

NEW ISSUE – BOOK-ENTRY ONLY

**Ratings: S & P: “AA+”
Moody’s: “Aa2”
(See “RATINGS” herein.)**

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel to the Finance Authority, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2013C-1 Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is of the opinion that interest on the Series 2013C-2 Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series 2013C Bonds is exempt from State of New Mexico personal income taxes as described herein. See “TAX MATTERS” regarding certain other tax considerations.



\$3,745,000

**SUBORDINATE LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS
TAX-EXEMPT SERIES 2013C-1**

\$10,550,000

**SUBORDINATE LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS
TAXABLE SERIES 2013C-2**

Dated: Date of Initial Delivery

Due: June 15, as shown on inside cover

The New Mexico Finance Authority Subordinate Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2013C-1 (the “Series 2013C-1 Bonds”) and Subordinate Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2013C-2 (the “Series 2013C-2 Bonds”) and together with the Series 2013C-1 Bonds, the “Series 2013C 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 2013C Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each series and maturity of the Series 2013C Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2013C Bonds will be made in book-entry form only, and beneficial owners of the Series 2013C 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 2013C Bonds.

The Series 2013C Bonds will be issued under and secured by the Subordinated General Indenture of Trust and Pledge. Interest on the Series 2013C Bonds accrues from the date of initial delivery of the Series 2013C Bonds and is payable on June 15 and December 15 of each year, commencing June 15, 2014. Principal of the Series 2013C 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 2013C Bonds are subject to optional and mandatory sinking fund redemption prior to maturity.

Proceeds of the Series 2013C Bonds will be used by the Finance Authority for the purposes of (i) 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 2013C Bonds. The principal of and premium, if any, and interest on the Series 2013C 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 and may issue additional bonds and other obligations pursuant to the Indenture with a lien on the Trust Estate in parity with the lien of the Series 2013C Bonds. The Finance Authority has issued and expects to issue bonds with a lien on the NMFA Portion of the Governmental Gross Receipts Tax senior to the lien of the Series 2013C Bonds.

The Series 2013C 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 2013C 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 2013C 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 2013C 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 2013C 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 2013C Bonds. It is expected that a single certificate for each maturity of each series of the Series 2013C 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.

Wells Fargo Securities

BAIRD

NEW MEXICO FINANCE AUTHORITY

\$3,745,000

**SUBORDINATE LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
TAX-EXEMPT SERIES 2013C-1**

MATURITY SCHEDULE

<u>Year</u> <u>(June 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number[†]</u>
2014	\$420,000	3.00%	0.35%	64711N TE5
2015	275,000	3.00	0.52	64711N TF2
2016	160,000	3.00	0.82	64711N TG0
2017	350,000	3.00	1.20	64711N TH8
2019	225,000	2.00	2.00	64711N TJ4
2021	310,000	2.50	2.80	64711N TK1
2022	305,000	3.00	3.05	64711N TL9
2023	215,000	4.00	3.24 c	64711N TM7
2024	300,000	4.00	3.38 c	64711N TN5
2025	300,000	3.50	3.65	64711N TP0
2026	300,000	4.00	3.75 c	64711N TQ8
2027	300,000	3.75	3.95	64711N TR6
2028	285,000	4.00	4.10	64711N TS4

c Priced to call on the first optional redemption date of June 15, 2018.

\$10,550,000

**SUBORDINATE LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS,
TAXABLE SERIES 2013C-2**

MATURITY SCHEDULE

<u>Year</u> <u>(June 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number[†]</u>
2014	\$1,200,000	0.60%	0.60%	64711N TT2
2015	830,000	0.95	0.95	64711N TU9
2016	500,000	1.25	1.25	64711N TV7
2017	1,105,000	2.00	2.00	64711N TW5
2019	740,000	2.90	2.95	64711N TX3
2021	1,720,000	3.60	3.65	64711N TY1
2022	590,000	3.75	3.90	64711N TZ8
2023	410,000	3.90	4.05	64711N UA1

\$3,455,000, 5.00% Term Bond due June 15, 2029, Price 99.460%, CUSIP Number 64711N UB9 †

†

The above referenced CUSIP number(s) have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2013C Bonds. Neither the Finance Authority, the Trustee nor the Underwriters is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the Series 2013C Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2013C 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 2013C 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 2013C 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 at which the Series 2013C Bonds are offered to the public may vary from the initial reoffering yields or prices shown on the inside front cover page of this Official Statement. In connection with this offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect market prices of the Series 2013C 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 2013C 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 2013C 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 2013C 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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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

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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

⁽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

\$3,745,000

**SUBORDINATE LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS
TAX-EXEMPT SERIES 2013C-1**

\$10,550,000

**SUBORDINATE LIEN PUBLIC PROJECT
REVOLVING FUND REVENUE BONDS
TAXABLE SERIES 2013C-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 \$3,745,000 Subordinate Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2013C-1 (the “Series 2013C-1 Bonds”) and \$10,550,000 Subordinate Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2013C-2 (the “Series 2013C-2 Bonds”) and together with the Series 2013C-1 Bonds, the “Series 2013C Bonds”) being issued by the New Mexico Finance Authority (the “Finance Authority”). The Series 2013C 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 Subordinated General Indenture of Trust and Pledge, dated as of March 1, 2005, as previously supplemented (the “General Indenture”), and as supplemented by a Ninth Supplemental Indenture of Trust, dated as of October 1, 2013 (the “Ninth Supplemental Indenture” and collectively 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 “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 2013C 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” herein.

Proceeds from the sale of the Series 2013C Bonds will be used by the Finance Authority for the purposes of (i) originating loans to or purchasing securities from reimbursing the Finance Authority for moneys used to originate loans to, or purchase securities from, certain governmental entities (“2013C Governmental Units”) that will be or were used to finance certain Projects for such 2013C Governmental Units and (ii) paying costs incurred in connection with the issuance of the Series 2013C Bonds. See “THE PLAN OF FINANCING” and APPENDIX F for a list of the 2013C Governmental Units and the amounts of the loans financed with proceeds of the Series 2013C Bonds.

Parity Obligations

Bonds and other obligations with a lien on the Trust Estate in parity with the lien of the Series 2013C 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.”

The Series 2013C Bonds

The Series 2013C Bonds will be dated the date of their initial delivery. Interest on the Series 2013C Bonds is payable on June 15 and December 15 of each year, commencing June 15, 2014. The Series 2013C Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear interest at the rates shown on the inside front cover of this Official Statement. The Series 2013C 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 2013C 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 2013C 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 2013C Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2013C 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 2013C Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry only system as described in APPENDIX E, and (ii) 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 2013C Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See “THE SERIES 2013C BONDS—Redemption.”

Security and Sources of Payment

Special Limited Obligations. The Bonds, including the Series 2013C Bonds, are special limited obligations of the Finance Authority secured by and payable solely from the special revenues and funds of the Finance Authority pledged under the Indenture, including: (i) moneys from the repayment by governmental borrowers of loans made or securities issued to finance a project under the Indenture (“Agreements”); (ii) moneys from the repayment by governmental borrowers to the Finance Authority of loans made or securities purchased from moneys in the Public Project Revolving Fund and pledged as “Additional Pledged Loans” under the Indenture; (iii) certain Governmental Gross Receipts Tax revenues and moneys from the repayment to the Finance Authority of certain loans, to the extent available on June 1 of each year after all obligations of the Finance Authority under the Senior Indenture (as defined below under “Senior Bonds”) have been satisfied (together with the moneys described in (ii) in this paragraph, the “Subordinate Lien PPRF Revenues”); (iv) any additional revenues received by the Finance Authority and designated as part of the special revenues and funds pledged under the Indenture pursuant to a Supplemental Indenture or Pledge Notification; and (v) certain funds and accounts created and maintained pursuant to the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds” and see “Establishment and Use of Funds” in “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE” herein. Moneys from the sources described in (ii) and (iii) above may be released from the Indenture on June 16 of each year. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” 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 2013C

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 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.

Senior Bonds. The lien of the Indenture on PPRF Revenues is junior and subordinate to the lien on those revenues of the Finance Authority's General Indenture of Trust and Pledge dated as of June 1, 1995, as amended and supplemented (the "Senior Indenture"), and pursuant to the Senior Indenture the Finance Authority has issued and may issue bonds ("Senior Bonds") or other obligations with a lien on PPRF Revenues senior to the lien of the Indenture. Those Senior Bonds and obligations are secured by and payable from the PPRF Revenues prior to their release from the Senior Indenture. While the timing, amount and other details of its next issue of Senior Bonds are not known at present, the Finance Authority maintains an ongoing program to provide loans and to purchase securities from Governmental Units and expects to finance some of those activities with the issuance of additional Senior Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Senior Bonds."

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 on parity with the Series 2013C Bonds. The Finance Authority must satisfy certain requirements set forth in the Indenture to issue such Additional Bonds. The timing, amount and other details of such Additional Bonds are not known as of the date of this Official Statement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds."

Continuing Disclosure Undertaking

The Finance Authority has undertaken for the benefit of the Series 2013C Bond Owners that, so long as the Series 2013C 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 20% of the estimated Subordinate Lien Revenues in the then-current fiscal year to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB and notice of certain material events to the MSRB in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934. See "CONTINUING DISCLOSURE UNDERTAKING," herein.

Tax Considerations

In the opinion of Brownstein Hyatt Farber Schreck, P.C., 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 2013C-1 Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is of the opinion that interest on the Series 2013C-2 Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series 2013C 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 2013C 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 2013C 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 and Delivery of the Series 2013C Bonds

The Series 2013C 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 2013C Bonds will be delivered to DTC or its agent on or about November 13, 2013. The Series 2013C Bonds will be distributed in the initial offering by Wells Fargo Securities and Robert W. Baird & Co. (together, the “Underwriters”) for which Wells Fargo Securities 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 2013C Bonds.

THE SERIES 2013C BONDS

General

The Series 2013C Bonds will be dated as of the date of their initial delivery and interest will accrue on the Series 2013C 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 15 and December 15 of each year, commencing June 15, 2014. The Series 2013C Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2013C Bonds are issuable in denominations of \$5,000 or integral multiples of \$5,000 (the “Authorized Denominations”).

Book-Entry Only System

The Depository Trust Company will act as securities depository for all of the Series 2013C 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 2013C Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2013C Bonds will be made in book-entry only form, and beneficial owners of the Series 2013C 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 2013C 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 2013C Bonds maturing on or after June 15, 2019, are subject to optional redemption at any time on and after June 15, 2018, in whole or in part, in such order of maturity as may be selected by the Finance Authority and by lot within each maturity (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 2013C Bonds to be redeemed, plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2013C-2 Bonds maturing on June 15, 2029 are subject to mandatory sinking fund redemption at a price of 100% of the principal amount thereof plus accrued interest to the redemption date on the dates and in the principal amounts as follows:

Redemption Dates (June 15)	Principal to be Redeemed
2024	\$615,000
2025	620,000
2026	640,000
2027	670,000
2028	695,000
2029*	215,000

* Final Maturity

If any of the Series 2013C Bonds maturing on June 15, 2029 then outstanding are optionally redeemed, an amount equal to the principal amount so redeemed shall be credited toward a part or all of any one or more of any mandatory sinking fund payments for the Series 2013C Bonds maturing on June 15, 2029, in such order as may be directed by the Finance Authority.

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

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

If at the time of mailing of any notice of redemption there are not on deposit with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice is to state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and that such notice will be of no effect unless such moneys are so deposited.

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

Partially Redeemed Bonds. In case any Bond is redeemed in part, upon the presentation of such Bond for such partial redemption, the 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

Bond or Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Bond. A portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple of \$5,000 and, in selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bonds by \$5,000.

Defeasance

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Limited Obligations

The Bonds, including the Series 2013C Bonds, are special limited obligations of the Finance Authority payable solely from the Trust Estate. The Series 2013C 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 2013C 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 2013C 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, first, for the equal and ratable payment of the Bonds, the PPRF Secured Obligations (as to amounts deposited to the Revenue Fund), the Security Instrument Repayment Obligations and the SWAP Payments, and, second, for the equal and ratable payment of the Reserve Instrument Repayment Obligations. The Trust Estate includes: (i) Agreement Revenues; (ii) Additional Pledged Revenues; (iii) Subordinate Lien PPRF Revenues; and (iv) other amounts in certain funds and accounts created and maintained pursuant to the Indenture; all as more fully described below. The Agreement Revenues, Additional Pledged Revenues and Subordinate Lien PPRF Revenues are collectively referred to as the "Subordinate Lien Revenues."

Agreement Revenues. The Agreements consist of Loan Agreements and Securities (each as defined in the Indenture) 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") 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 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 2013C Governmental Units and the allocable portions of the Loans financed with the Series 2013C 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 the Subordinate Lien PPRF 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.

<u>Type of Revenue</u>	<u>FY 2013-2014 Amounts</u>	<u>% of Total Agreement Revenues</u>
Enterprise System Revenues	\$11,019,887	30.76%
Gross Receipts Tax	5,735,331	16.01
Local Special Tax	13,076,287	36.51
General Obligation (ad valorem taxes)	4,175,919	11.66
Fire Protection Funds	1,207,655	3.37
Special Assessments	523,781	1.46
Law Enforcement Protection Funds	59,416	0.17
Mill Levy	21,538	0.06
Total	<u>\$35,819,814</u>	<u>100.00%</u>

Note: Totals may not add due to rounding. Assumes that the Loans funded with proceeds of the Series 2013C Bonds are executed and delivered.

(Source: The Finance Authority.)

The following table lists the ten Agreements that are expected to generate the largest Agreement Revenues in fiscal year 2013-2014, based on scheduled payments in fiscal year 2013-14 and assuming no prepayments of the Agreements. These ten Agreements comprise 66.14% of projected Agreement Revenues for fiscal year 2013-2014.

AGREEMENTS EXPECTED TO GENERATE AGREEMENT REVENUES⁽¹⁾

<u>Obligor/Issuer</u>	<u>FY 2013-2014 Loan Payment</u>	<u>% of Projected FY 2013-2014 Agreement Revenues</u>
Albuquerque Bernalillo Water Utilities Authority	\$9,054,673	25.28%
Bernalillo County Metro Court	4,489,031	12.53
City of Santa Fe	2,762,188	7.71
Eastern New Mexico University	1,719,452	4.80
University of New Mexico Health Sciences Center	1,279,063	3.57
Cobre Consolidated Schools	1,185,405	3.31
City of Espanola	1,032,266	2.88
Pueblo of San Felipe	781,224	2.18
County of San Juan	700,769	1.96
Truth or Consequences Municipal Schools	686,386	1.92
Total	<u>\$23,690,455</u>	<u>66.14%</u>

⁽¹⁾ Based on scheduled fiscal year 2013-2014 debt service and assumes no prepayment or redemption.

(Source: Finance Authority.)

Although Agreement Revenues are received at various times throughout the year, they are held under the Indenture until June 15 of each year to be applied to pay debt service on the Bonds. For more information with respect to Agreement Revenues and Governmental Units with the largest repayment obligations, see “APPENDIX F—2013C GOVERNMENTAL UNITS; 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 of Subordinate Lien PPRF Revenues.

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 Revenues. Additional Pledged Revenues consist of any additional revenues received by the Finance Authority and designated as part of the Trust Estate pursuant to the Indenture or a Pledge Notification. Additional Pledged Revenues are not revenues attributable to Additional Pledged Loans. Additional Pledged Revenues may be among the amounts released from the Revenue Fund on June 16 of each year to the extent they will not be required for debt service in the then current Bond Fund Year, as described below under "Subordinate Lien PPRF Revenues." Additional Pledged Revenues are deposited in the Revenue Fund immediately upon their receipt throughout the year by the Finance Authority. For a more complete description of these deposits and transfers, see "Flow of Funds" below under this caption, and "Establishment and Use of Funds" in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" herein. At the present, the Finance Authority has not designated any sources of revenues or "Additional Pledged Revenues."

Subordinate Lien PPRF Revenues. Subordinate Lien PPRF Revenues consist in part of the NMFA Portion of the Governmental Gross Receipts Tax and moneys from the repayment to Finance Authority of the Additional Senior Pledged Loans deposited to the revenue fund created under the Senior Indenture (the "PPRF Revenues"), to the extent such amounts are available on June 1 of each Bond Fund Year after all obligations of the Finance Authority under the Senior Indenture have been satisfied and the Trustee has retained any amounts required to be retained pursuant to the Senior Indenture. "Additional Senior Pledged Loans" are additional loans or securities made or purchased by the Finance Authority from amounts on deposit in the Public Project Revolving Fund, the payments of principal of and interest on which have been specifically pledged by the Finance Authority to the payment of the Senior Bonds and other amounts due under the Senior Indenture. Pursuant to the Indenture, all moneys released from the Senior Indenture on June 1 of each Bond Fund Year are to be deposited into the Revenue Fund created by the Indenture.

Subordinate Lien PPRF Revenues also consist, in part, of revenues from 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 Bonds and PPRF Secured Obligations and other amounts secured by the Indenture. See "Flow of Funds" below under this caption.

Additional Pledged Loans (repayments of which are pledged to the payment of the Bonds) are not Additional Senior Pledged Loans (repayments of which are pledged only to the extent available for transfer under the Senior Indenture on June 1 of each Bond Fund Year).

The following table shows, for fiscal years 2008-09 through 2012-13, the amounts released to the Finance Authority from the Senior Indenture, which represent the amounts that would be included as Historical Subordinate Lien PPRF Revenues under the Indenture.

HISTORICAL SUBORDINATE LIEN PPRF REVENUES
FISCAL YEARS 2008-09 THROUGH 2012-13
(RELEASED TO INDENTURE ON JUNE 1)

Fiscal Year <u>2008-09</u>	Fiscal Year <u>2009-10</u>	Fiscal Year <u>2010-11</u>	Fiscal Year <u>2011-12</u>	Fiscal Year <u>2012-13</u>
\$37,855,630	\$29,250,195	\$36,302,648	\$35,794,361	\$40,753,364

(Source: Finance Authority.)

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.

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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.

**GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2007-2008 THROUGH 2012-2013**

	<u>Fiscal Year 2007-2008</u>	<u>Fiscal Year 2008-2009</u>	<u>Fiscal Year 2009-2010</u>	<u>Fiscal Year 2010-2011</u>	<u>Fiscal Year 2011-2012</u>	<u>Fiscal Year 2012-2013</u>
Total Net Receipts	\$29,186,583	\$29,370,303	\$30,375,481	\$32,872,185	\$34,939,052	\$36,601,755
NMFA Portion of the Governmental Gross Receipts Tax	\$21,431,489	\$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), a Debt Service Reserve Fund (with a separate account for each series of Bonds with a Debt Service Reserve Requirement), an Agreement Reserve Fund (with a separate account for each Agreement that has a reserve requirement), an Expense Fund and a Reserve Instrument Fund all of which are part of the Trust Estate. Amounts on deposit in accounts in each Debt Service Reserve Account and in each Agreement Reserve Account shall only secure repayment of the Loan made under the related Agreement. The Finance Authority is not establishing or funding an account in the Debt Service Reserve Fund for the Series 2013C Bonds.

Flow of Funds

Loan Payments. All Loan Payments payable under the Loan Agreements and Securities (except as otherwise provided in a Supplemental Indenture) are required to be paid directly to the Finance Authority for remittance to the Trustee for deposit immediately upon their receipt, as follows:

First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit in that Account to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan (it being anticipated that each Governmental Unit will deposit an amount at least equal to the Loan Payments coming due under the related Loan Agreement or Securities with the Finance Authority, which will remit that amount to the Trustee for allocation to the related Account in the Debt Service Fund);

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

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

On 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 Fund, an amount sufficient, together with amounts in such Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Two Business Days prior to an Interest Payment Date, available moneys in the Revenue Fund will be transferred to the Paying Agent for the Bonds to the extent the amounts in the Bond Fund and the Debt Service Fund are insufficient to pay Debt Service on the Bonds on such Interest Payment Date. 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 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. The Trustee is directed to return any excess 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. 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 and any remaining excess will be deposited into the Revenue Fund.

Revenue Fund. During each Bond Fund Year, (i) all PPRF Revenues released from the lien of the Senior Indenture will be paid by the Finance Authority to the Trustee immediately upon their release on June 1 of each year, (ii) all Additional Pledged Revenues will be immediately deposited with the Trustee; and (iii) all payments representing principal and interest from Additional Pledged Loans will be paid immediately upon their receipt by the Finance Authority to the Trustee. All of those amounts will be accounted for and maintained by the Trustee in the Revenue Fund. The Revenue Fund will be kept separate and apart from all other accounts of the Trustee and prior to transfers of any excess funds from the Revenue Fund on June 16 of each year (as described below), all amounts in it will be transferred by the Trustee in the order of priority specified below:

(a) To the Bond Fund, an amount needed, when added to amounts on deposit in the Bond Fund and transferred from the Debt Service Fund, to pay the principal of and interest on the Bonds due on June 15 and to rectify any deficiency in the Bond Fund that has not otherwise been rectified.

(b) To the Paying Agent for any PPRF Secured Obligation that notifies the Trustee, an amount needed, when added to amounts otherwise available for such purpose, to pay the principal and interest then due with respect to the PPRF Secured Obligations on June 15 and to rectify any such deficiency in the payment of any PPRF Secured Obligation which has occurred that has not otherwise been rectified.

(c) To the Bond Fund, an amount needed, when added to amounts transferred from the Debt Service Fund, to pay the amounts due on the Security Instrument Repayment Obligations and the SWAP Payments (net of SWAP Receipts) then due pursuant to any Security Instrument Agreements or Interest Rate Swaps, and the amount needed to rectify any deficiency in the payment of any Security Instrument Repayment Obligations or SWAP Payments that has not been rectified.

The transfers required by the preceding paragraph are to be made on a parity basis. If the amount available for transfer is insufficient, the Trustee must make those transfers ratably according to the amounts due.

After making the transfers described above, the Finance Authority must make the following transfers to the Trustee:

(a) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (i) to the Accounts in the Debt Service Reserve Fund, any amounts required by the General Indenture and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided in the General Indenture and in any Supplemental Indenture and (ii) if funds shall have been withdrawn from an Account in the Debt Service Reserve Fund or any Account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the Finance Authority shall transfer from the Revenue Fund to such Account or Accounts in the Debt Service Reserve Fund an amount sufficient to restore such Account or Accounts within one year with 12 substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement); or a ratable portion (based on the amount to be transferred pursuant to the following bulleted clause) of remaining amounts if less than the amount necessary; and

(b) Equally and ratably to the Accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments in effect and expected to continue in effect after the end of such month, such amount from the Revenue Fund, or a ratable portion (based on the amount to be transferred pursuant to the previous bulleted clause) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such transfer or deposit from the Revenue Fund into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

In the event that funds have been withdrawn from an Account in the Agreement Reserve Fund, or any Account in the Agreement Reserve Fund is at any time funded in an amount less than its Agreement Reserve Requirement after making the transfers described above, the Finance Authority will transfer for deposit in such Account sufficient Subordinate Lien PPRF Revenues, Agreement Revenues with respect to the related Agreement, Additional Pledged Revenues and revenues from Additional Pledged Loans to restore such Account within one year with 12 substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Agreement Reserve Requirement); or a ratable portion of remaining Subordinate Lien PPRF Revenues, Agreement Revenues with respect to the related Agreement, Additional Pledged Revenues and revenues from Additional Pledged Loans if less than the amount necessary.

