owners.

The Finance Authority 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 2014B Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2014B 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 2014B Bonds.

APPENDIX F

2014B GOVERNMENTAL UNITS; LARGEST REPAYMENT OBLIGATIONS

2014B Governmental Units

As previously stated, a portion of the proceeds of the Series 2014B Bonds is being used to originate Loans to be made to the 2014B Governmental Units or to reimburse the Finance Authority, in whole or in part, for Loans made to 2014B Governmental Units. The 2014B 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	Loan Maturity Date
Socorro County	$1,120,449	$112,045	05/01/2022
Colfax County	307,305	–	05/01/2024
Hatch Valley School District	650,000	–	08/01/2023
Los Lunas	180,599	18,060	05/01/2018
Silver City	765,846	60,102	05/01/2028
Lordsburg Municipal Schools	2,000,000	–	10/01/2028
Rio Rancho, City of	684,000	–	05/01/2018
Rio Rancho, City of	855,000	–	06/01/2018
Socorro Consolidated SD No. 1	1,195,000	–	08/01/2028
Rio Rancho, City of	495,000	–	06/01/2023
Grants, City of	265,831	–	05/01/2019
Pojoaque Valley SD	4,000,000	–	08/01/2023
Taos County	358,544	–	05/01/2020
Anthony, City of	1,780,826	–	05/01/2033
Reserve Independent School District	2,400,000	–	05/01/2025
Clovis, City of	4,888,665	–	06/01/2024
Farmington Schools Ed Tech	6,500,000	–	09/01/2018
Grant County-Tyrone VFD	335,517	–	05/01/2035
Village of Cloudcroft	282,116	–	05/01/2025
Cloudcroft MSD	1,875,000	–	08/01/2025
Portales MSD	2,750,000	–	08/01/2027
Roosevelt County	3,668,741	274,032	05/01/2034
Edgewood, Town of	3,670,000	–	05/01/2035
Las Vegas School District	2,800,000	–	08/01/2029
Mora County-Guadalupita VFD	267,071	–	05/01/2028
Las Cruces South Central SWA	2,780,000	278,000	06/01/2028
Fort Sumner MSD	1,500,000	–	08/01/2025
Mesa Vista CSD	865,000	–	90/01/2023
Truth or Consequences MSD	3,000,000	–	08/01/2029
Chaves County-Sierra VFD	269,613	–	05/01/2025
Santa Fe, City of	3,500,000	–	06/01/2026
Los Alamos, County of [2]	12,045,000	863,000	06/01/2034
Total	$68,055,123	$1,605,239	

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(1) The Finance Authority 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) This Loan is expected to be closed simultaneously with the issuance of the Series 2014B Bonds. The principal amount, the reserve amount and maturity date of the Loan may change due to market conditions.

(Source: The Finance Authority.)

Agreements Generating Largest Amount of Agreement Revenues

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

State of New Mexico General Services Department.

The Finance Authority 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 $86,178,250 and are scheduled to mature on June 1, 2039.

New Mexico Spaceport Authority.

The Finance Authority has previously issued a series of bonds and has applied certain Prepayments of Loans 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 Regional Spaceport District from gross receipts taxes imposed by Dona Aña and Sierra Counties which are pledged by the Regional Spaceport District and the Spaceport Authority to pay the Spaceport Authority Securities. The Spaceport Authority Securities are currently outstanding in the aggregate principal amount of $69,270,000 and are scheduled to mature on December 1, 2029.

City of Albuquerque

Enterprise Systems. The Finance Authority has entered into various obligations with the City of Albuquerque (the "Albuquerque Enterprise Obligations") in which enterprise system revenues of the City are used to secure the debt obligations. The proceeds of the Albuquerque Enterprise Obligations were used to finance various projects totaling approximately $49,855,000 including the refinancing of debt obligations issued to fund projects for improvement to the Albuquerque Airport. These obligations are payable from and secured by the net operating revenues and have a current outstanding principal amount of $28,078,643. The last of the Albuquerque Enterprise Obligations is scheduled to mature on July 1, 2019.

Gross Receipts Taxes. The Finance Authority has previously entered into various obligations with the City of Albuquerque (the "Albuquerque Gross Receipts Tax Obligations"). The Albuquerque Gross Receipts Tax Obligations were used to finance or refinance certain infrastructure projects in the City of Albuquerque. The Albuquerque Gross Receipts Tax Obligations have a current outstanding principal amount of $29,230,000 and are payable from and secured by certain gross receipt taxes. The last of the Albuquerque Gross Receipts Tax Obligations is scheduled to mature on July 1, 2028.

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 Finance Authority totaling $171,815,000, the ABCWUA pledged to the Finance Authority, 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 Finance Authority 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 June 1, 2036. The current outstanding principal amount of the ABCWUA Loan Agreements is $46,025,000.

City of Santa Fe

The Finance Authority has previously entered into various obligations with the City of Santa Fe (the "Santa Fe Gross Receipts Tax Obligations"). The Santa Fe Gross Receipts Tax Obligations have been and are being used to finance or refinance certain infrastructure projects in the City of Santa Fe. The Santa Fe Gross Receipts Tax Obligations have a current outstanding principal amount of $34,491,541 (including $3,500,000 being reimbursed by the PPRF 2014B series bonds) and are payable from and secured by certain gross receipt taxes. The last of the Santa Fe Gross Receipts Tax Obligations is scheduled to mature on June 1, 2037.

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NEW MEXICO FINANCE AUTHORITY • SENIOR LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS, SERIES 2014B

New Mexico FINANCE AUTHORITY

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