After making the foregoing transfers to the Bond Fund and to the Paying Agent for the PPRF Secured Obligations and to the Security Instrument Issuers and to the SWAP Providers and to the Reserve Instrument Providers, on June 16 of each year, the Finance Authority will be entitled to direct the Trustee in writing to release to the Finance Authority the balance on deposit in the Revenue Fund and the Trustee must then transfer the balance to the Finance Authority. However, prior to any such release being made, there must be retained in the Revenue Fund an amount, after giving credit for available amounts in all accounts in the Debt Service Reserve Fund and the Agreement Reserve Fund, sufficient to make payments of all Bond Debt Service requirements (calculated as provided in clauses (i), (ii) and (iii) of the definition of Debt Service presented under the caption "Definitions" in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE"), Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations coming due in the then current Bond Fund Year; provided further, that once additional moneys are deposited into the Bond Fund to make all of the foregoing payments, the amounts retained in the Revenue Fund may be released from the lien of the Indenture but only to the extent of additional moneys deposited into the Bond Fund. The Finance Authority may use the balance for (i) deposit to the Public Project Revolving Fund as required by the Act; (ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund; (iii) refinancing, refunding, repurchase or advance refunding of any Bonds; or (iv) for any other lawful purpose, including payment of Program Costs for Bonds and similar costs for PPRF Secured Obligations, replacement of reserves for Bonds or PPRF Secured Obligations and payment of Termination Payments.

The Finance Authority may, but is not obligated to, use any legally available PPRF Revenues of the Finance Authority to satisfy its obligations under the Indenture. At this point, the Finance Authority has not entered into any counterparty transactions with respect to the PPRF.

Debt Service Reserve Fund. The Indenture permits the establishment of a separate Account in the Debt Service Reserve Fund solely for the benefit of the holders of a Series of Bonds in an amount equal to the least of (i) 10% of the proceeds of such Series of Bonds determined on the basis of original principal amount (unless original issue premium or original issue discount exceeds two percent of original principal, then determined on the basis of initial purchase price to the public); (ii) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds; or (iii) 125% of the average annual Debt Service for such Series of Bonds (the “Debt Service Reserve Requirement”). If at any time the amount on deposit in any Account of the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement for that Account, the Finance Authority is required to make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund. Although the Finance Authority has established separate Accounts in the Debt Service Reserve Fund for Series of Outstanding Parity Bonds, it is not establishing or funding an Account in the Debt Service Reserve Fund for the Series 2013C Bonds.

The Debt Service Reserve Requirement may be funded entirely or in part with one or more letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit or other devices (each, a “Reserve Instrument”). No Reserve Instrument may be allowed to expire or terminate while the related Series of Bonds are Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required to be maintained in the related account of the Debt Service Reserve Fund.

In the event of a deficiency in the Bond Fund for a Series of Bonds, the Trustee will transfer moneys on deposit in the related Account of the Debt Service Reserve Fund to the Bond Fund to make up such deficiency. Moneys on deposit in any Account of the Debt Service Reserve Fund will be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by that Account and any Reserve Instrument may only be drawn upon with respect to the Series of Bonds for which such Reserve Instrument was obtained.

If funds on deposit in an Account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund, and there is insufficient cash available in such Account of the Debt Service Reserve Fund to make up such deficiency and Reserve Instruments applicable to such Series are in effect, the Trustee will immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund.

Moneys at any time on deposit in the account of the Debt Service Reserve Fund in excess of the amount required to be maintained therein (taking into account the amount of related Reserve Instrument Coverage) will be transferred by the Trustee to the Bond Fund at least once each year.

Previous Series of Outstanding Parity Bonds are secured by Accounts in the Debt Service Reserve Fund. The Debt Service Reserve Requirement for such Series of Outstanding Parity Bonds was funded by the acquisition of Reserve Instruments issued by either Ambac Assurance Corporation (“Ambac”) or MBIA Insurance Corporation (“MBIA,” and consequently ceded to its subsidiary National Public Finance Guarantee Corp., “National”). Neither the Finance Authority nor the Underwriters make any representation as to the ability of Ambac, MBIA or National to meet its obligations under its respective Reserve Instruments. In the event that a Reserve Instrument on deposit in the Debt Service Reserve Fund were terminated, the Finance Authority is required to replenish the Debt Service Reserve Requirement for the respective Series of Bonds or to provide a replacement Reserve Instrument.

Ambac and MBIA issued their respective Reserve Instruments when each was rated “AAA” and “Aaa” by S&P and Moody’s, respectively. The Finance Authority has been informed that S&P and Moody’s have lowered or no longer maintain their ratings with respect to Ambac, MBIA and National. The Finance Authority (with the advice of counsel) has determined that the Indenture does not require the Finance Authority to replace the Reserve Instruments as a result of the action taken by the rating agencies. Further financial information regarding Ambac,

MBIA and National can be obtained at their respective websites. Neither the Finance Authority, nor the Underwriters make any representation as to any information on those websites or the ability of Ambac, MBIA, National or any other provider of Reserve Instruments to make payments on the Outstanding Parity Bonds in amounts and at the times required by the Indenture.

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 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

Most Governmental Units have the option, beginning one year after origination, to make full or partial Prepayments of their Loans. Neither the outstanding Bonds nor the Series 2013C Bonds are subject to mandatory redemption under such circumstances. With respect to the Series 2013C Bonds, the Indenture instead provides that, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to Loans reimbursed or originated with proceeds of the Series 2013C Bonds with debt service payable on Series 2013C Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2013C Bonds with revenues received from Loan Payments on all outstanding Loans, the Finance Authority shall, within 365 days following the receipt of a Prepayment, in part or in full, of a Loan reimbursed with proceeds of Series 2013C Bonds, take separately or in combination any one or more of the actions described in subsections (a), (b) or (c) of this Section:

(a) The Finance Authority may, to the extent practicable, call for optional redemption prior to maturity Series 2013C Bonds which are subject to redemption, selecting Series 2013C Bonds for optional redemption in an amount and with debt service requirements that approximate the debt service requirements of the Loan for which the Prepayment was received (or a pro-rata portion thereof in the event that only a portion of the Prepayment is applied pursuant to this Subsection); or

(b) The Finance Authority may, to the extent practicable, originate one or more new Loans (i) in an aggregate principal amount equal to or greater than the amount of the Prepayment (or a pro-rata portion thereof in the event that only a portion of the Prepayment is applied pursuant to this Subsection), and (ii) 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 in the event that only a portion of the Prepayment is applied pursuant to this Subsection). The Finance Authority shall provide a Cash Flow Statement to the Trustee establishing that, in taking the actions described in subsection (b) of this Section, the requirements of the Cash Flow Statement, as defined in of the Indenture, are satisfied.

(c) In the event that the Finance Authority does not take one of the actions described in either subsections (a) or (b) of this Section, the Finance Authority shall defease Series 2013C Bonds, in Authorized Denominations, to the first optional redemption date for such Series 2013C Bonds, in an amount approximating the amount of the Prepayment received (or a pro-rata portion thereof in the event that only a portion of the Prepayment is applied pursuant to this Subsection). The principal amount and maturity date of the Series 2013C Bonds to be defeased shall correspond to the principal amount and due date of the Principal Component of such Prepayment. The Finance Authority shall recalculate the Loan payments due under any Loan in the case of a Prepayment in part of Loan payments under such Loan in a manner which is consistent with the actions taken as described in subsections (a), (b) or (c) of this Section.

(d) If, within 90 days following the receipt of a Prepayment, the Finance Authority has not either redeemed Bonds as provided in Subsection (a) of this Section or originated one or more new Loans as provided in Subsection (b) of this Section, the Finance Authority shall restrict the yield on investment of the Prepayment amount to the yield on the Loan for which the Prepayment was made, until one or more new Loans have been originated in an aggregate principal amount equal to or greater than the amount of the

Prepayment, until Bonds have been redeemed, or until Series 2013C Bonds have been defeased as provided in Subsection (c) of this Section.

To date, the Finance Authority has not received any Prepayments on loans or securities pledged as Loans or Additional Pledged Loans under the General Indenture, as previously supplemented.

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 Senior 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.

<u>Fiscal Year</u>	<u>Number of Prepayments</u>	<u>Aggregate Principal Amount</u>
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. 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 Senior Indenture if the prepaid loan related to bonds issued under the Senior Indenture or the 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 Senior Bonds Series 2002A, Senior Bonds Series 2003A and Senior Bonds Series 2003B Bonds on October 4, 2013, and (ii) to defease Senior Bonds Series 2004A-1, Senior Bonds Series 2004B-1 and Senior Bonds Series 2004B-2, and a portion of the Senior Bonds Series 2004C Bonds on October 22, 2013 for redemption on June 1, 2014. 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, PPRF Secured Obligations, Security Instrument Repayment Obligations and SWAP Payments 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, created 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,” taking into account the issuance of the Additional Bonds, PPRF Secured Obligations 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 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, PPRF Secured Obligations or other indebtedness, bonds or notes must be used (1) 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); (2) to make additional Loans or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance); or (3) to finance other projects approved by the Finance Authority.

(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, PPRF Secured Obligations or other indebtedness, bonds or notes if (1) the issuance of such Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes otherwise complies with the requirements of the Indenture; and (2) such Event of Default will cease to continue upon the issuance of the Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes and the application of the proceeds thereof.

All payments required to be made into the Bond Fund must have been made in full, and there must be on deposit in each account of the Debt Service Reserve Fund (taking into account any Reserve Instrument Coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds.

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 2013C 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 Senior Lien Obligations Other Than Senior Bonds. Other than the Senior Bonds, no additional indebtedness, bonds or notes of the Finance Authority payable on a priority senior to the pledge of the Trust Estate for payment of the Bonds, PPRF Secured Obligations, the Security Instrument Repayment Obligations and the SWAP Payments will be created or incurred without the prior written consent of 100% of the Owners of Outstanding Bonds, Owners of PPRF Secured Obligations, Security Instrument Issuers and SWAP Counterparties.

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Outstanding Parity Bonds

The Finance Authority has previously issued other Series of Bonds that are outstanding under the Indenture. The various Series of Bonds, their original principal amounts and their aggregate principal amounts outstanding as of October 10, 2013 are set forth below.

<u>Series⁽¹⁾</u>	<u>Original Principal Amount Issued</u>	<u>Aggregate Principal Amount Outstanding as of October 10, 2013⁽²⁾</u>
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	<u>131,860,000</u>	<u>103,600,000</u>
Total	<u>\$389,725,000</u>	<u>\$305,090,000</u>

(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 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. Outstanding balance shown does not reflect a partial defeasance of these bonds which occurred on October 22, 2013.

(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 Indenture from time to time to satisfy the financing needs of governmental entities in the State of New Mexico.

Outstanding Senior Bonds

The Finance Authority is authorized to issue bonds pursuant to the Senior Indenture to provide funds to Governmental Units for projects that have been approved by the Legislature for funding through the Public Project Revolving Fund. In connection with the issuance of Senior Bonds, the Finance Authority may enter into a loan agreement with the Governmental Unit or may purchase securities of the Governmental Unit in consideration for the loan of a portion of the proceeds of such Senior Bonds for projects (the “Senior PPRF Agreements”). The Senior Bonds are secured by (i) all revenues received by the Finance Authority from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, as more fully described below under “The Governmental Gross Receipts Tax”; (ii) all revenues received or earned by the Finance Authority from or attributable to the Senior PPRF Agreements (except for certain costs of administering the Public Project Revolving Fund program); (iii) all revenues received or earned by the Finance Authority from or attributable to other loan agreements or securities pledged to the Senior Indenture; and (iv) all interest earned by and profits derived from the sale of investments in certain funds and accounts created under the Senior Indenture.

Currently, the Finance Authority plans to issue a series of Senior Bonds in the aggregate principal amount of \$16,360,000 at the same time that it issues the Series 2013C Bonds. The issuance of the Series 2013C Bonds is not contingent upon the issuance of those Senior Bonds. The Finance Authority has issued, and expects to issue,

additional Senior Bonds under the Senior Indenture from time to time to satisfy the financing needs of governmental entities of the State of New Mexico. The timing, amount and other details of any additional Senior Bonds have not been determined. The following table presents the series of Senior Bonds that were outstanding as of October 10, 2013, under the Senior Indenture.

<u>Series⁽¹⁾</u>	<u>Original Principal Amount Issued</u>	<u>Aggregate Principal Amount Outstanding as of October 10, 2013⁽²⁾</u>
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	<u>44,285,000</u>	<u>44,285,000</u>
Total ⁽⁴⁾	<u>\$1,102,270,000</u>	<u>\$812,645,000</u>

(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 “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 made pursuant to the Senior Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Historical Prepayments—Footnote 1.”

(4) At the same time that the Finance Authority issues the Series 2013C Bonds, the Finance Authority expects to issue a series of Senior Bonds in the principal amount of \$16,360,000.

(Source: The Finance Authority.)

The Finance Authority has established a Debt Service Reserve Fund under the Indenture to secure payment of debt service on any Senior Bonds issued under the Senior Lien Indenture (the “Senior Lien Common Debt Service Reserve Fund”). As of September 1, 2013, the Senior Lien Common Debt Service Reserve Fund was funded in the amount of \$30,214,317. The Senior Lien Common Debt Service Reserve Fund secures the Senior Bonds and is not pledged as security for the 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, Amendments to Agreements, and Amendments and Supplements to Senior Indenture.”

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

Purposes of the Series 2013C Bonds

Proceeds of the Series 2013C Bonds will be used by the Finance Authority for the purposes of (i) originating loans to or purchasing securities from reimbursing the Finance Authority for moneys used to originate loans to, or purchase securities from, the 2013C Governmental Units that will be or were used to finance certain Projects for such 2013C Governmental Units and (ii) paying costs incurred in connection with the issuance of the Series 2013C Bonds. See APPENDIX F for a list of the 2013C Governmental Units and the amount of the Loans expected to be financed with the Series 2013C Bonds.

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Estimated Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series 2013C Bonds are presented in the following table.

Series 2013C-1 Bonds

Sources of Funds

Par Amount	\$3,745,000.00
Net Premium	<u>45,069.80</u>
Total	<u>\$3,790,069.80</u>

Uses of Funds

Reimbursement of Loans ⁽¹⁾	\$3,744,648.46
Costs of Issuance ⁽²⁾	<u>45,421.34</u>
Total	<u>\$3,790,069.80</u>

Series 2013C-2 Bonds

Sources of Funds

Par Amount	\$10,550,000.00
Original Issue Discount	<u>(37,564.30)</u>
Total	<u>\$10,512,435.70</u>

Uses of Funds

Reimbursement of Loans ⁽¹⁾	\$10,385,064.65
Costs of Issuance ⁽²⁾	<u>127,371.05</u>
Total	<u>\$10,512,435.70</u>

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

⁽²⁾ Includes legal and accounting fees, financial advisory fees, rating fees, trustee fees, Underwriters' discount and other miscellaneous costs. See "UNDERWRITING."

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ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2013C Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

DEBT SERVICE FOR THE BONDS⁽¹⁾

<u>Fiscal Year</u>	<u>Series 2013C-1</u>		<u>Series 2013C-2</u>		<u>Outstanding Parity Bonds⁽⁴⁾</u>	<u>Total</u>
	<u>Principal⁽²⁾</u>	<u>Interest⁽³⁾</u>	<u>Principal⁽²⁾</u>	<u>Interest⁽³⁾</u>		
2014	\$420,000	\$72,610	\$1,200,000	\$198,856	\$33,614,588	\$35,506,054
2015	275,000	110,700	830,000	330,480	33,183,263	34,729,443
2016	160,000	102,450	500,000	322,595	33,124,675	34,209,720
2017	350,000	97,650	1,105,000	316,345	34,960,175	36,829,170
2018	—	87,150	—	294,245	36,623,388	37,004,783
2019	225,000	87,150	740,000	294,245	36,431,088	37,777,483
2020	—	82,650	—	272,785	31,314,744	31,670,179
2021	310,000	82,650	1,720,000	272,785	30,249,994	32,635,429
2022	305,000	74,900	590,000	210,865	27,405,494	28,586,259
2023	215,000	65,750	410,000	188,740	31,218,688	32,098,178
2024	300,000	57,150	615,000	172,750	27,682,638	28,827,538
2025	300,000	45,150	620,000	142,000	25,490,138	26,597,288
2026	300,000	34,650	640,000	111,000	9,664,200	10,749,850
2027	300,000	22,650	670,000	79,000	7,145,550	8,217,200
2028	285,000	11,400	695,000	45,500	3,406,150	4,443,050
2029	—	—	215,000	10,750	3,409,150	3,634,900
2030	—	—	—	—	3,411,150	3,411,150
2031	—	—	—	—	3,411,900	3,411,900
2032	—	—	—	—	3,412,338	3,412,338
2033	—	—	—	—	3,216,088	3,216,088
2034	—	—	—	—	3,217,150	3,217,150
2035	—	—	—	—	<u>2,861,250</u>	<u>2,861,250</u>
Total	<u>\$3,745,000</u>	<u>\$1,034,660</u>	<u>\$10,550,000</u>	<u>\$3,262,941</u>	<u>\$424,453,794</u>	<u>\$443,046,395</u>

(1) Amounts are rounded to the nearest whole dollar. Totals may not add due to rounding.

(2) Payable on June 15 of each year. Includes any mandatory sinking fund payments.

(3) Payable on June 15 and December 15 of each year, commencing June 15, 2014.

(4) Represents principal of and interest on Bonds outstanding as of October 1, 2013.

(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 2013C Bonds and all other outstanding Bonds and the resulting estimated annual coverage ratios. Revenues for current and future fiscal years are based on fiscal year 2012-13 releases of PPRF Revenues from the Senior Indenture 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—Subordinate Lien PPRF Revenues,” “—Agreement Revenues” for descriptions of the revenues presented in the table under the headings “Subordinate Lien PPRF Revenues” and “Agreement Revenues.” See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate—Subordinate Lien PPRF Revenues” and “INVESTMENT CONSIDERATIONS” for a list of some factors affecting Subordinate Lien PPRF Revenues.

ANNUAL DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE RATIOS

<u>Fiscal Year</u>	<u>Subordinate Lien PPRF Revenues</u> ^{(1) (2)}	<u>Agreement Revenues</u> ^{(1) (3)}	<u>Estimated Total Revenues</u> ⁽¹⁾	<u>Total Debt Service Requirements</u> ⁽¹⁾	<u>Estimated Annual Coverage Ratios</u> ⁽⁴⁾
2014	\$35,180,772	\$35,814,397	\$70,995,169	\$35,506,054	2.00x
2015	35,810,733	34,720,114	70,530,847	34,729,443	2.03x
2016	34,963,790	34,207,414	69,171,204	34,209,720	2.02x
2017	30,307,802	37,076,358	67,384,160	36,829,170	1.83x
2018	28,903,829	35,672,738	64,576,567	37,004,783	1.75x
2019	27,611,166	37,772,068	65,383,235	37,777,483	1.73x
2020	32,176,340	31,662,133	63,838,473	31,670,179	2.02x
2021	27,133,350	33,539,237	60,672,587	32,635,429	1.86x
2022	27,657,647	31,148,648	58,806,295	28,586,259	2.06x
2023	29,228,824	32,088,611	61,317,435	32,098,178	1.91x
2024	29,258,192	29,741,960	59,000,151	28,827,538	2.05x
2025	30,951,124	27,451,751	58,402,875	26,597,288	2.20x
2026	29,220,870	11,398,666	40,619,536	10,749,850	3.78x
2027	28,237,062	11,187,359	39,424,420	8,217,200	4.80x
2028	29,266,479	8,790,282	38,056,761	4,443,050	8.57x
2029	37,625,850	9,676,964	47,302,813	3,634,900	13.01x
2030	28,235,098	9,617,537	37,852,634	3,411,150	11.10x
2031	27,594,893	9,557,280	37,152,172	3,411,900	10.89x
2032	26,759,933	7,764,567	34,524,499	3,412,338	10.12x
2033	28,588,776	6,740,226	35,329,002	3,216,088	10.99x
2034	28,557,451	6,259,342	34,816,794	3,217,150	10.82x
2035	28,646,203	5,849,876	34,496,079	2,861,250	12.06x
Total	<u>\$ 661,916,183</u>	<u>\$487,737,527</u>	<u>\$1,149,653,710</u>	<u>\$443,046,395</u>	

(1) Amounts rounded to the nearest dollar.

(2) Future collections of the Subordinate Lien PPRF Revenues are based on a forecast of revenues to be released from the Senior Indenture. As shown, the figures do not reflect any possible future reduction for payment of debt service on Senior Bonds. For a history of Subordinate Lien PPRF Revenues, see the chart entitled “Historical Subordinate Lien PPRF Revenues” under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate.”

(3) Represents scheduled payments of Agreements and does not reflect the prepayment of any such Agreements that may occur while the Bonds are outstanding. Assumes the Series 2013C Bonds are issued and outstanding. Does not reflect a defeasance which occurred on October 22, 2013. See “SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS—Outstanding Parity Bonds.”

(4) The Estimated Annual Coverage Ratios are calculated assuming that no additional Parity Bonds will be issued pursuant to the Indenture and are subject to change.

(Source: 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:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
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

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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 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 2013C 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:

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

(j) 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;

(k) 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;

(l) 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;

(m) 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;

(n) 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;

(o) 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;

(p) 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;

(q) 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

(r) 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 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.

<u>Program</u>	<u>Project</u>	<u>Original Principal Amount</u>	<u>Outstanding as of June 30, 2013</u>	<u>Scheduled Final Maturity</u>
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 2013C 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 2013C Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2013C 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 2013C Bonds.

UNDERWRITING

Pursuant to a Bond Purchase Agreement dated October 24, 2013 (the “Bond Purchase Agreement”) between Wells Fargo Bank, National Association, as representative, on behalf of itself and Robert W. Baird & Co. (together, the “Underwriters”) and the Finance Authority, the Underwriters have agreed to purchase the Series 2013C Bonds from the Finance Authority at a purchase price equal to \$14,243.345.78 (being the aggregate principal amount of the Series 2013C Bonds plus net premium of \$7,505.50 and less an underwriting discount of \$59,159.72). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2013C 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 2013C 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.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”). WFBNA, the lead underwriter of the Series 2013C Bonds, has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2013C Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2013C Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the Series 2013C Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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 2013C 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.”

The Series 2013C-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 2013C-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 2013C-1 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2013C-1 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 2013C-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 2013C-1 Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2013C-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 2013C-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 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 2013C-1 Bonds may affect the federal tax-exempt status of the interest on the Series 2013C-1 Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2013C-1 Bonds maturing on June 15 in the years 2021, 2022, 2025, 2027 and 2028 (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 2013C-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 2013C-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 2013C-1 Bonds maturing on June 15 in the years 2014 through 2017, both dates inclusive, 2023, 2024, and 2026 (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 2013C-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 2013C-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 2013C-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 2013C-1 Bonds.

Prospective purchasers of the Series 2013C-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 2013C-1 Bonds may affect the tax status of interest on the Series 2013C-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 2013C-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 2013C-1 Bonds, or the interest thereon, if any action is taken with respect to the Series 2013C-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 2013C-1 Bonds is excluded from gross income for federal income tax purposes, a Series 2013C-1 Bondholder's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2013C-1 Bonds. The nature and extent of these other tax consequences will depend upon the Series 2013C-1 Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2013C-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 2013C-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 2013C-1 Bonds, (iii) interest on the Series 2013C-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 2013C-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 2013C-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 Finance Authority, the Governmental Units or the Series 2013C-1 Bondholders regarding the tax-exempt status of the Series 2013C-1 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 2013C-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 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 2013C-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 2013C-1 Bonds, and may cause the Finance Authority, the Governmental Units or the Series 2013C-1 Bondholders to incur significant expense.

Bond Counsel is of the opinion that interest on the Series 2013C-1 Bonds is exempt from State of New Mexico personal income taxes as described herein.

The Series 2013C-2 Bonds

The Series 2013C-2 Bonds are not excludable from gross income for Federal income tax purposes.

Bond Counsel is of the opinion that interest on the Series 2013C-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 2013C 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 2013C 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 its report 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 (including the 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 (including the Bonds) on CreditWatch with negative implications. On October 15, 2012, S&P affirmed its ratings on the Finance Authority’s PPRF 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 2013C 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 2013C Bonds who requests such information):
 1. annual financial information and operating data concerning the Subordinate Lien PPRF Revenues, such information to be of the type set forth under the table captioned “Historical Subordinate Lien PPRF Revenues – Fiscal Years 2008-2009 Through 2012-13 (Released to Finance Authority on June 1)” under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Trust Estate – Subordinate Lien PPRF Revenues” 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 Subordinate Lien 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 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 2013C 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 2013C 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 2013C 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 2013C 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 2013C 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 2013C 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 2013C 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 "AA+" and "Aa2," respectively, to the Series 2013C 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 2013C 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 2013C Bonds may have an adverse effect on the market price of the Series 2013C Bonds. The Financial Advisor has not undertaken any responsibility to bring to the attention of the owners of the Series 2013C Bonds any proposed revision or withdrawal of the ratings on the Series 2013C 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 2013C Bonds.

INVESTMENT CONSIDERATIONS

Availability of Subordinate Lien PPRF Revenues

The amount of Subordinate Lien PPRF Revenues actually received by the Finance Authority on any June 1 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 and ultimately released from the Senior Indenture to become Subordinate Lien PPRF Revenues is subject to fluctuation based on the activities that generate those taxes, including general economic conditions. There can be no guarantee that the Finance Authority's Portion of the Governmental Gross Receipts Taxes collected in the future will be consistent with historical collection trends. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Governmental Gross Receipts Tax."

In addition, the amount of money to be released from the Senior Indenture to become Subordinate Lien PPRF Revenues may be reduced if the other revenues expected to pay debt service on the Senior Bonds in a given year are not available. The availability of those revenues is dependent upon many factors not within the Finance Authority's control, including the ability of entities to which the Finance Authority has loaned the proceeds of the Senior Bonds to repay those loans.

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 2013C 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 Gasparich
John Gasparich,
Interim Chief Executive Officer

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*

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, 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.

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	<u>\$ 1,782,294,032</u>	<u>\$ 1,761,269,579</u>	<u>\$ 21,024,453</u>	<u>1.2%</u>
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	<u>1,369,245,842</u>	<u>1,381,426,421</u>	<u>(12,180,579)</u>	<u>-0.9%</u>
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	<u>413,048,190</u>	<u>379,843,158</u>	<u>33,205,032</u>	<u>8.7%</u>
Total liabilities and net assets	<u>\$ 1,782,294,032</u>	<u>\$ 1,761,269,579</u>	<u>\$ 21,024,453</u>	<u>1.2%</u>

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.

New Mexico Finance Authority

Management's Discussion and Analysis

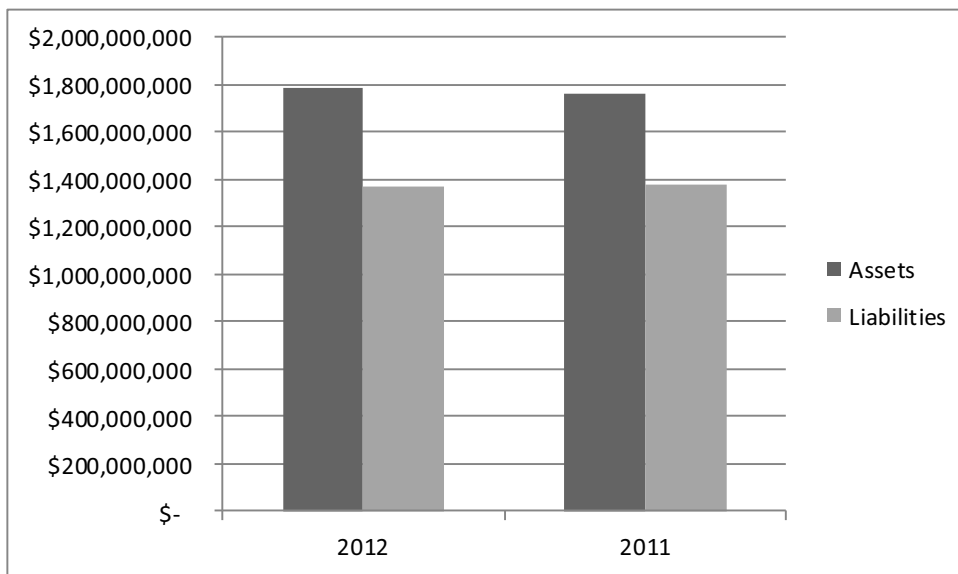
June 30, 2012

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:



New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2012

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	<u>436,387</u>	<u>805,923</u>	<u>(369,536)</u>	<u>-45.9%</u>
Total operating revenues	<u>62,248,752</u>	<u>63,187,309</u>	<u>(938,557)</u>	<u>-1.5%</u>
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	<u>510,604</u>	<u>4,316,239</u>	<u>(3,805,635)</u>	<u>-88.2%</u>
Total operating expenses	<u>105,348,734</u>	<u>121,980,021</u>	<u>(16,631,287)</u>	<u>-13.6%</u>
Net operating loss	<u>(43,099,982)</u>	<u>(58,792,712)</u>	<u>15,692,730</u>	<u>-26.7%</u>
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	<u>(8,725,047)</u>	<u>(24,481,147)</u>	<u>15,756,100</u>	<u>-64.4%</u>
	<u>76,305,014</u>	<u>53,286,235</u>	<u>23,018,779</u>	<u>43.2%</u>
Increase in net assets	33,205,032	(5,506,477)	38,711,509	-703.0%
Net assets, beginning of year	<u>379,843,158</u>	<u>385,349,635</u>	<u>(5,506,477)</u>	<u>-1.4%</u>
Net assets, end of year	<u>\$ 413,048,190</u>	<u>\$ 379,843,158</u>	<u>\$ 33,205,032</u>	<u>8.7%</u>

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%.

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Management's Discussion and Analysis
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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

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2012

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	<u>52,276,885</u>	<u>53,213,254</u>	<u>(936,369)</u>	<u>-1.8%</u>
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	<u>54,153,928</u>	<u>55,328,240</u>	<u>(1,174,312)</u>	<u>-2.1%</u>
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	<u>(243,746)</u>	<u>(3,279,513)</u>	<u>3,035,767</u>	<u>-92.6%</u>
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	<u>30,772,195</u>	<u>30,044,533</u>	<u>727,662</u>	<u>2.4%</u>
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	<u>6,049,016</u>	<u>6,194,472</u>	<u>(145,456)</u>	<u>-2.3%</u>
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	<u>23,724,700</u>	<u>17,874,975</u>	<u>5,849,725</u>	<u>32.7%</u>
Net assets, beginning of year	<u>242,854,593</u>	<u>224,979,618</u>	<u>17,874,975</u>	<u>7.9%</u>
Net assets, end of year	<u>\$ 266,579,293</u>	<u>\$ 242,854,593</u>	<u>\$ 23,724,700</u>	<u>9.8%</u>

New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 2012

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:

	<u>PPRF</u>	<u>Total Authority</u>	<u>% PPRF</u>
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.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2012

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	<u>6,286,962</u>
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	<u>10,760,208</u>
Total assets	<u><u>\$ 1,782,294,032</u></u>
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	<u>1,148,847</u>
Total current liabilities	233,558,543
Noncurrent liabilities	
Bonds payable	<u>1,135,687,299</u>
Total liabilities	<u><u>1,369,245,842</u></u>
Net Assets	
Invested in capital assets	239,589
Restricted for debt service	74,009,248
Restricted for program commitments	196,844,296
Unrestricted	<u>141,955,057</u>
Total net assets	<u>413,048,190</u>
Total liabilities and net assets	<u><u>\$ 1,782,294,032</u></u>

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

NEW MEXICO FINANCE AUTHORITY
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	<u>62,248,752</u>

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	<u>105,348,734</u>
Net operating loss	<u>(43,099,982)</u>

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	<u>(3,400,000)</u>
Increase in net assets	33,205,032
Net assets, beginning of year	<u>379,843,158</u>
Net assets, end of year	<u><u>\$ 413,048,190</u></u>

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, 2012

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	<u>7,451,261</u>
Net cash used by operating activities	<u>(65,421,625)</u>

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	<u>(785,435)</u>
Net cash provided by noncapital financing activities	<u>3,423,509</u>

Cash flow from capital and related financing activities

Purchase of capital assets	<u>(198,897)</u>
Net cash used by capital and related financing activities	<u>(198,897)</u>

Cash flow from investing activities

Purchase of investments	(71,308,651)
Sale of investments	65,020,228
Interest on investments	<u>436,386</u>
Net cash used by investing activities	<u>(5,852,037)</u>
Net decrease in cash and cash equivalents	(68,049,050)
Cash and cash equivalents, beginning of year	<u>254,824,450</u>
Cash and cash equivalents, end of year	<u>\$ 186,775,400</u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows - continued
For the Year Ended June 30, 2012

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)
Prepays and other receivables	5,986,625
Payables and accrued liabilities	<u>(6,210,590)</u>
Net cash used by operating activities	<u>\$ (65,421,625)</u>

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

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Assets and Liabilities
For the Year Ended June 30, 2012

Assets

Cash held by Trustee	
Program funds	\$ 55,196,512
Revenue funds	7,799,994
Rebate fund	1,540,240
Bond reserve funds	<u>43,067,080</u>
Total assets	<u><u>\$ 107,603,826</u></u>

Liabilities

Accounts payable	\$ 1,540,240
Debt service payable	50,867,074
Program funds held for the NM Department of Transportation	<u>55,196,512</u>
Total liabilities	<u><u>\$ 107,603,826</u></u>

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

New Mexico Finance Authority

Notes to Financial Statements

June 30, 2012

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.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2012

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.

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- ♦ 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

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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.

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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.

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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.

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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.

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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.

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	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.

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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	<u>25,349,168²</u>	N/A	N/A
Total cash and equivalents	<u>\$ 186,775,400</u>		
Cash held in agency fund	<u>\$ 107,603,826³</u>		

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	<u>60,271,195</u>	1.00	20.34%
Total investments	<u>\$ 125,496,887</u>		

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.

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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			<u>\$ 1,222,384,290</u>	<u>\$ 322,725,821</u>	<u>\$ 229,583,284</u>	<u>\$ 1,315,526,827</u>

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	<u>\$ 457,458,490</u>	<u>\$ 1,776,072,737</u>
Less allowance for loan losses	(3,087,420)		
Loans receivable net	<u>\$ 1,315,526,827</u>		

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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			<u>\$ 140,811,240</u>	<u>\$ 8,619,729</u>	<u>\$ 132,180,805</u>	<u>\$ 6,286,962</u>

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	<u>\$ 132,180,805</u>	<u>\$ 65,837,311</u>	<u>\$ 198,018,116</u>

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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
	<u>1,160,125</u>	<u>198,897</u>	<u>739,928</u>	<u>619,094</u>
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)
	<u>(972,714)</u>	<u>(146,719)</u>	<u>739,928</u>	<u>(379,505)</u>
Net capital assets	<u>\$ 187,411</u>	<u>\$ 52,178</u>	<u>\$ -</u>	<u>\$ 239,589</u>

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.

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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
			<u>1,224,125,000</u>	<u>842,073,000</u>
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
			<u>389,725,000</u>	<u>323,000,000</u>
		Subtotal - PPRF Bonds	<u>1,613,850,000</u>	<u>1,165,073,000</u>
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
			<u>5,746,000</u>	<u>139,000</u>
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			<u>\$ 1,674,756,000</u>	<u>1,182,472,000</u>
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				<u>\$ 1,135,687,299</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2012

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
	<u>1,182,472,000</u>	<u>\$ 523,464,830</u>	<u>\$ 1,705,936,830</u>
Add unamortized premium	36,052,300		
Less deferred charge on refunding	<u>(1,406,001)</u>		
Bonds payable, net	<u>\$ 1,217,118,299</u>		

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	<u>(1,513,414)</u>	<u>-</u>	<u>107,413</u>	<u>(1,406,001)</u>	<u>-</u>
	<u>\$ 1,223,042,042</u>	<u>\$ 136,183,605</u>	<u>\$ (142,107,348)</u>	<u>\$ 1,217,118,299</u>	<u>\$ 81,431,000</u>

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.

New Mexico Finance Authority
Notes to Financial Statements
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	\$	<u>1,719,600</u>

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.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2012

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	<u>(175,000)</u>
Balance at June 30, 2012	<u>\$ 276,994</u>
Due within one year	<u>\$ 276,994</u>

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.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2012

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.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2012

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.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2012

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	<u>9,545</u>
Total assets	<u>\$ 1,744,890</u>

Liabilities

Accounts payable	\$ 88,067
Due to affiliate	<u>1,224,422</u>
Total liabilities	<u>1,312,489</u>

Equity

Members equity	432,358
Noncontrolling interest	<u>43</u>
Total liabilities and equity	<u>\$ 1,744,890</u>

Operating Income

Interest income	\$ 586
Sponsor fee income	1,530,000
Management fee income	<u>250,429</u>
Total operating income	<u>1,781,015</u>

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	<u>514</u>
Total operating expenses	<u>1,666,966</u>
Net operating income	<u>114,049</u>

Nonoperating Expenses

Share of income from investment in limited liability companies	(422)
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Net income	113,627
Less net income attributable to noncontrolling interest	<u>(11)</u>
Net income attributable to controlling interest	<u>\$ 113,616</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2012

Statement of Operations
For the Year Ended June 30, 2012

Operating Income	
Interest income	\$ 586
Sponsor fee income	1,530,000
Management fee income	<u>250,429</u>
Total operating income	<u>1,781,015</u>
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	<u>514</u>
Total operating expenses	<u>1,666,966</u>
Net operating income	<u>114,049</u>
Nonoperating Expenses	
Share of income from investment in limited liability companies	(422)
Net income	113,627
Less net income attributable to noncontrolling interest	<u>(11)</u>
Net income attributable to controlling interest	<u>\$ 113,616</u>

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	<u>113,616</u>	<u>11</u>	<u>113,627</u>
Balance, June 30, 2012	<u><u>\$ 432,358</u></u>	<u><u>\$ 43</u></u>	<u><u>\$ 432,401</u></u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2012

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 Subordinated Indenture. These extracts do not purport to be complete. Please refer to the Subordinated Indenture itself for a full and complete statement of such provisions. During the offering period of the Series 2013C Bonds, copies of the Subordinated Indenture will be available at the principal office of the Financial Advisor. Subsequent to the offering of the Series 2013C Bonds, copies of the Subordinated Indenture may be obtained from the Trustee. See “ADDITIONAL INFORMATION.”

Definitions

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

“Accreted Amount” means, with respect to Capital Appreciation Bonds of any Series and as of the date of calculation, the amount established pursuant to the Supplemental Indenture authorizing such Capital Appreciation Bonds as the amount representing the initial public offering price, plus the accumulated and compounded interest on such Bonds.

“Act” means the New Mexico Finance Authority Act, being Sections 6-21-1 through 6-21-31, inclusive, NMSA 1978, as amended and supplemented and the Public Securities Short-Term Interest Rate Act, being Sections 6-18-1 through 6-18-16, inclusive, NMSA 1978, as amended and supplemented.

“Additional Bonds and PPRF Secured Obligations” means any Bonds of the NMFA authorized and issued under the Indenture and any PPRF Secured Obligations secured by the lien of the Indenture in compliance therewith, except for the Initial 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 PPRF Secured Obligations and other amounts due under the Indenture. No such loans or securities will be deemed to be Additional Pledged Loans unless such loan or security is identified as an Additional Pledged Loan in a Supplemental Indenture or Pledge Notification or the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture. Additional Pledged Loans do not include loans identified as Additional Senior Pledged Loans.

“Additional Pledged Revenues” means any additional revenues received by the NMFA and designated as part of the Trust Estate pursuant to the Indenture or pursuant to a Supplemental Indenture or Pledge Notification. Additional Pledged Revenues are not revenues attributable to Additional Pledged Loans.

“Additional Senior Pledged Loans” means additional pledged loans at any time pledged pursuant to the Senior Indenture.

“Aggregate Annual Debt Service” means, for any given Bond Fund Year, the sum of the Debt Service payable on all Bonds Outstanding or to be Outstanding (less capitalized interest and principal payable on any Subordinated Bond Anticipation Obligations), and any Security Instrument Repayment Obligations for such Bond Fund Year.

“Agreement” or “Agreements” means, as the case may be, one or more Loan 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 Indenture.

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

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

“Agreement Revenues” means amounts received or earned by the NMFA from or attributable to the Agreements. Agreement Revenues does not include amounts received from Additional Pledged Loans.

“Approval of Bond Counsel” means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the excludability, if any, from gross income for federal income tax purposes of interest on the Bonds.

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

<u>Category of Loans and Additional Pledged Loans</u>	<u>Applicable Percentage</u>
Category I Loans and Additional Pledged Loans	100%
Category II Loans and Additional Pledged Loans	80
Category III Loans and Additional Pledged Loans	50
Category IV Loans and Additional Pledged Loans	0

For purposes of calculating Assumed Repayments of Loans and Additional Pledged Loans for a Series of Bonds for which there are Uncommitted Proceeds, and for purposes of calculating Assumed Repayments of PPRF Secured Obligations, the Assumed Repayments of Loans and Additional Pledged Loans in the amount of the Uncommitted Proceeds and PPRF Secured Obligations will be treated as if they were Category IV Loans and Additional Pledged Loans.

“Authorized Amount” means, with respect to a Commercial Paper Program, the maximum principal amount of commercial paper which is then authorized by the NMFA to be outstanding at any one time pursuant to such Commercial Paper Program.

“Authorized Denominations” with respect to any Series of Bonds issued under the Indenture, has the meaning specified in the related Supplemental Indenture.

“Authorized Officer” means: (i) in the case of the NMFA, the Chairman, any Vice Chairman, Secretary, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, or the 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 document; (ii) in the case of a Governmental Unit, means the person or persons authorized by law, resolution or ordinance of the Governmental Unit to perform any act or sign 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.

“Balloon Bonds” means Bonds (and/or Security Instrument Repayment Obligations relating thereto) other than Bonds which mature within one year from the date of issuance thereof, 25% or more of the Principal Installments on which, during any period of twelve consecutive months (a) are due or (b) at the option of the Owner thereof may be redeemed.

“Bond Anticipation Obligations” means notes, lines of credit or other obligations issued or incurred by the NMFA pursuant to the Indenture in advance of the permanent financing of the NMFA for a Project or in connection with any other purposes of the NMFA.

“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 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 ending on June 15 of each year, except that the first Bond Year will commence on the date of initial delivery of the Initial Bonds and will end on June 15, 2007.

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

“Bonds” means all Bonds, Bond Anticipation Obligations, notes, commercial paper or other obligations (other than PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations) authorized by, issued under and secured by the Indenture, including the Initial Bonds and any Additional Bonds.

“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.

“Capital Appreciation Bonds” means Bonds, the interest on which (a) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such Bonds and designating them as Capital Appreciation Bonds, and (b) is payable upon maturity or redemption of such Bonds.

“Cash Flow Statement” means an NMFA certificate (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds or PPRF Secured Obligations expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year or Interest Rate Swaps to be executed, upon or in connection with the filing of such certificate, (ii) the terms of any Loans or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans or Additional Pledged Revenues 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 Subordinate Lien PPRF Revenues and Additional Pledged Revenues 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;

(C) the earnings on the Bond Fund and the Debt Service Reserve Fund for each such Bond Fund Year; and

(D) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds, PPRF Secured Obligations and Security Instrument Repayment Obligations reasonably expected to be Outstanding;

and (b) showing that in each such Bond Fund Year, the aggregate of the amounts set forth in clauses (A), (B) and (C), exceeds 100% of the aggregate of the amount set forth in clause (D) of this definition.

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

(i) the Subordinate Lien PPRF Revenues and Additional Pledged Revenues 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 a year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans will be included in calculating the ratio described above;

(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; and

(iv) earnings on the Bond Fund will be assumed to equal the greatest amounts from any consecutive 12 months of the immediately preceding 24 months.

“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 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 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 PPRF Secured Obligations, Nonperforming Loans and Additional Pledged Loans, Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been fully replenished in accordance with the related Agreement and Loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agencies.

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

“Commercial Paper Program” means commercial paper obligations with maturities of not more than two hundred seventy (270) days from the dates of issuance thereof which are issued and reissued by the NMFA from time to time pursuant to the Indenture and are outstanding up to an Authorized Amount.

“Covenant Default” with respect to any Loan Agreement, Securities or Additional Pledged Loan means any default or event of default under the Indenture other than (i) a default in payment of principal or interest under the Indenture; (ii) a rendering of the obligor, unable to perform its obligations under the Indenture; or (iii) a bankruptcy, insolvency or similar proceeding with respect to the obligor under the Indenture.

“Cross-over Date” means with respect to Cross-over Refunding Bonds the date on which the Principal portion of the related Cross-over Refunded Bonds is to be paid or redeemed from the proceeds of such Cross-over Refunding Bonds.

“Cross-over Refunded Bonds” means Bonds or other obligations refunded by Cross-over Refunding Bonds.

“Cross-over Refunding Bonds” means Bonds issued for the purpose of refunding Bonds or other obligations if the proceeds of such Cross-over Refunding Bonds are irrevocably deposited in escrow to secure the payment on an applicable redemption date or maturity date of the Cross-over Refunded Bonds (subject to possible

use to pay Principal of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds until the Cross-over Date.

“Current Interest Bonds” means Bonds not constituting Capital Appreciation Bonds. Interest on Current Interest Bonds will be payable periodically on the Interest Payment Dates provided therefor in a Supplemental Indenture.

“Debt Service” means, for any particular Bond Fund Year and for any Series of Bonds, any PPRF Secured Obligations, and any Security Instrument Repayment Obligations, an amount equal to the sum of (a) all interest payable during such Bond Fund Year on such Series of Bonds, any PPRF Secured Obligations and any Security Instrument Repayment Obligations plus (b) the Principal Installments, if any, payable during such Bond Fund Years on such Series of Bonds (other than Subordinated Bond Anticipation Obligations) any PPRF Secured Obligations and any Security Instrument Repayment Obligations; provided, however for purposes of the Indenture and for purposes of preparing a Cash Flow Statement,

(1) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds (for which there is no Interest Rate Swap) or Security Instrument Repayment Obligations or any PPRF Secured Obligations bearing interest at a variable rate which cannot be ascertained for any particular Bond Fund Year, it will be assumed that such Series of Variable Rate Bonds or related Security Instrument Repayment Obligations or any PPRF Secured Obligations will bear interest at such market rate of interest applicable to such Series of Variable Rate Bonds or related Security Instrument Repayment Obligations or any PPRF Secured Obligations as are established for this purpose in the opinion of the NMFA’s financial advisor, underwriters or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise, so long as such estimates are based upon the then-current market conditions);

(2) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds for which an Interest Rate Swap will be in effect, pursuant to which, the NMFA has agreed to pay a fixed rate of interest and the SWAP Counterparty has agreed to pay a variable rate of interest, which rate an Authorized Officer of the NMFA has certified in a written certificate of the NMFA approximates or is intended to approximate the variable rate payable on such Series of Variable Rate Bonds, such Series of Variable Rate Bonds will be deemed to bear interest at the fixed rate provided in such Interest Rate Swap; provided that such fixed rate may be utilized only so long as such Interest Rate Swap is contracted to remain in full force and effect;

(3) when calculating interest payable during such Bond Fund Year for any Series of Bonds which are issued with a fixed interest rate and with respect to which an Interest Rate Swap is in effect pursuant to which the NMFA has agreed to pay a variable rate of interest and the SWAP Counterparty has agreed to pay a fixed rate of interest, which rate an Authorized Officer of the NMFA has certified in a written certificate of the NMFA approximates or is intended to approximate the fixed rate payable on such Series of Bonds, such Series of Bonds will be deemed to bear interest at such market rate as will be established for this purpose, in the opinion of the NMFA’s financial advisor, underwriters or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise, so long as such estimates are based upon the then-current market conditions); provided that such variable rate will be utilized only so long as such Interest Rate Swap is contracted to remain in full force and effect;

(4) when calculating the Principal Installments payable during such Bond Fund Year on any Series of Balloon Bonds, there will be treated as payable in such Bond Fund Year the amount of Principal Installments which would have been payable during such Bond Fund Year had the Principal of each Series of Balloon Bonds Outstanding and the related Security Instrument Repayment Obligations then Outstanding (or arising therefrom) been amortized, from their date of issuance over a period of 25 years, on a level debt service basis at an interest rate equal to the rate borne by such Balloon Bonds on the date of calculation, provided that if the date of calculation is within 12 months before the actual maturity of such

Balloon Bonds or Security Instrument Repayment Obligations, the full amount of Principal payable at maturity will be included in such calculation;

(5) when calculating principal and interest payable during such Bond Fund Year with respect to any Commercial Paper Program, “Debt Service” means an amount equal to the sum of all principal and interest payments that would be payable during such Bond Fund Year assuming that the Authorized Amount of such Commercial Paper Program is amortized on a level debt service basis over a period of 25 years beginning on the date of calculation or, if later, the last day of the period during which obligations can be issued under such Commercial Paper Program, and bearing interest at the maximum interest rate applicable to such Commercial Paper Program;

provided, however, that there will be excluded from Debt Service (x) interest on Bonds (including Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest or capitalized interest is available to pay such interest, (y) Principal on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow, and such proceeds or the earnings thereon are required to be applied to pay such Principal (subject to the possible use to pay the Principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such Principal, and (z) Security Instrument Repayment Obligations to the extent that payments on Pledged Bonds relating to such Security Instrument Repayment Obligations satisfy the NMFA’s obligation to pay such Security Instrument Repayment Obligations.

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

“Debt Service Reserve Fund” means the fund by that name created in the Indenture to be held by the Trustee and administered pursuant to the Indenture and each Account created therein.

“Debt Service Reserve Requirement” means with respect to each Series of Bonds issued pursuant to the Indenture, unless otherwise provided in the related Supplemental Indenture, an amount equal to the least of (i) 10% of the proceeds of such Series of Bonds determined on the basis of original principal amount (unless original issue premium or original issue discount exceeds 2% of original principal, then determined on the basis of initial purchase price to the public), (ii) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds, and (iii) 125% of the average annual Debt Service for such Series of Bonds; provided, however, that in the event any Series of Additional Bonds is issued to refund only a portion and not all of the then Outstanding Bonds of any other Series of Bonds issued pursuant to the Indenture (the “Prior Bonds”), then the portion of such Series of Prior Bonds that remain Outstanding immediately after the issuance of such Additional Bonds and the portion of such Additional Bonds that is allocable to the refunding of such Series of Prior Bonds may be combined and treated as a single Series for the purpose of determining the Debt Service Reserve Requirement relating to such combined Series and the resulting requirement will be allocated among the two Series pro rata based upon the total principal amount remaining Outstanding for each Series. The Debt Service Reserve Requirement may be funded entirely or in part by one or more Reserve Instruments as provided in the Indenture or, if provided in the related Supplemental Indenture, may be accumulated over time. Each Account of the Debt Service Reserve Fund will only be used with respect to the related Series of Bonds.

“Escrowed Interest” means amounts irrevocably deposited in escrow in connection with the issuance of Additional Bonds for refunding purposes or Cross-over Refunding Bonds secured by such amounts or earnings on such amounts which are required to be applied to pay interest on such Cross-over Refunding Bonds or the related Cross-over Refunded Bonds.

“Event of Default” means with respect to any default or event of default under the Indenture any occurrence or event specified in and defined by the Indenture.

“Expense Fund” means the Fund by that name established by the Indenture to be held by the Trustee.

“Fitch” means Fitch Ratings.

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

“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 the NMFA and any “qualified entity” under the Act which has executed and delivered to the NMFA a Loan Agreement or Securities for the purpose of financing all or a portion of a Project under the Indenture.

“Indenture” means this Subordinated General Indenture of Trust and Pledge and all Supplemental Indentures thereto.

“Initial Bonds” means the NMFA’s \$50,395,000 Subordinate Lien Public Project Revolving Fund Refunding Revenue Bonds, Series 2005C and \$8,660,000 Taxable Subordinate Lien Public Project Revolving Fund Refunding Revenue Bonds, Series 2005D.

“Interest Component” has the meaning given in the Indenture.

“Interest Payment Date,” with respect to each Series of Bonds and PPRF Secured Obligations, has the meaning set forth in the related Supplemental Indenture.

“Interest Rate Swap” means an agreement between the NMFA or the Trustee (at the written direction of the NMFA) and a SWAP Counterparty providing for an interest rate cap, floor or swap with respect to any Bonds.

“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.

“Moody’s” means Moody’s Investors Service, Inc.

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

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

“Outstanding” or “Bonds outstanding” means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

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

(t) any Bond (or any portion thereof) (i) for the payment or redemption of which there is 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 has been given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee;

(u) Bonds deemed paid pursuant to the Indenture; and

(v) Bonds in lieu of which others have been authenticated under the Indenture.

“Outstanding” includes all Bonds the principal and/or interest on which have been paid by any bond insurer pursuant to municipal bond insurance policy.

“PPRF Revenues” means collectively, the NMFA Portion of the Governmental Gross Receipts Tax and the revenues from the Additional Senior Pledged Loans, which amounts are to be deposited to the revenue fund created under the Senior Indenture.

“PPRF Secured Obligations” means any bond, note or other obligation identified in a Supplemental Indenture or Pledge Notification as a PPRF Secured Obligation under the Indenture and secured in accordance with the provisions of the Indenture. PPRF Secured Obligations are not “Bonds” as defined in the Indenture.

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

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

(w) Governmental Obligations;

(x) 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 or GNMA-guaranteed pass-through obligations (participation certificates);

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

- (vi) U.S. Department of Housing and Urban Development (HUD) Project Notes Local Authority Bonds;
- (y) 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”) rated AAA by Standard & Poor’s and Aaa by Moody’s 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;
- (z) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAAm” or “AAm” or by Moody’s of “Aaa” including funds from which the Trustee or its affiliates receive fees for investment advisory or other services to such fund;
- (aa) 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;
- (bb) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BID and SAIF;
- (cc) Commercial paper rated “Prime-1” by Moody’s and “A 1+” or better by S&P and which matures not more than 270 days after the date of purchase;
- (dd) Bonds or notes issued by any state or municipality which are rated by Moody’s in the highest long-term rating category assigned by such agencies;
- (ee) 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” by Moody’s and “A-1+” by S&P;
- (ff) 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 and, if the amounts to be invested are in the Revenue Fund, such agreement must be approved in writing prior to its acquisition by each bond insurer then insuring any Series of Bonds; provided further, if the amounts to be invested are in the Bond Fund and relate to a Series of Bonds that have been or are then being insured by a bond insurer, such agreement must be approved in writing prior to its acquisition by the bond insurer then insuring such Series of Bonds;

(gg) Investment contracts with providers the long term, unsecured debt obligations of which are rated at least “Aaa” by the Rating Agencies and, if the amounts to be invested are in the Revenue Fund, such agreement must be approved in writing prior to its acquisition by each bond insurer then insuring any Series of Bonds; provided further, if the amounts to be invested are in the Bond Fund and relate to a Series of Bonds that have been or are then being insured by a bond insurer, such agreement must be approved in writing prior to its acquisition by the bond insurer then insuring such Series of Bonds; and

(hh) The State Treasurer’s short-term investment fund created pursuant to Section 6-10-10.1, NMSA 1978, maintained and invested by the State Treasurer.

“Pledge Notification” means a written notice, executed by an Authorized Officer and delivered to the Trustee, (i) (a) pledging one or more Additional Pledged Loans or (b) identifying loans or securities or obligations to be funded from Uncommitted Proceeds and designating such loans or securities as “Loans” under the Indenture, (ii) describing the Project financed or to be financed with the Additional Pledged Loan or the loan or security to be funded from Uncommitted Proceeds, as appropriate, and (iii) authorizing the Trustee to create Accounts designated in the Loan Agreements or other instruments to be executed and delivered in connection with Additional Pledged Loans or the loan or security to be funded from Uncommitted Proceeds, as appropriate.

“Pledged Bonds” means any Bonds that have been (i) pledged or in which any interest has otherwise been granted to a Security Instrument Issuer as collateral security for Security Instrument Repayment Obligations or (ii) purchased and held by a Security Instrument Issuer pursuant to a Security Instrument.

“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” means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payment of Bonds after an Event of Default, in which case “Principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest), and (b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

“Principal Component” has the meaning given in the Indenture.

“Principal Installment” means, as of any date of calculation, (a) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, the Principal amount of Bonds of such Series due on a certain future date, and (b) with respect to any Security Instrument Repayment Obligations, the principal amount of such Security Interest Repayment Obligations due on a certain future date.

“Program” means the NMFA’s public project revolving fund program.

“Program Costs” means the fees and expenses payable to the Trustee, any Paying Agent, any Remarketing Agent, any Broker-Dealer, any Auction Agent and any other agent consultant engaged to carry out the purposes of the NMFA and the NMFA and Security Instrument Costs.

“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 or refinancing by the NMFA from the Public Project Revolving Fund (to the extent required by law) and (ii) described in a Supplemental Indenture or a Pledge Notification.

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

“Put Bond” means any Bond that is part of a Series of Bonds subject to purchase by the NMFA, its agent or a third party from the Owner of the Bond pursuant to provisions of the Supplemental Indenture authorizing the issuance of the Bond.

“Rating Agencies” means Moody’s, Fitch and S&P, or any of their successors and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds or PPRF Secured Obligations. For purposes of the Cash Flow Statement, however, “Rating Agencies” means Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services and Fitch Ratings or their successors and assigns; provided that, if more than one such Rating Agency shall be categorizing Loans and Additional Pledged Loans, for purposes of assigning a category, “Rating Agencies” shall refer to the Rating Agency assigning the lower of the categorizations.

“Rebate Calculation Date” means, with respect to each Series of Bonds (other than Taxable 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.

“Regular Record Date” means, unless otherwise provided in a Supplemental Indenture, with respect to the Bonds, the fifteenth (15th) day immediately preceding each Interest Payment Date (or the Business Day immediately preceding such fifteenth (15th) day, if such fifteenth (15th) day is not a Business Day).

“Registered Owner” or “Owner” or “Bond holder” or “holder” means (i) when used with respect to the Bonds the person or persons in whose name or names a Bond is registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture and (ii) when used with respect to the PPRF Secured Obligations the registered owners or other holders thereof (if not registered).

“Reimbursement Bonds” means Bonds issued for the purpose of reimbursing the NMFA for Projects financed with cash advanced from the Public Project Revolving Fund.

“Remarketing Agent” means a remarketing agent or commercial paper dealer appointed by the NMFA pursuant to a Supplemental Indenture.

“Reserve Instrument” means a device or instrument issued by a Reserve Instrument Provider to satisfy all or any portion of the Debt Service Reserve Requirement applicable to a Series of Bonds. The term “Reserve Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit and other devices.

“Reserve Instrument Agreement” means any agreement entered into by the NMFA and a Reserve Instrument Provider pursuant to a Supplemental Indenture (including the applicable portions of a Supplemental Indenture) and providing for the issuance by such Reserve Instrument Provider of a Reserve Instrument.

“Reserve Instrument Costs” means all fees, premiums, expenses and similar costs, other than Reserve Instrument Repayment Obligations, required to be paid to a Reserve Instrument Provider pursuant to a Reserve Instrument Agreement. Each Reserve Instrument Agreement will specify the fees, premiums, expenses and costs constituting Reserve Instrument Costs.

“Reserve Instrument Coverage” means, as of any date of calculation, the aggregate amount available to be paid to the Trustee pursuant to the Indenture under all Reserve Instruments.

“Reserve Instrument Fund” means the fund by that name created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Reserve Instrument Limit” means, as of any date of calculation and with respect to any Reserve Instrument, the maximum aggregate amount available to be paid under such Reserve Instrument into the Debt Service Reserve Fund assuming for purposes of such calculation that the amount initially available under each Reserve Instrument has not been reduced or that the amount initially available under each Reserve Instrument has only been reduced as a result of the payment of principal of the applicable Series of Bonds.

“Reserve Instrument Provider” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other institution issuing a Reserve Instrument.

“Reserve Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Reserve Instrument Agreement, those outstanding amounts payable by the NMFA under such Reserve Instrument Agreement to repay the Reserve Instrument Provider for payments previously made by it pursuant to a Reserve Instrument. There will not be included in the calculation of Reserve Instrument Repayment Obligations any Reserve Instrument Costs.

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

“S&P” means Standard & Poor’s Ratings Services.

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

“Security Documents” means the intercept agreements or other security documents, if any, delivered by Governmental Units to provide additional security for a Loan Agreement or Securities.

“Security Instrument” means an instrument or other device issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds. The term “Security Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit and other security instruments and credit enhancement or liquidity devices; provided, however, that no such device or instrument is a “Security Instrument” for purposes of the Indenture unless specifically so designated in a Supplemental Indenture authorizing the use of such device or instrument.

“Security Instrument Agreement” means any agreement entered into by the NMFA and a Security Instrument Issuer pursuant to a Supplemental Indenture and/or the applicable portions of a Supplemental Indenture providing for the issuance by such Security Instrument Issuer of a Security Instrument.

“Security Instrument Costs” means, with respect to any Security Instrument, all fees, premiums, expenses and similar costs, other than Security Instrument Repayment Obligations, required to be paid to a Security Instrument Issuer pursuant to a Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument. Such Security Instrument Agreement or Supplemental Indenture will specify any fees, premiums, expenses and costs constituting Security Instrument Costs.

“Security Instrument Issuer” means any bank or other financial institution, insurance company, surety company or other institution issuing a Security Instrument.

“Security Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Security Instrument Agreement, any outstanding amounts payable by the NMFA under the Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument to repay the Security Instrument Issuer for payments previously or concurrently made by the Security Instrument Issuer pursuant to a Security Instrument. There will not be included in the calculation of the amount of Security Instrument Repayment Obligations any Security Instrument Costs. Each Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument will specify any amounts payable under it which, when outstanding, will constitute Security Instrument Repayment Obligations and will specify the portions of any such amounts that are allocable as principal of and as interest on such Security Instrument Repayment Obligations.

“Senior Bonds” means the bonds from time to time issued under the Senior Indenture.

“Senior Indenture” means the General Indenture of Trust and Pledge dated as of June 1, 1995 (as amended and supplemented from time to time), between the Finance Authority and BOKF, NA, dba Bank of Albuquerque, as trustee.

“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.

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

“State” means the State of New Mexico.

“Subordinate Lien PPRF Revenues” means (i) the PPRF Revenues less the portion of the PPRF Revenues which are used during any applicable period to satisfy the obligations of the Finance Authority under the Senior Indenture (or required by the terms of the Senior Indenture to be retained by the Trustee under the Indenture) plus (ii) all revenues received or earned by the Finance Authority from or attributable to Additional Pledged Loans, if any.

“Subordinated Bond Anticipation Obligations” means Bond Anticipation Obligations, the Principal Installments on which have been subordinated pursuant to the 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.

“SWAP Counterparty” means a member of the International Swap and Derivatives Association, Inc. which is (a) rated in one of the three top rating categories by at least one of the Rating Agencies and (b) meeting the requirements (including the rating requirements, if any) of applicable laws of the State. The documentation with respect to each Interest Rate Swap will require the SWAP Counterparty to (i) maintain its rating in one of the three top rating categories by at least one of the Rating Agencies (or to collateralize its obligations to the satisfaction of the Rating Agencies rating the related Bonds) and (ii) meet the requirements of State law (including the rating requirements, if any).

“SWAP Payments” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the SWAP Counterparty by the Trustee on behalf of the NMFA. SWAP Payments do not include any Termination Payments.

“SWAP Receipts” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Trustee for the account of the NMFA by the SWAP Counterparty. SWAP Receipts do not include amounts received with respect to the early termination or modification of an Interest Rate Swap.

“Taxable Bonds” means all Bonds designated in the related Supplemental Indenture as bearing or accruing interest intended to be subject to Federal income taxation.

“Tax-Exempt Bonds” means all Bonds other than the Taxable Bonds.

“Termination Payments” means the amount payable to the SWAP Counterparty by the Trustee on behalf of the NMFA with respect to the early termination or modification of an Interest Rate Swap. Termination Payments will be payable from and secured by Subordinate Lien PPRF Revenues after payment of amounts then due pursuant to the Indenture.

“Trust Estate” means the property held in trust by or pledged to the Trustee pursuant to the Granting Clauses of the Indenture.

“Trustee” means Bank of Albuquerque N.A., Albuquerque, New Mexico, and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Indenture.

“Uncommitted Proceeds” means that portion of the proceeds of a Series of Bonds for which no Loans have been made at the time of issuance of such Series of Bonds.

“Variable Rate Bonds” means, as of any date of calculation, Bonds the terms of which on such date of calculation are such that interest thereon for any future period of time is expressed to be calculated at a rate which is not susceptible to a precise determination.

The Bonds and PPRF Secured Obligations

Execution; Limited Obligation. The Bonds will be executed on behalf of the NMFA with the manual or official facsimile signature of an Authorized Officer, countersigned with the manual or official facsimile signature of its Secretary and impressed or imprinted thereon the official seal or facsimile thereof of the NMFA. In case any officer, the facsimile of whose signature appears on the Bonds, ceases to be such officer before the delivery of such Bonds, such facsimile will nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery. The Bonds, together with interest thereon, will be limited obligations of the NMFA payable, on a parity with the PPRF Secured Obligations (as to the amounts deposited to the Revenue Fund), the Security Instrument Repayment Obligations and the SWAP Payments solely from the Trust Estate.

The Bonds will be a valid claim of the respective Registered Owners thereof only against the Trust Estate and the NMFA pledges and assigns the same, FIRST, for the equal and ratable payment of the Bonds, the PPRF Secured Obligations (as to amounts deposited to the Revenue Fund), the Security Instrument Repayment Obligations and the SWAP Payments, and, SECOND, for the equal and ratable payment of the Reserve Instrument Repayment Obligations. The Trust Estate will be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, PPRF Secured Obligations as to the amounts deposited to the Revenue Fund, the Security Instrument Repayment Obligations, the SWAP Payments and the Reserve Instrument Repayment Obligations, except as may be otherwise expressly authorized in the Indenture (including the release of Subordinate Lien PPRF Revenues free and clear of the lien of the Indenture upon satisfaction of the payments then due and payable, as provided in the Indenture and the release of Loans, Additional Pledged Loans and Additional Pledged Revenues as provided in the Indenture). The lien and pledge of the Subordinate Lien PPRF Revenues is subject to the prior lien of the Senior Indenture on the PPRF Revenues in that the PPRF Revenues will first be used to satisfy the requirements of the Senior Indenture and upon the release from the lien of the Senior Indenture the PPRF Revenues will immediately be subject to the lien of the Indenture. The Subordinate Lien PPRF Revenues (including the PPRF Revenues following the release thereof each year from the lien of the Senior Indenture) and the other amounts pledged under the Indenture are not subject to the lien of the Senior Indenture.

The Bonds, the Security Instrument Repayment Obligations and SWAP Payments are special limited obligations of the NMFA payable solely from the Trust Estate and will be a valid claim of the respective Owners thereof only against the Revenue Fund, the Bond Fund, the Debt Service Reserve Fund, the Debt Service Fund, the

Agreement Reserve Fund (except as limited by the Indenture) and other moneys held by the Trustee under the Indenture (except the Rebate Fund), and the Bonds, the Security Instrument Repayment Obligations and SWAP Payments will not constitute or create a general obligation or other indebtedness 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. The obligation of the NMFA under the Indenture with respect to the PPRF Secured Obligations is a special limited obligation of the NMFA payable solely from the amounts deposited or to be deposited to the Revenue Fund and will be a valid claim of the respective owners of and fiduciaries for the PPRF Secured Obligations only against the Revenue Fund, and the PPRF Secured Obligations will not constitute nor create a general obligation or other indebtedness of the State or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

The obligation of the NMFA under the Indenture with respect to the Reserve Instrument Repayment Obligations is a special limited obligation of the NMFA payable solely from the Trust Estate after payment of the Bonds, PPRF Secured Obligations (as to the amounts deposited in the Revenue Fund), Security Instrument Repayment Obligations and SWAP Payments and will be a valid claim of the Reserve Instrument Providers against the Trust Estate and will not constitute or give rise to a general obligation or other indebtedness of the State, the NMFA or any other Governmental Unit within the meaning of any constitutional or statutory debt limitation.

No provision of the Bonds, the PPRF Secured Obligations, the Security Instrument Repayment Obligations, the SWAP Payments or Reserve Instrument Repayment Obligation, will be construed or interpreted as creating a delegation of governmental powers or as a donation by or lending of the credit of the NMFA, the State or any Governmental Unit within the meaning of the Constitution of the State. THE NMFA HAS NO TAXING POWERS. The obligation to pay the Principal of and interest and premium, if any, on the Bonds, the PPRF Secured Obligations, the Security Instrument Repayment Obligations, the SWAP Payments and the Reserve Instrument Repayment Obligations will not constitute or give rise to a pecuniary 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 or taxing power of the State or any political subdivision of the State.

The provisions of the Indenture relating to the execution of Bonds may be changed as they apply to the Bonds of any Series by the Supplemental Indenture authorizing such Series of Bonds.

Registration and Exchange of Bonds; Persons Treated as Owners. Books for the registration and for the transfer of the Bonds as provided in the Indenture will be kept by the Trustee which is constituted and appointed by the Indenture as the Bond Registrar with respect to the Bonds, provided, however, that the NMFA may by Supplemental Indenture select a party other than the Trustee to act as Bond Registrar with respect to the Series of Bonds issued under said Supplemental Indenture. Upon the occurrence of an Event of Default, which would require any Security Instrument Issuer to make a payment under a Security Instrument Agreement, the Bond Registrar will make such registration books available to the Security Instrument Issuer. 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 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, 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 provided in the Indenture. 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.

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

Nonpresentment of Bonds. In the event that any Bond is not presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond has been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the NMFA to the holder thereof for the payment of such Bond ceases, determines and is completely discharged, and it is 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 thereafter is 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. The obligation of the Trustee under the Indenture to pay any such amounts to the NMFA will be subject to any provisions of law applicable to the Trustee providing other requirements for disposition of unclaimed property.

PPRF Secured Obligations. The NMFA may secure PPRF Secured Obligations pursuant to a Supplemental Indenture entered into with the Trustee pursuant to the terms of the Indenture. No bond or other obligations will be considered a PPRF Secured Obligation under the Indenture for any purpose or entitled to any security or benefit under the Indenture, unless specifically identified as such in a Supplemental Indenture. Each PPRF Secured Obligation will contain a provision substantially as follows:

"This Bond is secured by the New Mexico Finance Authority (the "NMFA") as a PPRF Secured Obligation (as defined in the referenced Indenture) under the Subordinated General Indenture of Trust and Pledge (the "Indenture") between the NMFA and Bank of Albuquerque N.A. (the "Trustee"), as trustee dated as of March 1, 2005 and as provided in the _____ Supplemental Indenture dated as of _____, _____ (the "Supplemental Indenture") and is entitled to the benefits and is subject to all of the terms and conditions of the Indenture and Supplemental Indenture (as the same may be amended or modified from time to time). The obligations of the NMFA under the Indenture are special limited obligations payable solely from and to the extent of the sources set forth in the Indenture."

Prior to the execution by the Trustee of a Supplemental Indenture relating to any PPRF Secured Obligation or Obligations, there will have been filed with the Trustee:

(ii) a copy of the Indenture (to the extent not theretofore so filed) and the related Supplemental Indenture;

(jj) a copy, certified by an Authorized Officer of the NMFA, of the proceedings of the NMFA approving the execution and delivery of the PPRF Secured Obligations and the related Supplemental Indenture, together with a certificate, dated as of the date of execution of such Supplemental

Indenture, of an Authorized Officer of the NMFA that such proceedings are still in force and effect without amendments except as shown in such proceedings; and

(kk) a certificate of the NMFA to the effect that the Legislature of the State has, to the extent required by law, approved each Project designated for financing under such Supplemental Indenture.

The paying agent for each PPRF Secured Obligation will use its best efforts to notify the Trustee, at least five business days prior to each Interest Payment Date or principal payment date for the PPRF Secured Obligations, if such paying agent has determined that it will not have sufficient moneys available for the payment of amounts due with respect to the PPRF Secured Obligations.

Issuance of Additional Bonds and PPRF Secured Obligations and Additional Senior Bonds.

(ll) No additional indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of the Trust Estate for the payment of the Bonds, PPRF Secured Obligations, the Security Instrument Agreements and Interest Rate Swaps authorized in the Indenture, may be created or incurred without the prior written consent of 100% of the Owners of the Outstanding Bonds, owners of PPRF Secured Obligations and Security Instrument Issuers and SWAP Counterparties; provided however, that additional Senior Bonds or other indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of PPRF Revenues under the Indenture may be issued in accordance with the requirements of the Senior Indenture.

(mm) In addition, except for the Initial Bonds, no Additional Bonds, PPRF Secured Obligations, Security Instrument Repayment Obligations and SWAP Payments or other indebtedness, bonds or notes of the NMFA payable on a parity with the Bonds, the PPRF Secured Obligations, Securities Instrument Repayment Obligations and SWAP Payments authorized in the Indenture out of the Trust Estate may be issued, created or incurred, unless the following requirements have been met:

(i) the NMFA delivers to the Trustee a Cash Flow Statement taking into account the issuance of the Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes and taking into account the execution and delivery of any related Security Instrument Agreement and Interest Rate Swap;

(ii) all payments required by the Indenture to be made into the Bond Fund must have been made in full;

(iii) the proceeds of the Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes must be used (x) 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), (y) to make Loans or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance) or (z) to finance other projects approved by the NMFA; and

(iv) no Event of Default has occurred and is continuing under the Indenture. The foregoing provisions of this paragraph (iv) will not preclude the issuance of Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes if (x) the issuance of such Additional Bonds and PPRF Secured Obligations or other indebtedness, bonds or notes otherwise complies with the provisions of the Indenture and (y) such Event of Default will cease to continue upon the issuance of the Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes and the application of the proceeds thereof.

(nn) There must be on deposit in each Account of the Debt Service Reserve Fund (taking into account any Reserve Instrument coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds.

The requirements above 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 and outstanding PPRF Secured Obligations being lowered.

Covenant Against Creating or Permitting Liens. Except for (A) the pledge of the PPRF Revenues pursuant to the Senior Indenture and (B) the pledge of the Trust Estate to secure payment of the Bonds, PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments, and Reserve Instrument Repayment Obligations under the Indenture, 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, the PPRF Secured Obligations, Security Instrument Repayment Obligations and SWAP Payments and (ii) Subordinate Lien PPRF Revenues not needed for payments under the Indenture in any Bond Fund Year may be released to the NMFA free and clear of the lien of the Indenture as provided in the Indenture.

Open Market Purchases of Bonds

Purchases of Outstanding Bonds on the open market may be made by the NMFA at public or private sale as, when and at such prices as the NMFA may in its discretion determine. Any accrued interest payable upon the purchase of Bonds may be paid from the amount reserved in the Bond Fund for the payment of interest on such Bonds on the next following Interest Payment Date. Any Bonds so purchased will be cancelled by the Trustee and surrendered to the NMFA or destroyed and will not be reissued.

Covenants of the NMFA

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, PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations and the performance of the NMFA's obligations under the Indenture.

No Transfer of Loan Agreements, Additional Pledged Loans, Security Documents and Securities; Exceptions; Further Assurance. The NMFA and the Trustee will not transfer any of the Loan Agreements, Additional Pledged Loans, Security Documents and Securities, except as specifically authorized in the Indenture in furtherance of the security for the Bonds, PPRF Secured Obligations, the Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations; provided that, (i) once the Governmental Unit has repaid all amounts, if any, owing under its Loan 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 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 and in the Senior Indenture, the NMFA will not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners, the owners of PPRF Secured Obligations, Security Instrument Issuers, SWAP Counterparties and Reserve Instrument Providers 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 will cause a financing statement to be filed with the Secretary of State of the State, and in such other manner and at such places as may be required by law fully to protect the security interest of the Owners of the Bonds, the owners of PPRF Secured Obligations, Security Instrument Issuers, SWAP Counterparties and Reserve Instrument Providers 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 are reasonably requested by the Trustee for the protection of the interests of the Bond Owners, the owners of PPRF Secured Obligations, Security Instrument Issuers, SWAP

Counterparties and Reserve Instrument Providers 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 upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds, the PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations executed and delivered under the Indenture have been paid. The Trustee will execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture or any part thereof until the principal of and interest on the Bonds, the PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations have been paid.

Rights Under Loan Agreements, Security Documents and Securities. The Loan Agreements, Security Documents and Securities set forth the covenants and obligations of the Governmental Units, including provisions that, subsequent to the issuance of a related Series of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions in the Indenture, the Loan 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 under the Indenture.

Tax-Exempt Bonds. The NMFA covenants and agrees to and for the benefit of the Owners of the Tax-Exempt Bonds that the NMFA (i) will not take any action that would cause interest on the Tax-Exempt 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 Tax-Exempt Bonds in order to preserve the exemption from federal income taxation of interest on the Tax-Exempt Bonds.

State Pledge of Non-Impairment. The State has pledged to and agreed with the holders of the Bonds and the owners of PPRF Secured Obligations (as obligations 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 Bond holders and the owners of PPRF Secured Obligations or in any way impair the rights and remedies of those holders until the Bonds and the PPRF Secured Obligations 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.

Financing Loan Agreements and Securities

Restrictions. The following restrictions will apply to Loans made by the NMFA under the Indenture:

(oo) The aggregate principal amount of each Loan Agreement and Security will be in whole multiples of Authorized Denomination.

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

(qq) Amounts disbursed from each Governmental Units’ Account within the Program Fund will be used to finance the costs of the related Project and related expenditures on behalf of the Governmental Unit. All funds on deposit in a Governmental Unit’s Program Account may be disbursed to fund a capital projects account held by or on behalf of the Governmental Unit, provided that the Governmental Unit establishes an account for such moneys separate from its other funds, and expressly acknowledges and agrees that its use of such moneys is subject to the requirements and restrictions set forth in the Indenture.

(rr) Each Governmental Unit agrees to pay the Rebutable Arbitrage relating to its Accounts in the Program Fund, the Agreement Reserve Fund and the Debt Service Fund.

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

The provisions of Subsections (b), (d) and (e) above will not apply to Agreements financed with proceeds of Taxable Bonds.

Waiver of Compliance With Program Requirements. With the Approval of Bond Counsel, any of the requirements of the Indenture may be waived or modified by the Trustee and the NMFA

Loan Agreement and Securities – Loan Payments. The Loan Payments will be governed by the following provisions:

(tt) Principal, Program Costs and Interest Components. A portion of each Loan Payment is paid as, and represents payment of, interest on the related Loan (the “Interest Component”) 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”) with respect to the related Loan, all as set forth in the related Agreement. Amounts due as the Principal, Program Costs, and Interest Components of Loan Payments due under each Loan Agreement or Securities will be paid on or before each Loan Payment Date. The Interest Component of Loan Payments for each 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 or Pledge Notification. The Program Cost Component may be included in the interest rate applicable to a Loan.

(uu) Agreement and Term. The “Term” of an Agreement will be defined in the Agreement.

(vv) Agreement Payment. Agreements will provide that the related Governmental Unit will pay Loan Payments to the NMFA for remittance to Trustee. 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 the NMFA for remittance to and to be held by the Trustee.

(ww) Prepayments. Agreements may contain a provision permitting the Governmental Unit to prepay the Principal Component of Loan Payments, in accordance with the provisions of the Agreement subject to any conditions set forth in the related Supplemental Indenture or Agreement. Partial prepayments of the Principal Component of Loan Payments will be made in multiples of the minimum Authorized Denomination.

(xx) Use of Reserve at Final Payment. At the time of payment in full under 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 Agreement.

Establishment and Use of Funds

Establishment of Funds; Accounts Within Funds. There are established 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:

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

- (zz) a Debt Service Fund and within such fund a separate Account for each Agreement;
- (aaa) a Bond Fund;
- (bbb) an Agreement Reserve Fund and within such fund, a separate Account for each Agreement which contemplates the establishment of an Agreement Reserve Account;
- (ccc) an Expense Fund;
- (ddd) a Rebate Fund and within such fund a separate Account for each Agreement (other than Agreements related to Taxable Bonds);
- (eee) a Subordinate Lien PPRF Revenue Fund (in the Indenture the “Revenue Fund”) established as an account of the Public Project Revolving Fund;
- (fff) a Debt Service Reserve Fund and within such fund a separate Account for each Series of Bonds for which a Debt Service Reserve Requirement is established; and
- (ggg) a Reserve Instrument Fund.

In addition to the foregoing, the NMFA may establish subaccounts within the Program Fund, the Agreement Reserve Fund, the Debt Service Reserve Fund, the Reserve Instrument Fund or the Debt Service Fund.

Program Fund. Except with respect to Reimbursement Bonds, proceeds of which may be deposited directly to the Public Project Revolving Fund, upon the issuance of a Series of Bonds, the Trustee will deposit the amount specified in the related Supplemental Indenture in the Program Fund and except in the case of Uncommitted Proceeds, will allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement, Supplemental Indenture or Pledge Notification. Upon the issuance of a Series of Bonds for which there are Uncommitted Proceeds, the Trustee should deposit such Uncommitted Proceeds in the Program Fund until such time that the Trustee receives a Pledge Notification that identifies the Agreement or Project to which Uncommitted Proceeds are to be allocated and at such time, the Trustee will allocate such Uncommitted Proceeds to the respective Accounts within the Program Fund as provided in each Agreement, Supplemental Indenture or Pledge Notification. Disbursements from each Account within the Program Fund will be made as provided below and may be made in stages or in a single disbursement for the purpose of funding a Governmental Unit’s capital projects account.

Application of Loan Payments. Pursuant to the Loan Agreements and Securities and except as otherwise provided in a Supplemental Indenture, the Loan Payments payable under the Indenture will be paid directly to the NMFA for remittance to the Trustee. Any moneys received by the Trustee directly from a Governmental Unit will be remitted to the NMFA for deposit in the NMFA debt service account or other appropriate account for the Governmental Unit or other borrower from which the Trustee received such moneys.

The Trustee will deposit all Loan Payments from the Loan Agreements and Securities immediately upon receipt thereof from the NMFA, as follows:

First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan (it being anticipated that each Governmental Unit will deposit an amount at least equal to the Loan Payments falling due under the related Loan Agreement or Securities with the NMFA, which will remit that amount to the Trustee for allocation to the related Account in the Debt Service Fund).

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

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

All income earned from the investment of moneys in the respective Accounts (i) held by the NMFA and (ii) of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), will 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, provided, however, that all earnings received on the Governmental Unit's Accounts will be allocated solely to the benefit of such Governmental Unit. The NMFA 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.

At least once each year, and more frequently if required pursuant to the provisions of a Supplemental Indenture, the Trustee will determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account 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, as provided in the Agreement and subject to the following:

(i) Any excess attributable to earnings on funds and accounts for the Governmental Unit will be returned to the Governmental Unit or will credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; and

(ii) Any other excess will be deposited into the Revenue Fund.

Debt Service Fund. When required pursuant to the provisions of a Supplemental Indenture, the Trustee will transfer moneys in the respective Accounts of the Debt Service Fund to the Bond Fund to pay principal of, and premium, if any, and interest on the Bonds, any Security Instrument Repayment Obligations, SWAP Payments (less any SWAP Receipts) and Reserve Instrument Repayment Obligations becoming due, to the extent amounts are on deposit therein for such purpose. When any Bond is called for redemption because a Governmental Unit has made a Prepayment under its Loan Agreement or Securities, the Trustee will, on the redemption date for such Bond, transfer the amount necessary for such redemption from the related Account in the Debt Service Fund to the Bond Fund.

The Trustee will keep the Debt Service Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

In the event that a subaccount of a Governmental Unit's Account within the Debt Service Fund is created for an Additional Pledged Loan, amounts representing principal of and interest on such Additional Pledged Loan will be deposited to the subaccount within the Debt Service Account and will be transferred on each payment date for such Additional Pledged Loan from the Debt Service Fund to the Revenue Fund. Amounts paid under an Additional Pledged Loan for replenishment of a related subaccount of the Agreement Reserve Fund will be deposited therein upon receipt.

Agreement Reserve Fund. The Trustee will deposit the amount, if any, set forth in a Supplemental Indenture or Pledge Notification to the Agreement Reserve Fund and from the source specified in such Supplemental Indenture or Pledge Notification and will allocate such amount to the respective Accounts as provided in each Agreement.

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

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 Account of the Debt Service Fund and credited against payments next coming due under the related Agreement.

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 Agreement.

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 instruments in lieu of a cash deposit to the Agreement Reserve Fund, as more fully described in the Supplemental Indenture and the Agreement.

The Trustee will keep the Agreement Reserve Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

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

In the event that a subaccount of a Governmental Unit's Account within the Agreement Reserve Fund is created for an Additional Pledged Loan, such amounts will be used, in a manner similar to that described above, to secure payment of principal of and interest on such Additional Pledged Loan. In the event that amounts paid by the related Governmental Unit for the payment of principal of and interest on such Additional Pledged Loan are insufficient to make such payments on the fifth day preceding the payment date for such Additional Pledged Loan, amounts on deposit in the related subaccount of the Agreement Reserve Fund will be transferred to the subaccount within the Debt Service Fund and used toward payments on such Additional Pledged Loan on such payment date. Amounts paid under an Additional Pledged Loan for replenishment of the related subaccount of the Agreement Reserve Fund will be deposited therein upon receipt.

Bond Fund. 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 due. 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. There will also be deposited to the Bond Fund from the Debt Service Fund the amounts described in the Indenture and from the Revenue Fund the amounts described in the Indenture. 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.

The Trustee will pay out of the Bond Fund to the Security Instrument Issuers and to the SWAP Counterparties, if any, that have issued Security Instruments or Interest Rate Swaps, respectively, with respect to such Series of Bonds, an amount equal to any Security Instrument Repayment Obligations and SWAP Payments (net of SWAP Receipts) as the case may be, then due and payable to such Security Instrument Issuers or SWAP Counterparties, as applicable. Except as otherwise specified in a related Supplemental Indenture, all such Security Instrument Repayment Obligations and SWAP Payments will be paid on a parity with the payments to be made with respect to principal of and interest on the Bonds; provided that amounts paid under a Security Instrument will be applied only to pay the related Series of Bonds. If payment is so made on Pledged Bonds held for the benefit of the Security Instrument Issuer, a corresponding payment on the Security Instrument Repayment Obligation will be deemed to have been made (without requiring an additional payment by the NMFA) and the Trustee will keep its records accordingly.

The NMFA authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay Debt Service on the Bonds and Security Instrument Repayment Obligations and to pay the SWAP Payments as the same become due and payable and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying said Debt Service. In the event that Debt Service on a Series of Bonds is due more frequently than Loan Payments and amounts on deposit in the Bond Fund are insufficient therefor, amounts on deposit in the Revenue Fund will be used to pay Debt Service on such Series of Bonds, and upon receipt of the Loan Payments, the Revenue Fund will be reimbursed for such payments, as directed by the NMFA. Amounts remaining on deposit in the Bond Fund at the end of the Bond Fund Year after the payment of amounts due, as described above for such Bond Fund Year, will be transferred to the Revenue Fund.

The Trustee will deposit to the Bond Fund all moneys transferred from the Debt Service Reserve Fund or from a Reserve Instrument or Instruments then in effect as provided in the Indenture.

Use of Debt Service Reserve Fund. Except as otherwise provided in the Indenture and subject to the immediately following sentence, moneys in each account in the Debt Service Reserve Fund will at all times be maintained in an amount not less than the applicable Debt Service Reserve Requirement, if any. In calculating the amount on deposit in each account in the Debt Service Reserve Fund, the amount of any Reserve Instrument Coverage will be treated as an amount on deposit in such account in the Debt Service Reserve Fund. Each Supplemental Indenture authorizing the issuance of a Series of Bonds will specify the Debt Service Reserve Requirement, if any, applicable to such Series, which amount will either be (i) deposited immediately upon the issuance and delivery of such Series from (a) proceeds from the sale thereof or from any other legally available source, or (b) by a Reserve Instrument or Instruments, or (c) any combination thereof, (ii) deposited from legally available moneys over the period of time specified therein, or (iii) deposited from any combination of (i) and (ii) above; provided however, the foregoing provisions will be subject to the requirements of any Security Instrument Issuer set forth in any Supplemental Indenture. If at any time the amount on deposit in any account of the Debt Service Reserve Fund is less than the minimum amount to be maintained therein under the Indenture, the NMFA is required, pursuant to the Indenture and the provisions of any Supplemental Indenture, to make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund.

In the event of a deficiency in the Bond Fund for a Series of Bonds, the Trustee will transfer moneys on deposit in the related Account of the Debt Service Reserve Fund to the Bond Fund to make up such deficiency.

In the event funds on deposit in an account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund as aforementioned, and there is insufficient cash available in such account of the Debt Service Reserve Fund to make up such deficiency and Reserve Instruments applicable to such Series are in effect, the Trustee will immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund. Thereafter, the NMFA will be obligated to reinstate the Reserve Instrument as provided in the Indenture.

No Reserve Instrument will be allowed to expire or terminate while the related Series of Bonds are Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required to be maintained in the related account of the Debt Service Reserve Fund.

Moneys at any time on deposit in any Account of the Debt Service Reserve Fund in excess of the amount required to be maintained therein (taking into account the amount of related Reserve Instrument Coverage) will be transferred by the Trustee to the Bond Fund at least once each year.

Moneys on deposit in any Account of the Debt Service Reserve Fund will be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by said account and any Reserve Instrument will only be drawn upon with respect to the Series of Bonds for which such Reserve Instrument was obtained.

The NMFA may, upon obtaining approving opinion of bond counsel to the effect that such transaction will not adversely affect the tax-exempt status of any outstanding Bonds, replace any amounts required to be on deposit in the Debt Service Reserve Fund with a Reserve Instrument.

Use of Reserve Instrument Fund. There will be paid into the Reserve Instrument Fund the amounts required by the Indenture and by a Supplemental Indenture to be so paid. The amounts in the Reserve Instrument Fund will, from time to time, be applied by the Trustee on behalf of the NMFA to pay the Reserve Instrument Repayment Obligations which are due and payable to any Reserve Instrument Provider under any applicable Reserve Instrument Agreement.

Use of Revenue Fund. Pursuant to the Senior Indenture, the PPRF Revenues which are not used to satisfy obligations of the NMFA under the Indenture or required by the terms thereof to be retained by the trustee under the Indenture, are to be released from the lien and pledge of the Senior Indenture on June 1 of each year (being the last day of each bond fund year under the Indenture) and the NMFA covenants and agrees that such amounts are and will be subject to the lien of the Indenture. During each Bond Fund Year, (i) all PPRF Revenues released from the lien of the Senior Indenture will be paid to the Trustee immediately upon the release thereof on June 1 of each year, (ii) all amounts received as Additional Pledged Revenues will be immediately deposited with the Trustee and (iii) all payments representing principal and interest from Additional Pledged Loans will be paid immediately upon receipt thereof by the NMFA to the Trustee, and all of the same will be accounted for and maintained by the Trustee in the Revenue Fund, which fund will be kept separate and apart from all other accounts of the Trustee and which, prior to transfer of any excess therefrom pursuant to the Indenture, will be expended and used by the Trustee only in the manner and order of priority specified below.

(hhh) (i) If the amounts on deposit in the Bond Fund are insufficient for payments of principal of and interest on the Bonds due on such date or if a deficiency has occurred in the Bond Fund that has not otherwise been rectified, the Trustee will immediately transfer from the Revenue Fund to the Bond Fund, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the principal of and interest on the Bonds due on such date and to rectify any such deficiency then still existing;

(ii) if the Trustee receives notice from the paying agent for any PPRF Secured Obligation that the amounts available for payment of principal and interest with respect to such PPRF Secured Obligation then due on such date will be insufficient or if a deficiency in the payment of any PPRF Secured Obligation has occurred that has not otherwise been rectified, the Trustee will immediately transfer from the Revenue Fund to such paying agent an amount sufficient, together with amounts otherwise available for such purpose, to pay the principal and interest then due with respect to the PPRF Secured Obligations on such date and to rectify any such deficiency then still existing; and

(iii) if the amounts on deposit in the Bond Fund are insufficient for payments then coming due on such date with respect to any Security Instrument Repayment Obligations or SWAP Payments (net of SWAP Receipts) then due pursuant to any Security Instrument Agreements or Interest Rate Swaps or if there has been a deficiency in the payment of any Security Instrument Repayment Obligations or SWAP Payments that has not been rectified, the Trustee will immediately transfer from the Revenue Fund to the Bond Fund, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the amounts due on the Security Instrument Repayment Obligations and the SWAP Payments (net of SWAP Receipts) then due on such date and to rectify any such deficiency then still existing.

The transfers required by (i), (ii) and (iii) above are to be made on a parity basis. In the event that the amounts available for transfer pursuant to (i), (ii) and (iii) above are insufficient therefor the Trustee will make such transfers ratably according to the amounts due.

(iii) Subject to making the transfers set forth in Subsection (a) above, the NMFA will make the following transfers to the Trustee:

(i) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (A) to the Accounts in the Debt Service Reserve Fund any amounts required by the Indenture and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided in the Indenture and in any Supplemental Indenture and (B) if funds have been withdrawn from an Account in the Debt Service Reserve Fund or any Account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the NMFA will transfer from the Revenue Fund in such Account(s) in the Debt Service Reserve Fund in an amount sufficient to restore such Account(s) within one year with twelve (12) substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement);

or a ratable portion (based on the amount to be transferred pursuant to the Indenture) of remaining amounts if less than the amount necessary; and

(ii) Equally and ratably to the Accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of such month, such amount from the Revenue Fund, or a ratable portion (based on the amount to be transferred pursuant to the Indenture) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such transfer or deposit from the Revenue Fund into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

(jjj) In the event that funds are withdrawn from an Account in the Agreement Reserve Fund, or any Account in the Agreement Reserve Fund is at any time funded in an amount less than the applicable Agreement Reserve Requirement, the NMFA will transfer for deposit in such Account(s) in the Agreement Reserve Fund sufficient Subordinate Lien PPRF Revenues, Agreement Revenues, Additional Pledged Revenues and revenues from Additional Pledged Loans in amount to restore such Account(s) within one year with twelve (12) substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Agreement Reserve Requirement); or a ratable portion of remaining Subordinate Lien PPRF Revenues, Agreement Revenues, Additional Pledged Revenues and revenues from Additional Pledged Loans if less than the amount necessary.

(kkk) Subject to making the foregoing transfers to the Bond Fund and to the paying agent for the PPRF Secured Obligations and to the Security Instrument Issuers and to the SWAP Providers and to the Reserve Instrument Providers, on June 16 of each year, the NMFA will be entitled to direct the Trustee in writing to release to the NMFA the balance on deposit in the Revenue Fund and the Trustee will transfer the such amount to the NMFA and the NMFA may use such balance for:

- (i) deposit to the Public Project Revolving Fund as required by the Act;
- (ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund;
- (iii) refinancing, refunding, repurchase or advance refunding of any Bonds; or
- (iv) for any other lawful purpose, including (A) payment of Program Costs for Bonds issued under the Indenture and similar costs for PPRF Secured Obligations, (B) replacement of reserves for Bonds issued under the Indenture or PPRF Secured Obligations, and (C) payment of Termination Payments;.

provided, however, that notwithstanding the foregoing there will be retained in the Revenue Fund an amount, after giving credit for available amounts in all accounts in the Debt Service Reserve Fund and the Agreement Reserve Fund, sufficient to make payments of all Debt Service requirements on all Bonds, all Security Instrument Repayment Obligations, all SWAP Payments and all Reserve Instrument Repayment Obligations coming due in the then current Bond Fund Year; provided further, that once additional moneys are deposited into the Bond Fund to make all of the foregoing payments, the amounts retained in the Revenue Fund may be released from the lien of this Indenture but only to the extent of additional moneys deposited into the Bond Fund. For purposes of calculating the Debt Service on Variable Rate Bonds for purposes of the Indenture, the provisions of clauses (1), (2) and (3) of the definition of "Debt Service" in the Indenture will apply.

(III) The NMFA may, but is not obligated to, use any PPRF Revenues of the NMFA to satisfy its obligations under the Indenture.

Subordinate Lien PPRF Revenues, Additional Pledged Revenues, Revenues from Additional Pledged Loans and Agreement Revenues to be Held for All Bond Owners and Owners of PPRF Secured Obligations. All of the Subordinate Lien PPRF Revenues, Additional Pledged Revenues, revenues from Additional Pledged Loans and the Agreement Revenues will, until applied as provided in the Indenture, be held by the Trustee or the NMFA, as applicable, only for the benefit of the Owners of Bonds, Owners of PPRF Secured Obligations (as to Subordinate Lien PPRF Revenues only), Security Instrument Issuers, SWAP Counterparties and Reserve Instrument Providers.

Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee or the NMFA for account to any fund referred to in any provision of the Indenture will be held by the Trustee and the NMFA, as the case may be, in trust. Moneys held by the NMFA as servicer of the Agreements and the Additional Pledged Loans until paid to the Trustee will be kept separate and apart from all other accounts of the NMFA, who will hold and administer such moneys as agent for the Trustee and such moneys will at all times be subject to the lien and trust imposed by the Indenture.

Repayment to Governmental Units from Debt Service Fund. Any amounts remaining in any Governmental Unit's Debt Service Account or Agreement Reserve Account after payment in full of the principal of and premium, if any, and interest on the related Agreement, the fees, charges, and expenses of Trustee, all other amounts required to be paid under the Indenture will be paid immediately to the Governmental Unit as an overpayment of Loan Payments.

Trustee under the Indenture. The Trustee under the Indenture and the trustee under the Senior Indenture will at all times be one and the same entity.

Investment of Moneys

Any moneys held (i) as part of a Governmental Unit's Account in any of the Funds established by the Indenture or (ii) by the NMFA as agent for the Trustee, will be invested by the Trustee or the NMFA, as the case may be, in Permitted Investments in accordance with the Indenture. 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 Agreement when due.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund, the Debt Service Reserve 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 by Article VI of 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);

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

(iii) whenever any other transfer or payment is required to be made from any particular Fund or Account, such transfer or payment will be made from such combination of maturing principal, redemption, or repurchase prices, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any permitted investments to be redeemed, withdrawn, or sold, and any penalties, gains, or losses to be realized upon any such redemption, withdrawal, or sale.

Neither the NMFA nor the Trustee will 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 and PPRF Secured Obligations, the principal of and premium, if any, and interest due or to become due on the Bonds and PPRF Secured Obligations 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 Indenture, and if the NMFA has paid or has caused to be paid to (i) all Security Instrument Issuers all Security Instrument Repayment Obligations due and payable under all Security Instruments, (ii) all SWAP Counterparties all SWAP Payments due and payable under all Interest Rate Swaps, and (iii) all Reserve Instrument Providers all Reserve Instrument Repayment Obligations due and payable under all Reserve Instrument Agreements, then the estate and rights granted by the Indenture will cease, terminate 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 for all purposes of the Indenture when (a) payment of the principal of and the applicable premium, if any, on such Bond, whether at maturity or prior redemption plus interest thereon to the due date thereof either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent has irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) noncallable Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made will have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond is deemed to be paid under the Indenture, as aforesaid, it will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or noncallable Governmental Obligations.

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

Notwithstanding anything in the Indenture to the contrary, all moneys or noncallable Governmental Obligations set aside and held in trust pursuant to the 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 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 Indenture for the payment of Bonds and such Bonds have not in fact been actually paid in full, no amendment to the 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 municipal bond 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 Issuers 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 Issuers 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:

(mmm) if payment of any installment of interest on any of the Bonds is not made by or on behalf of the NMFA when the same becomes due and payable; or

(nnn) if payment of the principal of or the redemption premium, if any, on any of the Bonds is not 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 under the Indenture or otherwise; or

(ooo) if the NMFA for any reason is rendered incapable of fulfilling its obligations under the Indenture; or

(ppp) if an order or decree is entered, with the consent or acquiescence of the NMFA, appointing a receiver or custodian for any of the Trust Estate, 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 is not vacated or discharged or stayed on appeal within 30 days after the entry thereof; or

(qqq) 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 enacted after the effective date of the

Indenture, if the claims of such creditors are or may be under any circumstances payable from the Trust Estate; or

(rrr) 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 are not vacated or set aside or stayed within 60 days from the date of entry thereof; or

(sss) 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

(ttt) 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 will not be terminated within 30 days from the date of assumption of such custody or control; or

(uuu) 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 in the Indenture or any Supplemental Indenture thereto on the part of the NMFA to be performed, other than as set forth in the Indenture, 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 25% in aggregate principal amount of the Bonds then Outstanding under the Indenture.

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:

(vvv) 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, Additional Pledged Loans and Security Documents and the provisions of the Indenture for the benefit of the Owners of the Bonds and, as provided in the Indenture, the owners of the PPRF Secured Obligations 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 or Additional Pledged Loans (including the appointment of a receiver); or

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

(xxx) intervene in judicial proceedings that affect the Bonds, the PPRF Secured Obligations, the Agreements, the Additional Pledged Revenues, the Additional Pledged Loans or the security therefor; or

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

(zzz) cause the NMFA or any related Governmental Unit to account as if it were the trustee of an express trust for all of the Subordinate Lien PPRF Revenues, Additional Pledged Revenues, Agreement Revenues and revenues attributable to Additional Pledged Loans pledged under the Indenture or pursuant to the Agreements and any Security Documents; or

(aaaa) terminate the provisions of the Indenture providing for NMFA collection, deposit and loan administration functions in connection with Loans and Additional Pledged Loans and cause such payments to be made directly to the Trustee.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners of the Bonds or PPRF Secured Obligations 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 of the Bonds or PPRF Secured Obligations 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 is 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 of the Bonds or PPRF Secured Obligations in the Indenture is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be 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 NMFA for Payments of Governmental Units. Other than in its capacity as servicer of Loans and Additional Pledged Loans, the NMFA will not have any obligation or liability to the Trustee or the Owners of the Bonds or PPRF Secured Obligations with respect to the payment when due of the Loan Payments by the Governmental Units, or with respect to the performance by the Governmental Units of the other agreements and covenants required to be performed by them contained in the Loan Agreements, Additional Pledged Loans and Securities, the related Security Documents, or in the Indenture, or with respect to the performance by the Trustee or any right or obligation required to be performed by them contained in the Indenture.

No Liability by the Governmental Units to the Owners. Except for the payment when due of the Loan Payments and Additional Pledged Loans and the performance of the other agreements and covenants required to be performed by it contained in the Agreements, Additional Pledged Loans and Security Documents, the Governmental Units will not have any obligation or liability to the Owners of Bonds and PPRF Secured Obligations 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, Additional Pledged Loans or Security Documents.

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

(bbbb) such Owner has previously given written notice to the Trustee of a continuing Event of Default (in the case of the Bonds) or of the payment default or other default pursuant to the Indenture (in the case of PPRF Secured Obligations);

(cccc) the Owners of Bonds and PPRF Secured Obligations of not less than a majority of the aggregate principal amount of the Bonds Outstanding and PPRF Secured Obligations then outstanding have made written request to the Trustee to institute proceedings in respect of such Event of Default (in the case of the Bonds) or of the payment default or other default pursuant to the Indenture (in the case of PPRF Secured Obligations) in its own name as Trustee under the Indenture;

(dddd) 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

(eeee) 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 of Bonds and PPRF Secured Obligations 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 and Owners of PPRF Secured Obligations. Notwithstanding the foregoing, the Owner of any Bond and the Owners of PPRF Secured Obligations has the right, which is absolute and unconditional, to receive payment of interest on such Bond or PPRF Secured Obligation when due in accordance with the terms thereof and of the Indenture and the principal of such Bond or PPRF Secured Obligation at the stated maturity thereof 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 and PPRF Secured Obligations outstanding have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, 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 or PPRF Secured Obligations.

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 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, and after giving effect to the parity claim of PPRF Secured Obligations to amounts on deposit in the Revenue Fund, 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, and after giving effect to the parity claim of PPRF Secured Obligations to amounts on deposit in the Revenue Fund, will be applied as follows:

(ffff) To the payment of the Principal of, premium, if any, and interest then due and payable on the bonds as follows:

(i) Unless the principal of all Bonds has become due and payable, all such moneys will be applied:

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 is not sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons or entity entitled thereto without any discrimination or privilege;

SECOND: To the payment to the persons or entity entitled thereto of the unpaid principal of any of the Bonds which 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;

THIRD: To be held for the payment to the persons entitled thereto as the same becomes 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.

(ii) If the principal of all the Bonds has become due 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.

(gggg) To the payment of all obligations then due and payable to any Security Instrument Issuers under any applicable Security Instrument Agreement.

Whenever moneys are to be applied pursuant to the provisions of the Indenture, such moneys will be applied at such times, and from time to time, as the Trustee determines, 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 will deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal to be paid on such date 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 is not 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 under the Indenture 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 have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default has been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee, the Security Instrument Issuers 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.

Defaults Relating to PPRF Secured Obligations. A default with respect to the PPRF Secured Obligations is not (in and of itself) an Event of Default under the Indenture and the Owners of the PPRF Secured Obligations will be limited to their right to payment from Subordinate Lien PPRF Revenues and performance by the NMFA of its covenants and agreements under the Indenture on their behalf. In the event that NMFA fails to make payment on any PPRF Secured Obligation or defaults in the due and punctual performance of any other covenant, condition or provision of the Indenture relating thereto, the Trustee may and upon the written request of the Owners of a majority of the PPRF Secured Obligations (or any fiduciary therefore) and upon receipt of indemnity to its satisfaction, will in its own name exercise any of the rights and remedies provided in the Indenture to the extent applicable to the collection and application of Subordinate Lien PPRF Revenues.

The Owners of PPRF Secured Obligations will be secured by and entitled to a parity claim on all Subordinate Lien PPRF Revenues deposited to or required to be deposited to the Revenue Fund. In the exercise of remedies under the Indenture relating to the collection and application of Subordinate Lien PPRF Revenues, the

Trustee will act for the benefit of the Owners of the PPRF Secured Obligations on the same basis as for Owners of Bonds.

The Trustee

Fees, Charges and Expenses of the Trustee. The Trustee will be entitled to payment and reimbursement for reasonable fees for its services rendered under the Indenture and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee will be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent and Registrar for the Bonds as provided in the Indenture. 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 foregoing advances, fees, costs and expenses incurred.

Notice to Owners if Event of Default Occurs. Except as otherwise required by the Indenture, the Trustee will give to the Owners of Bonds and PPRF Secured Obligations notice of each default under the Indenture known to the Trustee within ninety days after the occurrence thereof, unless such default has been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of principal of or premium, if any, or interest on any of the Bonds or PPRF Secured Obligations, the Trustee will be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Owners. Each such notice of default will be given by the Trustee by mailing written notice thereof to all holders of Bonds and PPRF Secured Obligations then outstanding whose names appear on the list of Owners as provided in the Indenture and, if required by the Trustee, such Owners have offered the Security or indemnity required by the Indenture.

Intervention by the Trustee. In any judicial proceeding to which the NMFA or a Governmental Unit is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interest of Owners of the Bonds, the Trustee may intervene on behalf of Owners and will do so if requested in writing by the Owners of a majority in the aggregate principal amount of Bonds then outstanding and, if required by the Trustee, such Owners have offered the Security or indemnity required by the Indenture.

Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, will be and become successor to the Trustee under the Indenture and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

Resignation by the Trustee. The Trustee and any successor to the Trustee may at any time resign from the trusts created in the Indenture by giving thirty days' written notice by registered or certified mail to the NMFA and to the owner of each Bond as shown by the list of Owners required by the Indenture to be kept by the Trustee, and such resignation will take effect only upon the appointment of a successor Trustee by the Owners or by the NMFA.

Removal of the Trustee. The Trustee may be removed at any time, by the NMFA (except during the continuance of an Event of Default) by written notice signed by the NMFA or by an instrument or concurrent instruments in writing delivered to the Trustee and to the NMFA and signed by the Owners of a majority in aggregate principal amount of Bonds then outstanding. Any removal will take effect upon the appointment of a successor Trustee.

Appointment of Successor Trustee. In case the Trustee under the Indenture resigns or is removed, or is dissolved, or is in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it is taken under the control of any public officer or officers, or of a receiver appointed by a court, the NMFA covenants and agrees to appoint a successor Trustee. If in a proper case no appointment of a successor Trustee is made by the NMFA pursuant to the Indenture within 45 days after the Trustee gives NMFA written notice

of resignation or after a vacancy in the office of the Trustee has occurred by reason of its inability to act or its removal, the Trustee, or any Bondholder may apply to any court of competent jurisdiction to appoint a successor to itself as Trustee. Said court, after such notice, if any, as such court may deem proper, thereupon may appoint a successor Trustee. Every such Trustee appointed pursuant to the Indenture will be a trust company or bank in good standing having a reported capital and surplus of not less than \$50,000,000 if there be such an institution willing, qualified and able to accept the trust upon customary terms.

Concerning Any Successor Trustee. Every successor Trustee appointed under the Indenture will execute, acknowledge and deliver to its predecessor and also to the NMFA an instrument in writing accepting such appointment under the Indenture, and thereupon such successor, without any further act, deed or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor will, nevertheless, on the written request of the NMFA, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor under the Indenture; and every predecessor Trustee will deliver all securities and moneys held by it as Trustee under the Indenture to its successor. Should any instrument in writing from the NMFA be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties vested by the Indenture or intended to be vested in the predecessor, any and all such instruments in writing will, on request, be executed, acknowledged and delivered by the NMFA. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor under the Indenture, together with all other instruments provided for in the Indenture, will be filed or recorded by the successor Trustee in each recording office where the Indenture has been filed or recorded.

Supplemental Indentures, Amendments to Agreements, Amendments and Supplements to Senior Indenture

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:

(hhhh) To provide for the issuance of the Initial Obligations or Additional Bonds and PPRF Secured Obligations in accordance with the Indenture;

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

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

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

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

(mmmm) 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;

(nnnn) To make any amendments with the prior written confirmation from the Rating Agencies that such amendments will not result in the rating on the Bonds and PPRF Secured or any Governmental Unit or to grant additional powers or rights to the Trustee;

(oooo) To add additional covenants of the NMFA or any Governmental Unit or to surrender any right or power conferred in the Indenture upon the NMFA 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 Indenture and subject to the terms and provisions contained in the Indenture, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds and PPRF Secured Obligations then outstanding

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 is 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 the Indenture permits, or is construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond issued under the Indenture, 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 or PPRF Secured Obligations over any other Bond or Bonds or PPRF Secured Obligations, or (iv) a reduction in the aggregate principal amount of the Bonds or PPRF Secured Obligations required for consent to such supplemental indentures, or (v) permit the creation of any lien ranking prior to the lien of the Indenture on the Trust Estate or any part thereof, or (vi) deprive the Owner of any Bond then outstanding of the lien created by the Indenture on the Trust Estate without the prior consent of 100% of the holders of the Bonds and PPRF Secured Obligations 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.

Amendment of Agreements and Security Documents. The NMFA has the right to amend an Agreement, Additional Pledged Loan documents 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 in the Indenture 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 and PPRF Secured Obligations following such amendment being lower than the rating on the Bonds and PPRF Secured Obligations 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 owners of any PPRF Secured Obligations; or
- (iv) to make any other change or amendment upon delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

If the NMFA or a Governmental Unit proposes 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.

Amendments and Supplements to Senior Indenture. The NMFA will be permitted to amend and supplement the provisions of the Senior Indenture as provided therein including amendments and supplements permitting the issuance of additional Senior Bonds under the Indenture, provided that without the prior written consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture and the owners of PPRF Secured Obligations, the NMFA and the Trustee will not amend or supplement the Senior Indenture to change the time for release of the PPRF Revenues from the lien of the Senior Indenture or to preclude such release as contemplated under the Indenture.

Miscellaneous

Consents, etc. of Owners. Any consent, request, direction, approval, objection or other instrument required by the Indenture to be signed and executed by the Owners may be in any number of concurrent documents and may be executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, will be sufficient for any of the purposes of the Indenture, and will be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(pppp) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(qqqq) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same, will be proved by the registration books of the Trustee maintained by the Trustee pursuant to the Indenture.

(rrrr) The fact of ownership of PPRF Secured Obligations and the amount or amounts, numbers and other identification of such PPRF Secured Obligations, and the date of holding the same, will be proved by the registration books of the registrar for such obligations or otherwise as the NMFA may determine.

For all purposes of the Indenture and of the proceedings for the enforcement thereof, such person will be deemed to continue to be the Owner of such Bond or owner of PPRF Secured Obligations until the Trustee receives notice in writing to the contrary.

Limitation of Rights. With the exception of any rights expressly conferred in the Indenture, nothing expressed or mentioned in or to be implied from the Indenture or the Bonds or PPRF Secured Obligations is intended or is to be construed to give to any person or company other than the parties thereto, the Governmental Units and the Owners of the Bonds or owners of any PPRF Secured Obligations, any legal or equitable right, remedy or claim under or with respect to the Indenture or any covenants, conditions and provisions therein contained; the Indenture and all of the covenants, conditions and provisions thereof being intended to be and being for the sole and exclusive benefit of the parties thereto, the Governmental Units and the holders of the Bonds and PPRF Secured Obligations as provided in the Indenture.

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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

The 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

<u>Year</u>	<u>Population</u>		<u>Annual Percentage Change</u>	
	<u>New Mexico</u>	<u>United States</u>	<u>New Mexico</u>	<u>United States</u>
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

<u>Year</u>	<u>Civilian Labor Force</u> <u>(Thousands)</u>		<u>Number of Employed</u> <u>(Thousands)</u>		<u>Unemployment Rate</u>		N.M. as % of U.S. <u>Rate</u>
	<u>New Mexico</u> ⁽¹⁾	<u>United States</u> ⁽¹⁾	<u>New Mexico</u> ⁽¹⁾	<u>United States</u> ⁽¹⁾	<u>New Mexico</u> ⁽¹⁾	<u>United States</u> ⁽¹⁾	
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

<u>Year</u>	<u>Personal Income (000)</u>		<u>Annual</u> <u>Percentage Change</u>	
	<u>New Mexico</u>	<u>United States</u>	<u>New Mexico</u>	<u>United States</u>
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

<u>Year</u>	<u>Per Capita Income</u>		N.M. as a % <u>of U.S.</u>	<u>Annual Percentage Change</u>	
	<u>New Mexico</u>	<u>United States</u>		<u>New Mexico.</u>	<u>United States</u>
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	<u>9,470,344</u>	<u>6,268,322</u>	<u>1,173,754</u>	<u>770,252</u>	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, P.C.]

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

BOKF, NA, dba Bank of Albuquerque
Trust Division
201 Third Street NW, Suite 1400
Albuquerque, New Mexico 87102

Re: New Mexico Finance Authority Subordinate Lien Public Project Revolving Fund Revenue Bonds, Series 2013C

We have acted as bond counsel in connection with the issuance by the New Mexico Finance Authority (the "Finance Authority") of its Subordinate Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2013C-1 in the aggregate principal amount of \$3,745,000 (the "Series 2013C-1 Bonds") and Subordinate Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2013C-2 in the aggregate principal amount of \$10,550,000 (the "Series 2013C-2 Bonds" and together with the Series 2013C-1 Bonds, the "Series 2013C Bonds"). The Series 2013C 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 entities ("Governmental Units") that will be or were used to finance certain Projects for such Governmental Units (the "Loans") and (ii) paying costs incurred in connection with the issuance of the Series 2013C 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 2013C Bonds are authorized to be issued under and secured by a Subordinated General Indenture of Trust and Pledge dated March 1, 2005 (the "General Indenture"), as amended and supplemented by a Ninth Supplemental Indenture of Trust dated as of October 1, 2013 (together with the General Indenture, the "Indenture") 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.

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 2013C 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 2013C 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 2013C 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 2013C-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; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax on certain corporations. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on or ownership of the Series 2013C-1 Bonds.

5. The interest on the Series 2013C-2 Bonds is not excluded from gross income for federal income taxes.

6. The interest on the Series 2013C 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 2013C 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 2013C Bonds or any other offering material relating to the Series 2013C 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 addresses 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 2013C Bonds, payment of principal, premium, if any, interest on the Series 2013C Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2013C 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 2013C Bonds. The Series 2013C 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 2013C Bond certificate will be issued for each maturity of the Series 2013C 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 2013C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013C Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013C 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 2013C 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 2013C Bonds, except in the event that use of the book-entry system for the Series 2013C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013C 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 2013C 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 2013C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013C 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 2013C 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 2013C 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 2013C 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 2013C 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 2013C 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 2013C Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2013C 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 2013C 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

2013C GOVERNMENTAL UNITS; LARGEST REPAYMENT OBLIGATIONS

2013C Governmental Units

As previously stated, a portion of the proceeds of the Series 2013C Bonds are being used to reimburse the Finance Authority, in whole or in part, for Loans previously made to the 2013C Governmental Units. The 2013C 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:

<u>Governmental Unit</u>	<u>Original Loan Amount</u>	<u>Agreement Reserve Amount⁽¹⁾</u>	<u>Loan Maturity Date</u>
City of Rio Rancho	\$4,494,724	\$700,000	5/1/2021
DATA Charter School	2,743,494	—	6/1/2033
Sandoval County	4,339,661	317,604	5/1/2032
CLAUNCH Pinto SWCD	404,645	21,958	5/1/2033
Town of Silver City	246,499	24,650	5/1/2021
Gila Regional Medical Center	3,788,263	—	6/1/2033
Department of Health	<u>8,975,000</u>	<u>—</u>	6/1/2037
Total	\$24,992,286	\$1,064,212	

(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: Finance Authority.)

Agreements Generating Largest Amount of Agreement Revenues

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

Albuquerque-Bernalillo County Water Utility Authority Loan. 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 and Bernalillo County. The ABCWUA has jurisdiction over certain water facilities and properties and certain sanitary sewer facilities and properties.

Pursuant to various loan agreements (the “ABCWUA Loan Agreements”) between the ABCWUA and the Finance Authority totaling \$97,005,000, 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/sewer system, water, wastewater system including expenses related to: regular system improvements, expansion, maintenance and upgrades to operate a water and wastewater utility pursuant to the basic capital program and diversion of surface water from the San Juan Chama and delivering it for use by current and future users of the system.

The 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 May 1, 2025. The current outstanding principal amount of the ABCWUA Loan Agreements is \$73,710,000.

Bernalillo County Metropolitan Court Bonds. The Finance Authority has entered into various obligations with the Bernalillo County Metropolitan Court (the “Metro Court Obligations”) in which certain court facilities revenues as described below are used to secure the debt obligations. The proceeds of the Metro Court Obligations provided funds for the refunding of bonds issued by the Finance Authority to finance the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court.

The Metro Court Obligations are payable solely from the Pledged Court Facilities Revenues, which consist of a portion of certain court fees and penalty assessments deposited to the Court Facilities Fund and distributed monthly by the State Treasurer, at the direction of the Director of the Administrative Office of the Courts, to the Finance Authority for deposit to the Pledged Court Facilities Revenue Fund and certain parking fees, rents and other charges collected by the Bernalillo County Metropolitan Court from tenants and users of the Parking Facility Project after deduction of certain related costs. Certain funds and accounts created and maintained by the Finance Authority pursuant to the resolution authorizing the issuance of the Metro Court Bonds are also pledged to secure repayment of the Metro Court Bonds. As of September 30, 2013 these obligations have a current outstanding principal amount of \$40,085,000, with a final scheduled maturity of June 1, 2025.

University of New Mexico—Subordinate Lien Cigarette Tax Bonds/UNM Health Sciences Center Project Bonds. The Finance Authority has issued Bonds and used a portion of the proceeds thereof to purchase bonds for the benefit of University of New Mexico (the “UNM Bonds”). The UNM Bonds were used to fund or refinance improvements at the Health Science Center at the University of New Mexico in Albuquerque, New Mexico and are payable from and secured by certain cigarette tax revenues required to be distributed to the Finance Authority on behalf of and for the benefit of the Health Science Center. As additional security for the UNM Bonds, the Finance Authority has pledged, on a subordinate basis, the amounts on deposit in a credit enhancement account created by Section 6-21-6.7 NMSA 1978. As of September 30, 2013, the UNM Bonds are outstanding in the aggregate principal amount of \$23,565,000 and have a final scheduled maturity on June 15, 2025.

City of Santa Fe—Convention and Civic Center Loan. The Finance Authority has previously entered into a loan agreement in the amount of \$42,220,000 with the City of Santa Fe (the “Santa Fe Agreement”) secured by a pledge to the Finance Authority the City of Santa Fe’s Lodgers’ Tax. Proceeds from the Santa Fe Agreement were used to finance the construction of a new Convention and Civic Center in the City of Santa Fe. The Santa Fe Agreement has \$37,625,000 outstanding in aggregate principal amount as of September 30, 2013, with a final scheduled maturity on December 15, 2034.

Eastern New Mexico University—Residence Hall Construction and General Improvements Loan. The Finance Authority has previously entered into a loan agreement in the amount of \$28,050,000 with Eastern New Mexico University (the “ENMU Agreement”) secured by a pledge to the Finance Authority of ENMU gross system revenues. Proceeds from the ENMU Agreement were used to finance a new residence hall and make general improvements to the campus. The ENMU Agreement has \$27,075,000 outstanding in aggregate principal amount as of September 30, 2013, with a final scheduled maturity on April 1, 2036.

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NEW ISSUE – BOOK-ENTRY ONLY

Ratings: S & P: “AA+”

Moody’s: “Aa2”

(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 2015A 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 2015A Bonds (the “Tax Code”), and interest on the Series 2015A 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 2015A Bonds is exempt from taxation by the State of New Mexico, except for estate or gift taxes and taxes on transfers. See “TAX MATTERS.”



\$63,390,000

**SUBORDINATE LIEN PUBLIC PROJECT
REVOLVING FUND REFUNDING REVENUE BONDS
SERIES 2015A**

Dated: Date of Initial Delivery

Due: June 15, as shown on inside cover

The New Mexico Finance Authority Subordinate Lien Public Project Revolving Fund Refunding Revenue Bonds, Series 2015A (the “Series 2015A 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 2015A Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each series and maturity of the Series 2015A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2015A Bonds will be made in book-entry form only, and beneficial owners of the Series 2015A 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 2015A Bonds.

The Series 2015A Bonds will be issued under and secured by the Subordinated General Indenture of Trust and Pledge. Interest on the Series 2015A Bonds accrues from the date of initial delivery of the Series 2015A Bonds and is payable on June 15 and December 15 of each year, commencing June 15, 2015. Principal of the Series 2015A 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 2015A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity.

Proceeds of the Series 2015A Bonds will be used by the Finance Authority for the purposes of (i) originating Loans to or purchasing Securities of 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, resulting in the current refunding of the Finance Authority’s outstanding Series 2005C Bonds and the advance refunding of the Finance Authority’s outstanding Series 2006A Bonds, and (ii) paying costs incurred in connection with the issuance of the Series 2015A Bonds. The principal of and premium, if any, and interest on the Series 2015A 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 and may issue additional bonds and other obligations pursuant to the Indenture with a lien on the Trust Estate on parity with the lien of the Series 2015A Bonds. The Finance Authority has issued and expects to issue bonds with a lien on the NMFA Portion of the Governmental Gross Receipts Tax senior to the lien of the Series 2015A Bonds.

The Series 2015A 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 2015A 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 2015A 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 2015A 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 2015A 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. Certain legal matters will be passed upon for the Underwriters by Hogan Lovells US LLP, Denver, Colorado. Western Financial Group, LLC has acted as municipal advisor to the Finance Authority in connection with the issuance of Series 2015A Bonds. It is expected that a single certificate for each maturity of each series of the Series 2015A Bonds will be delivered to DTC or its agent on or about April 8, 2015.

This Official Statement is dated February 26, 2015, and the information contained herein speaks only as of that date.

Piper Jaffray & Co.

RBC Capital Markets

Morgan Stanley

NEW MEXICO FINANCE AUTHORITY

\$63,390,000

**SUBORDINATE LIEN PUBLIC PROJECT REVOLVING FUND REFUNDING REVENUE BONDS
SERIES 2015A**

MATURITY SCHEDULE

<u>Year</u> <u>(June 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u> [†]
2015	\$1,035,000	1.250%	0.17%	64711N WU5
2016	2,415,000	4.000	0.40	64711N WV3
2017	3,615,000	5.000	0.62	64711N WW1
2018	2,655,000	5.000	0.98	64711N WX9
2019	3,995,000	5.000	1.22	64711N WY7
2020	4,205,000	5.000	1.45	64711N WZ4
2021	4,410,000	5.000	1.67	64711N XA8
2022	4,645,000	5.000	1.95	64711N XB6
2023	4,875,000	5.000	2.12	64711N XC4
2024	5,125,000	5.000	2.27	64711N XD2
2025	5,385,000	5.000	2.38	64711N XE0
2026	1,720,000	5.000	2.51 c	64711N XF7
2027	1,810,000	5.000	2.62 c	64711N XG5
2028	1,900,000	5.000	2.72 c	64711N XH3
2029	1,995,000	3.000	3.18	64711N XJ9
2030	2,060,000	3.125	3.29	64711N XK6
2031	2,125,000	5.000	2.89 c	64711N XL4

c Yield to par call on June 15, 2025.

\$4,545,000, 3.375% Term Bond due June 15, 2033, Price 97.797%, CUSIP Number 64711N XN0 †

\$4,875,000, 3.500% Term Bond due June 15, 2035, Price 98.288%, CUSIP Number 64711N XQ3 †

†

The above referenced CUSIP number(s) have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2015A Bonds. Neither the Finance Authority, the Trustee nor the Underwriters is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the Series 2015A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015A 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 2015A 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 2015A 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 (the “Exchange Act”), 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 at which the Series 2015A Bonds are offered to the public may vary from the initial reoffering yields or prices shown on the inside front cover page of this Official Statement. In connection with this offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect market prices of the Series 2015A 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 2015A 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 2015A 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 2015A 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 Chair
David Martin, Secretary
Katherine Ulibarri, Treasurer
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Jerry L. Jones
Steve Kopelman
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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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OFFICIAL STATEMENT
RELATING TO
\$63,390,000
SUBORDINATE LIEN PUBLIC PROJECT
REVOLVING FUND REFUNDING REVENUE BONDS
SERIES 2015A

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 \$63,390,000 Subordinate Lien Public Project Revolving Fund Refunding Revenue Bonds, Series 2015A (the “Series 2015A Bonds”) being issued by the New Mexico Finance Authority (the “Finance Authority”). The Series 2015A Bonds, together with additional bonds the Finance Authority has issued or may issue with a lien on 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 Subordinated General Indenture of Trust and Pledge, dated as of March 1, 2005, as previously supplemented (the “General Indenture”), and as further amended and supplemented by an Eleventh Supplemental Indenture of Trust, dated as of April 1, 2015 (the “Eleventh Supplemental Indenture” and collectively 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 “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, 2014 included as APPENDIX A hereto. See “FINANCIAL STATEMENTS” herein.

Authority and Purpose

The Series 2015A 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” herein.

Proceeds from the sale of the Series 2015A Bonds will be used by the Finance Authority for the purposes of (i) originating Loans to or purchasing Securities of or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities of certain governmental entities (the “2015A Governmental Units”) that will be or were used to finance certain Projects for such governmental entities, resulting in the current refunding of the Finance Authority’s outstanding Public Project Revolving Fund Refunding Revenue Bonds, Series 2005C (the “Series 2005C Bonds”) and the advance refunding of the Finance Authority’s outstanding Public Project Revolving Fund Revenue Bonds, Series 2006A (the “Series 2006A Bonds”) and (ii) paying costs incurred in connection with the issuance of the Series 2015A Bonds. See “THE PLAN OF FINANCING” and APPENDIX F for a list of the 2015A Governmental Units and the amounts of the Loans and Securities financed with proceeds of the Series 2015A Bonds.

Parity Obligations

Bonds and other obligations with a lien on the Trust Estate on parity with the lien of the Series 2015A 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.”

The Series 2015A Bonds

The Series 2015A Bonds will be dated the date of their initial delivery. Interest on the Series 2015A Bonds is payable on June 15 and December 15 of each year, commencing June 15, 2015. The Series 2015A Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear interest at the rates shown on the inside front cover of this Official Statement. The Series 2015A 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 2015A 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 2015A 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 2015A Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2015A 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 2015A Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry only system as described in APPENDIX E, and (ii) 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 2015A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See “THE SERIES 2015A BONDS—Redemption.”

Security and Sources of Payment

Special Limited Obligations. The Bonds, including the Series 2015A Bonds, are special limited obligations of the Finance Authority secured by and payable solely from the special revenues and funds of the Finance Authority pledged under the Indenture, including: (i) moneys from the repayment by governmental borrowers of loans made or securities issued to finance a project under the Indenture (“Agreements”); (ii) moneys from the repayment by governmental borrowers to the Finance Authority of loans made or securities purchased from moneys in the Public Project Revolving Fund and pledged as “Additional Pledged Loans” under the Indenture; (iii) certain Governmental Gross Receipts Tax revenues and moneys from the repayment to the Finance Authority of certain loans, to the extent available on June 1 of each year after all obligations of the Finance Authority under the Senior Indenture (as defined below under “Senior Bonds”) have been satisfied (together with the moneys described in (ii) in this paragraph, the “Subordinate Lien PPRF Revenues”); (iv) any additional revenues received by the Finance Authority and designated as part of the special revenues and funds pledged under the Indenture pursuant to a Supplemental Indenture or Pledge Notification; and (v) certain funds and accounts created and maintained pursuant to the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds” and see “Establishment and Use of Funds” in “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE” herein. Moneys from the sources described in (ii) and (iii) above may be released from the Indenture on June 16 of each year. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” 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 2015A 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 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.

Senior Bonds. The lien of the Indenture on PPRF Revenues is junior and subordinate to the lien on those revenues of the Finance Authority's General Indenture of Trust and Pledge dated as of June 1, 1995, as amended and supplemented (the "Senior Indenture"), and pursuant to the Senior Indenture the Finance Authority has issued and may issue bonds or other obligations with a lien on PPRF Revenues senior to the lien of the Indenture ("Senior Bonds"). Those Senior Bonds and obligations are secured by and payable from the PPRF Revenues prior to their release from the Senior Indenture. The Finance Authority maintains an ongoing program to provide loans and to purchase securities from Governmental Units and expects to finance some of those activities with the issuance of additional Senior Bonds. The timing, amount and other details of such additional Senior Bonds are not known as of the date of this Official Statement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Senior Bonds."

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 with a lien on parity with the Series 2015A Bonds. The Finance Authority must satisfy certain requirements set forth in the Indenture to issue such Additional Bonds. The timing, amount and other details of such Additional Bonds are not known as of the date of this Official Statement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds."

Continuing Disclosure Undertaking

The Finance Authority has undertaken for the benefit of the Series 2015A Bond Owners that, so long as the Series 2015A 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 20% of the estimated Subordinate Lien Revenues in the then-current fiscal year to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB and notice of certain material events to the MSRB in accordance with Rule 15c2-12 promulgated under the Exchange Act. 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 2015A 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 2015A Bonds (the "Tax Code"), and interest on the Series 2015A 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 2015A 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 2015A 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. 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 municipal advisor to the Finance Authority (the "Municipal Advisor") in connection with its issuance of the Series 2015A Bonds. See "MUNICIPAL ADVISOR."

The Finance Authority's audited financial statements for the fiscal year ended June 30, 2014, included in APPENDIX A, have been audited by REDW, LLC, Certified Public Accountants, Albuquerque, New Mexico. See also "FINANCIAL STATEMENTS."

Offering and Delivery of the Series 2015A Bonds

The Series 2015A 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 2015A Bonds will be delivered to DTC or its agent on or about April 8, 2015. The Series 2015A Bonds will be distributed in the initial offering by Piper Jaffray & Co., RBC Capital Markets, LLC, and Morgan Stanley & Co. LLC (collectively, the "Underwriters") for which Piper Jaffray & Co. 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 2015A Bonds.

THE SERIES 2015A BONDS

General

The Series 2015A Bonds will be dated as of the date of their initial delivery and interest will accrue on the Series 2015A 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 15 and December 15 of each year, commencing June 15, 2015. The Series 2015A Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2015A Bonds are issuable in denominations of \$5,000 or integral multiples of \$5,000 (the "Authorized Denominations").

Book-Entry Only System

The Depository Trust Company will act as securities depository for all of the Series 2015A 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 2015A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2015A Bonds will be made in book-entry only form, and beneficial owners of the Series 2015A 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 2015A 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 2015A Bonds maturing on or after June 15, 2026, are subject to optional redemption at any time on and after June 15, 2025, in whole or in part, in such order of maturity as may be selected by the Finance Authority and by lot within each maturity (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 2015A Bonds to be redeemed, plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2015A Bonds maturing on June 15, 2033 are subject to mandatory sinking fund redemption at a price of 100% of the principal amount thereof plus accrued interest to the redemption date on the dates and in the principal amounts as follows:

Redemption Dates (June 15)	Principal to be Redeemed
2032	\$2,235,000
2033*	2,310,000

* Final Maturity

The Series 2015A Bonds maturing on June 15, 2035 are subject to mandatory sinking fund redemption at a price of 100% of the principal amount thereof plus accrued interest to the redemption date on the dates and in the principal amounts as follows:

Redemption Dates (June 15)	Principal to be Redeemed
2034	\$2,395,000
2035*	2,480,000

* Final Maturity

If any of the Series 2015A Bonds maturing on June 15, 2033 or June 15, 2035, then outstanding are optionally redeemed, an amount equal to the principal amount so redeemed shall be credited toward a part or all of any one or more of any mandatory sinking fund payments for the Series 2015A Bonds maturing on June 15, 2033 or June 15, 2035, in such order as may be directed by the Finance Authority, unless otherwise provided by DTC procedures.

Partially Redeemed Bonds. In case any Series 2015A Bond is redeemed in part, upon the presentation of such Series 2015A 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 2015A Bond or Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2015A Bond. A portion of any Series 2015A 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 2015A Bonds for redemption, the Trustee will treat each such Bond as representing that number of Series 2015A Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bonds by \$5,000.

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

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

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

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

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

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 2015A Bonds, are special limited obligations of the Finance Authority payable solely from the Trust Estate. The Series 2015A 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 2015A 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 2015A 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, first, for the equal and ratable payment of the Bonds, the PPRF Secured Obligations (as to amounts deposited to the Revenue Fund), the Security Instrument Repayment Obligations and the SWAP Payments, and, second, for the equal and ratable payment of the Reserve Instrument Repayment Obligations. The Trust Estate includes: (i) Agreement Revenues; (ii) Additional Pledged Revenues; (iii) Subordinate Lien PPRF Revenues; and (iv) other amounts in certain funds and accounts created and maintained pursuant to the Indenture; all as more fully described below. The Agreement Revenues, Additional Pledged Revenues and Subordinate Lien PPRF Revenues are collectively referred to as the "Subordinate Lien Revenues."

Agreement Revenues. The Agreements consist of Loan Agreements and Securities (each as defined in the Indenture) 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") 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 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 2015A Governmental Units and the allocable portions of the Loans financed with the Series 2015A 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 the Subordinate Lien PPRF 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.

<u>Type of Revenue</u>	<u>FY 2014-2015 Amounts</u>	<u>% of Total Agreement Revenues</u>
Enterprise System Revenues	\$16,037,642	42.97%
Local Special Tax	10,589,779	28.37
Gross Receipts Tax	5,122,235	13.72
General Obligation (ad valorem taxes)	3,740,884	10.02
Fire Protection Funds	1,139,853	3.05
Special Assessments	519,948	1.39
Mill Levy	97,802	0.26
Law Enforcement Protection Funds	76,347	0.20
Total	<u>\$37,324,490</u>	<u>100.00%</u>

Note: Totals may not add due to rounding. Assumes that the Loans funded with proceeds of the Series 2015A Bonds are executed and delivered.

(Source: The Finance Authority.)

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The following table lists the ten Agreements that are expected to generate the largest Agreement Revenues in fiscal year 2014-2015, based on scheduled payments in fiscal year 2014-15 and assuming no prepayments of the Agreements. These ten Agreements comprise 70.57% of projected Agreement Revenues for fiscal year 2014-2015.

AGREEMENTS EXPECTED TO GENERATE AGREEMENT REVENUES⁽¹⁾

<u>Obligor/Issuer</u>	<u>FY 2014-2015 Loan Payment</u>	<u>% of Projected FY 2014-2015 Agreement Revenues</u>
Albuquerque Bernalillo County Water Utilities Authority	\$8,792,176	23.56%
Bernalillo County Metro Court ⁽²⁾	3,432,065	9.20
Santa Ana Pueblo	3,023,787	8.10
City of Santa Fe ⁽²⁾	1,930,883	5.17
Eastern New Mexico University	1,718,062	4.60
Los Alamos County	1,555,097	4.17
University of New Mexico Health Sciences Center	1,278,963	3.43
Cobre Consolidated Schools	1,225,610	3.28
City of Espanola	1,033,878	2.77
San Felipe Pueblo	<u>782,403</u>	<u>2.10</u>
Total	<u>\$24,772,923</u>	<u>66.37%</u>

(1) Based on scheduled fiscal year 2014-2015 debt service and assumes no prepayment or redemption.

(2) These loans will be refinanced with proceeds of Series 2015A Bonds and new Loans will be originated to these entities. Although the revenues from the new Loans will be less than the Loans they replace, the Finance Authority expects that the new Loans will generate some of the larger Agreement Revenues.

(Source: Finance Authority.)

Although Agreement Revenues are received at various times throughout the year, they are held under the Indenture until June 15 of each year to be applied to pay debt service on the Bonds. For more information with respect to Agreement Revenues and Governmental Units with the largest repayment obligations, see “APPENDIX F—2015A GOVERNMENTAL UNITS; 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 of Subordinate Lien PPRF Revenues.

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 Revenues. Additional Pledged Revenues consist of any additional revenues received by the Finance Authority and designated as part of the Trust Estate pursuant to the Indenture or a Pledge Notification. Additional Pledged Revenues are not revenues attributable to Additional Pledged Loans. Additional Pledged Revenues may be among the amounts released from the Revenue Fund on June 16 of each year to the extent they will not be required for debt service in the then current Bond Fund Year, as described below under “Subordinate Lien PPRF Revenues.” Additional Pledged Revenues are deposited in the Revenue Fund immediately upon their receipt throughout the year by the Finance Authority. For a more complete description of these deposits and transfers, see “Flow of Funds” below under this caption, and “Establishment and Use of Funds” in “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE” herein. At the present, the Finance Authority has not designated any sources of revenues or “Additional Pledged Revenues.”

Subordinate Lien PPRF Revenues. Subordinate Lien PPRF Revenues consist in part of the NMFA Portion of the Governmental Gross Receipts Tax and moneys from the repayment to the Finance Authority of the Additional Senior Pledged Loans deposited to the revenue fund created under the Senior Indenture (the “PPRF Revenues”), to the extent such amounts are available on June 1 of each Bond Fund Year after all obligations of the Finance

Authority under the Senior Indenture have been satisfied and the Trustee has retained any amounts required to be retained pursuant to the Senior Indenture. “Additional Senior Pledged Loans” are additional loans or securities made or purchased by the Finance Authority from amounts on deposit in the Public Project Revolving Fund, the payments of principal of and interest on which have been specifically pledged by the Finance Authority to the payment of the Senior Bonds and other amounts due under the Senior Indenture. Pursuant to the Indenture, all moneys released from the Senior Indenture on June 1 of each Bond Fund Year are to be deposited into the Revenue Fund created by the Indenture. See “INVESTMENT CONSIDERATIONS—Availability of Subordinate Lien PPRF Revenues.”

Subordinate Lien PPRF Revenues also consist, in part, of revenues from 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 Bonds and PPRF Secured Obligations and other amounts secured by the Indenture. See “Flow of Funds” below under this caption.

Additional Pledged Loans (repayments of which are pledged to the payment of the Bonds) are not Additional Senior Pledged Loans (repayments of which are pledged only to the extent available for transfer under the Senior Indenture on June 1 of each Bond Fund Year).

The following table shows, for fiscal years 2009-10 through 2013-14, the amounts released to the Finance Authority from the Senior Indenture, which represent the amounts that would be included as Historical Subordinate Lien PPRF Revenues under the Indenture.

HISTORICAL SUBORDINATE LIEN PPRF REVENUES
FISCAL YEARS 2008-09 THROUGH 2013-14
(RELEASED TO THE INDENTURE ON JUNE 1)

Fiscal Year <u>2009-10</u>	Fiscal Year <u>2010-11</u>	Fiscal Year <u>2011-12</u>	Fiscal Year <u>2012-13</u>	Fiscal Year <u>2013-14</u>
\$29,250,195	\$36,302,648	\$35,794,361	\$40,753,364	\$41,468,998

(Source: Finance Authority.)

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 2009-2010 through 2013-2014.

**GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2009-2010 THROUGH 2013-2014**

	<u>Fiscal Year 2009-2010</u>	<u>Fiscal Year 2010-2011</u>	<u>Fiscal Year 2011-2012</u>	<u>Fiscal Year 2012-2013</u>	<u>Fiscal Year 2013-2014</u>
Total Net Receipts	\$30,375,481	\$32,872,185	\$34,939,052	\$36,766,258	\$36,396,929
NMFA Portion of the Governmental Gross Receipts Tax	\$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), a Debt Service Reserve Fund (with a separate account for each series of Bonds with a Debt Service Reserve Requirement), an Agreement Reserve Fund (with a separate account for each Agreement that has a reserve requirement), an Expense Fund and a Reserve Instrument Fund all of which are part of the Trust Estate. Amounts on deposit in accounts in each Debt Service Reserve Account and in each Agreement Reserve Account shall only secure repayment of the Loan made

under the related Agreement. The Finance Authority is not establishing or funding an account in the Debt Service Reserve Fund for the Series 2015A Bonds.

Flow of Funds

Loan Payments. All Loan Payments payable under the Loan Agreements and Securities (except as otherwise provided in a Supplemental Indenture) are required to be paid directly to the Finance Authority for remittance to the Trustee for deposit immediately upon their receipt, as follows:

First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit in that Account to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan (it being anticipated that each Governmental Unit will deposit an amount at least equal to the Loan Payments coming due under the related Loan Agreement or Securities with the Finance Authority, which will remit that amount to the Trustee for allocation to the related Account in the Debt Service Fund);

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

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

On 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 Fund, an amount sufficient, together with amounts in such Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Two Business Days prior to an Interest Payment Date, available moneys in the Revenue Fund will be transferred to the Paying Agent for the Bonds to the extent the amounts in the Bond Fund and the Debt Service Fund are insufficient to pay Debt Service on the Bonds on such Interest Payment Date. 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 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. The Trustee is directed to return any excess 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. 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 and any remaining excess will be deposited into the Revenue Fund.

Revenue Fund. During each Bond Fund Year, (i) all PPRF Revenues released from the lien of the Senior Indenture will be paid by the Finance Authority to the Trustee immediately upon their release on June 1 of each year, (ii) all Additional Pledged Revenues will be immediately deposited with the Trustee; and (iii) all payments representing principal and interest from Additional Pledged Loans will be paid immediately upon their receipt by the Finance Authority to the Trustee. All of those amounts will be accounted for and maintained by the Trustee in the Revenue Fund. The Revenue Fund will be kept separate and apart from all other accounts of the Trustee and prior to transfers of any excess funds from the Revenue Fund on June 16 of each year (as described below), all amounts in it will be transferred by the Trustee in the order of priority specified below:

(a) To the Bond Fund, an amount needed, when added to amounts on deposit in the Bond Fund and transferred from the Debt Service Fund, to pay the principal of and interest on the Bonds due on June 15 and to rectify any deficiency in the Bond Fund that has not otherwise been rectified.

(b) To the Paying Agent for any PPRF Secured Obligation that notifies the Trustee, an amount needed, when added to amounts otherwise available for such purpose, to pay the principal and interest then due with respect to the PPRF Secured Obligations on June 15 and to rectify any such deficiency in the payment of any PPRF Secured Obligation which has occurred that has not otherwise been rectified.

(c) To the Bond Fund, an amount needed, when added to amounts transferred from the Debt Service Fund, to pay the amounts due on the Security Instrument Repayment Obligations and the SWAP Payments (net of SWAP Receipts) then due pursuant to any Security Instrument Agreements or Interest Rate Swaps, and the amount needed to rectify any deficiency in the payment of any Security Instrument Repayment Obligations or SWAP Payments that has not been rectified.

The transfers required by the preceding paragraph are to be made on a parity basis. If the amount available for transfer is insufficient, the Trustee must make those transfers ratably according to the amounts due.

After making the transfers described above, the Finance Authority must make the following transfers to the Trustee:

(a) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (i) to the Accounts in the Debt Service Reserve Fund, any amounts required by the General Indenture and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided in the General Indenture and in any Supplemental Indenture and (ii) if funds shall have been withdrawn from an Account in the Debt Service Reserve Fund or any Account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the Finance Authority shall transfer from the Revenue Fund to such Account or Accounts in the Debt Service Reserve Fund an amount sufficient to restore such Account or Accounts within one year with 12 substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement); or a ratable portion (based on the amount to be transferred pursuant to the following bulleted clause) of remaining amounts if less than the amount necessary; and

(b) Equally and ratably to the Accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments in effect and expected to continue in effect after the end of such month, such amount from the Revenue Fund, or a ratable portion (based on the amount to be transferred pursuant to the previous bulleted clause) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such transfer or deposit from the Revenue Fund into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

In the event that funds have been withdrawn from an Account in the Agreement Reserve Fund, or any Account in the Agreement Reserve Fund is at any time funded in an amount less than its Agreement Reserve Requirement after making the transfers described above, the Finance Authority will transfer for deposit in such Account sufficient Subordinate Lien PPRF Revenues, Agreement Revenues with respect to the related Agreement, Additional Pledged Revenues and revenues from Additional Pledged Loans to restore such Account within one year with 12 substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Agreement Reserve Requirement); or a ratable portion of remaining Subordinate Lien PPRF Revenues, Agreement Revenues with respect to the related Agreement, Additional Pledged Revenues and revenues from Additional Pledged Loans if less than the amount necessary.

After making the foregoing transfers to the Bond Fund and to the Paying Agent for the PPRF Secured Obligations and to the Security Instrument Issuers and to the SWAP Providers and to the Reserve Instrument

Providers, on June 16 of each year, the Finance Authority will be entitled to direct the Trustee in writing to release to the Finance Authority the balance on deposit in the Revenue Fund and the Trustee must then transfer the balance to the Finance Authority. However, prior to any such release being made, there must be retained in the Revenue Fund an amount, after giving credit for available amounts in all accounts in the Debt Service Reserve Fund and the Agreement Reserve Fund, sufficient to make payments of all Bond Debt Service requirements (calculated as provided in clauses (i), (ii) and (iii) of the definition of Debt Service presented under the caption “Definitions” in “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE”), Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations coming due in the then current Bond Fund Year; provided further, that once additional moneys are deposited into the Bond Fund to make all of the foregoing payments, the amounts retained in the Revenue Fund may be released from the lien of the Indenture but only to the extent of additional moneys deposited into the Bond Fund. The Finance Authority may use the balance for (i) deposit to the Public Project Revolving Fund as required by the Act; (ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund; (iii) refinancing, refunding, repurchase or advance refunding of any Bonds; or (iv) for any other lawful purpose, including payment of Program Costs for Bonds and similar costs for PPRF Secured Obligations, replacement of reserves for Bonds or PPRF Secured Obligations and payment of Termination Payments.

The Finance Authority may, but is not obligated to, use any legally available PPRF Revenues of the Finance Authority to satisfy its obligations under the Indenture. At this point, the Finance Authority has not entered into any counterparty transactions with respect to the PPRF.

Debt Service Reserve Fund. The Indenture permits the establishment of a separate Account in the Debt Service Reserve Fund solely for the benefit of the holders of a Series of Bonds in an amount equal to the least of (i) 10% of the proceeds of such Series of Bonds determined on the basis of original principal amount (unless original issue premium or original issue discount exceeds two percent of original principal, then determined on the basis of initial purchase price to the public); (ii) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds; or (iii) 125% of the average annual Debt Service for such Series of Bonds (the “Debt Service Reserve Requirement”). If at any time the amount on deposit in any Account of the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement for that Account, the Finance Authority is required to make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund. **Although the Finance Authority has established separate Accounts in the Debt Service Reserve Fund for Series of Outstanding Parity Bonds, it is not establishing or funding an Account in the Debt Service Reserve Fund for the Series 2015A Bonds.**

The Debt Service Reserve Requirement may be funded entirely or in part with one or more letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit or other devices (each, a “Reserve Instrument”). No Reserve Instrument may be allowed to expire or terminate while the related Series of Bonds are Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required to be maintained in the related account of the Debt Service Reserve Fund.

In the event of a deficiency in the Bond Fund for a Series of Bonds, the Trustee will transfer moneys on deposit in the related Account of the Debt Service Reserve Fund to the Bond Fund to make up such deficiency. Moneys on deposit in any Account of the Debt Service Reserve Fund will be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by that Account and any Reserve Instrument may only be drawn upon with respect to the Series of Bonds for which such Reserve Instrument was obtained.

If funds on deposit in an Account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund, and there is insufficient cash available in such Account of the Debt Service Reserve Fund to make up such deficiency and Reserve Instruments applicable to such Series are in effect, the Trustee will immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund.

Moneys at any time on deposit in the account of the Debt Service Reserve Fund in excess of the amount required to be maintained therein (taking into account the amount of related Reserve Instrument Coverage) will be transferred by the Trustee to the Bond Fund at least once each year.

Previous Series of Outstanding Parity Bonds are secured by Accounts in the Debt Service Reserve Fund. The Debt Service Reserve Requirement for such Series of Outstanding Parity Bonds was funded by the acquisition of Reserve Instruments issued by either Ambac Assurance Corporation (“Ambac”) or MBIA Insurance Corporation (“MBIA,” and consequently ceded to its subsidiary National Public Finance Guarantee Corp., “National”). Neither the Finance Authority nor the Underwriters make any representation as to the ability of Ambac, MBIA or National to meet its obligations under its respective Reserve Instruments. In the event that a Reserve Instrument on deposit in the Debt Service Reserve Fund were terminated, the Finance Authority is required to replenish the Debt Service Reserve Requirement for the respective Series of Bonds or to provide a replacement Reserve Instrument.

Ambac and MBIA issued their respective Reserve Instruments when each was rated “AAA” and “Aaa” by S&P and Moody’s, respectively. The Finance Authority has been informed that S&P and Moody’s have lowered or no longer maintain their ratings with respect to Ambac, MBIA and National. The Finance Authority (with the advice of counsel) has determined that the Indenture does not require the Finance Authority to replace the Reserve Instruments as a result of the action taken by the rating agencies. Further financial information regarding Ambac, MBIA and National can be obtained at their respective websites. Neither the Finance Authority, nor the Underwriters make any representation as to any information on those websites or the ability of Ambac, MBIA, National or any other provider of Reserve Instruments to make payments on the Outstanding Parity Bonds in amounts and at the times required by the Indenture.

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 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

A limited number of Governmental Units (in an amount not deemed material by the Finance Authority) have the option, beginning one year after origination, to make full or partial Prepayments of their Loans. Neither the outstanding Bonds nor the Series 2015A Bonds are subject to mandatory redemption under such circumstances. With respect to the Series 2015A Bonds, the Indenture instead provides that, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to Loans reimbursed or originated with proceeds of the Series 2015A Bonds with debt service payable on Series 2015A Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2015A Bonds with revenues received from Loan Payments on all outstanding Loans, the Finance Authority shall, within 365 days following the receipt of a Prepayment, in part or in full, of a Loan reimbursed with proceeds of Series 2015A Bonds, take separately or in combination any one or more of the actions described in subsections (a), (b) or (c) of this Section:

(a) The Finance Authority may, to the extent practicable, call for optional redemption prior to maturity Series 2015A Bonds which are subject to redemption, selecting Series 2015A Bonds for optional redemption in an amount and with debt service requirements that approximate the debt service requirements of the Loan for which the Prepayment was received (or a pro-rata portion thereof in the event that only a portion of the Prepayment is applied pursuant to this Subsection); or

(b) The Finance Authority may, to the extent practicable, originate one or more new Loans (i) in an aggregate principal amount equal to or greater than the amount of the Prepayment (or a pro rata portion thereof in the event that only a portion of the Prepayment is applied pursuant to this Subsection), and (ii) 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 in the event that only a portion of the Prepayment is applied pursuant to this Subsection). The Finance Authority shall provide a Cash Flow Statement to the Trustee establishing that, in taking the

actions described in subsection (b) of this Section, the requirements of the Cash Flow Statement, as defined in of the Indenture, are satisfied.

(c) In the event that the Finance Authority does not take one of the actions described in either subsections (a) or (b) of this Section, the Finance Authority shall defease Series 2015A Bonds, in Authorized Denominations, to the first optional redemption date for such Series 2015A Bonds, in an amount approximating the amount of the Prepayment received (or a pro rata portion thereof in the event that only a portion of the Prepayment is applied pursuant to this Subsection). The principal amount and maturity date of the Series 2015A Bonds to be defeased shall correspond to the principal amount and due date of the Principal Component of such Prepayment. The Finance Authority shall recalculate the Loan payments due under any Loan in the case of a Prepayment in part of Loan payments under such Loan in a manner which is consistent with the actions taken as described in subsections (a), (b) or (c) of this Section.

(d) If, within 90 days following the receipt of a Prepayment, the Finance Authority has not either redeemed Bonds as provided in Subsection (a) of this Section or originated one or more new Loans as provided in Subsection (b) of this Section, the Finance Authority shall restrict the yield on investment of the Prepayment amount to the yield on the Loan for which the Prepayment was made, until one or more new Loans have been originated in an aggregate principal amount equal to or greater than the amount of the Prepayment, until Bonds have been redeemed, or until Series 2015A Bonds have been defeased as provided in Subsection (c) of this Section.

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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 Senior 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.

<u>Fiscal Year</u>	<u>Number of Prepayments</u>	<u>Aggregate Principal Amount</u>
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	33	54,407,892
2013-2014 ⁽¹⁾	23	71,812,973
2014-2015 ⁽¹⁾	12	2,954,664

⁽¹⁾ Reflects prepayments received for the period of July 1, 2013 through January 1, 2015, including Prepayments under the Indenture as well as prepayments under the Senior 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 2015A 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 \$4,345,289 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 Senior Indenture. The NMFA has also applied \$63,220,185 of such prepayments to redeem obligations under the Indenture or the Senior Indenture. There remains \$7,306,710 of prepayments for which the NMFA is working to identify new loans.

(Source: The Finance Authority.)

Additional Bonds

Additional Bonds, PPRF Secured Obligations, Security Instrument Repayment Obligations and SWAP Payments 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, created 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,” taking into account the issuance of the Additional Bonds, PPRF Secured Obligations 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 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, PPRF Secured Obligations or other indebtedness, bonds or notes must be used (1) 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); (2) to make additional Loans or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance); or (3) to finance other projects approved by the Finance Authority.

(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, PPRF Secured Obligations or other indebtedness, bonds or notes if (1) the issuance of such Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes otherwise complies with the requirements of the Indenture; and (2) such Event of Default will cease to continue upon the issuance of the Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes and the application of the proceeds thereof.

All payments required to be made into the Bond Fund must have been made in full, and there must be on deposit in each account of the Debt Service Reserve Fund (taking into account any Reserve Instrument Coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds.

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 2015A 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 Senior Lien Obligations Other Than Senior Bonds. Other than the Senior Bonds, no additional indebtedness, bonds or notes of the Finance Authority payable on a priority senior to the pledge of the Trust Estate for payment of the Bonds, PPRF Secured Obligations, the Security Instrument Repayment Obligations and the SWAP Payments will be created or incurred without the prior written consent of 100% of the Owners of Outstanding Bonds, Owners of PPRF Secured Obligations, Security Instrument Issuers and SWAP Counterparties.

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Outstanding Parity Bonds

The Finance Authority has previously issued other Series of Bonds that are outstanding under the Indenture. The various Series of Outstanding Parity Bonds, their original principal amounts and their aggregate principal amounts outstanding as of January 1, 2015, are set forth below.

<u>Series⁽¹⁾</u>	<u>Original Principal Amount Issued</u>	<u>Aggregate Principal Amount Outstanding as of 1/1/2015⁽²⁾</u>
2005C ⁽³⁾	\$50,395,000	\$36,410,000
2005E	23,630,000	23,445,000
2005F	21,950,000	16,245,000
2006A ⁽⁴⁾	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	<u>16,805,000</u>	<u>16,805,000</u>
Total	<u>\$435,960,000</u>	<u>\$330,095,000</u>

(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 have maturities on June 15.

(3) The Series 2005C Bonds maturing on and after June 15, 2016 will be defeased as a result of the issuance of the Series 2015A Bonds.

(4) The Series 2006A Bonds maturing on and after June 15, 2017 will be defeased as a result of the issuance of the Series 2015A Bonds.

(Source: The Finance Authority.)

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

The Finance Authority may issue additional bonds pursuant to the Indenture from time to time to satisfy the financing needs of governmental entities in the State of New Mexico.

Outstanding Senior Bonds

The Finance Authority is authorized to issue bonds pursuant to the Senior Indenture to provide funds to Governmental Units for projects that have been approved by the Legislature for funding through the Public Project Revolving Fund. In connection with the issuance of Senior Bonds, the Finance Authority may enter into a loan agreement with the Governmental Unit or may purchase securities of the Governmental Unit in consideration for the loan of a portion of the proceeds of such Senior Bonds for projects (the “Senior PPRF Agreements”). The Senior Bonds are secured by (i) all revenues received by the Finance Authority from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, as more fully described below under “The Governmental Gross Receipts Tax”; (ii) all revenues received or earned by the Finance Authority from or attributable to the Senior PPRF Agreements (except for certain costs of administering the Public Project Revolving Fund program); (iii) all revenues

received or earned by the Finance Authority from or attributable to other loan agreements or securities pledged to the Senior Indenture; and (iv) all interest earned by and profits derived from the sale of investments in certain funds and accounts created under the Senior Indenture.

The Finance Authority has issued, and expects to issue, additional Senior Bonds under the Senior Indenture from time to time to satisfy the financing needs of governmental entities of the State of New Mexico. The timing, amount and other details of any additional Senior Bonds have not been determined. The following table presents the series of Senior Bonds that were outstanding as of January 1, 2015, under the Senior Indenture.

<u>Series⁽¹⁾</u>	<u>Original Principal Amount Issued</u>	<u>Aggregate Principal Amount Outstanding as of 1/1/2015⁽²⁾</u>
2005A	\$19,105,000	\$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
2014B	<u>58,235,000</u>	<u>58,235,000</u>
Total	<u>\$949,130,000</u>	<u>\$727,460,000</u>

(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 “Bond & Investor Information.”

(2) All series of bonds have maturities on June 1.

(Source: The Finance Authority.)

The Finance Authority has established a debt service reserve fund under the Senior Indenture to secure payment of debt service on any Senior Bonds issued under the Senior Indenture (the “Senior Lien Common Debt Service Reserve Fund”). As of January 1, 2015, the Senior Lien Common Debt Service Reserve Fund was funded in the amount of \$30,237,558. The Senior Lien Common Debt Service Reserve Fund secures the Senior Bonds and is not pledged as security for the 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, Amendments to Agreements, and Amendments and Supplements to Senior Indenture.”

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.

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THE PLAN OF FINANCING

Purposes of the Series 2015A Bonds

Proceeds from the sale of the Series 2015A Bonds will be used by the Finance Authority for the purposes of (i) originating Loans to or purchasing Securities of or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities of the 2015A Governmental Units that will be or were used to finance certain Projects for such 2015A Governmental Units and (ii) paying costs incurred in connection with the issuance of the Series 2015A Bonds.

More specifically, proceeds from the sale of the Series 2015A Bonds will result in the refunding of (i) the Finance Authority's outstanding Pubic Project Revolving Fund Refunding Revenue Bonds, Series 2005C, maturing on and after June 15, 2016, and currently outstanding in the aggregate principal amount of \$33,760,000 (the "Refunded Series 2005C Bonds"); and (ii) the Finance Authority's outstanding Pubic Project Revolving Fund Revenue Bonds, Series 2006A, maturing on and after June 15, 2017, and currently outstanding in the aggregate principal amount of \$38,820,000 (the "Refunded Series 2006A Bonds" and together with the Refunded Series 2005C Bonds, the "Refunded Bonds").

See "Bonds to be Refunded" below for additional information regarding the refunding of the Refunded Bonds. See APPENDIX F for a list of the 2015A Governmental Units and the amounts of the Loans expected to be refinanced with proceeds of the Series 2015A Bonds.

Bonds to be Refunded

The Refunded Series 2006A Bonds. A portion of the proceeds of the Series 2015A Bonds along with legally available funds of the Finance Authority will be deposited with BOKF, NA, dba Bank of Albuquerque, as escrow agent (the "Escrow Agent"), in an escrow fund (the "Escrow Fund") established for the Series 2006A Refunded Bonds under an Escrow Agreement dated as of March 1, 2015 (the "Escrow Agreement"). Proceeds so deposited in the Escrow Fund will be invested in obligations of the United States of America or obligations whose principal and interest are unconditionally guaranteed by the United States of America maturing in amounts and at rates sufficient to pay, (i) when due, principal and interest on the Refunded Series 2006A Bonds identified below, through June 15, 2016 (the "Refunded Series 2006A Redemption Date") and (ii) the redemption price of the remaining Refunded Series 2006A Bonds on the Refunded Series 2006A Redemption Date.

The following table sets forth the maturity dates, maturity amounts, and interest rates of the Refunded Series 2006A Bonds:

<u>Maturity Date</u> <u>(June 15)</u>	<u>Maturity</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Date</u> <u>(June 15)</u>	<u>Maturity</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2017	\$2,225,000	5.00%	2024	\$1,650,000	5.00%
2018	2,320,000	5.00	2025	1,730,000	5.00
2019	2,435,000	5.00	2026	1,815,000	5.00
2020	1,815,000	5.00	2027	1,845,000	5.00
2021	1,430,000	5.00	2031*	8,340,000	5.00
2022	1,500,000	5.00	2035*	10,140,000	5.00
2023	1,575,000	5.00			

* Final maturity of term bond.

The Refunded Series 2005C Bonds. A portion of the proceeds of the Series 2015A Bonds will be deposited in the Escrow Fund in an amount sufficient, without regard to investment thereon, to redeem the Refunded Series 2005C Bonds on or about June 15, 2015. The following table sets forth the maturity dates, maturity amounts, and interest rates of the Refunded Series 2005C Bonds:

Maturity Date (June 15)	Maturity Amount	Interest Rate	Maturity Date (June 15)	Maturity Amount	Interest Rate
2016	\$2,775,000	5.000%	2021	\$3,540,000	5.000%
2017	2,775,000	5.000	2022	3,125,000	5.000
2017	140,000	4.000	2022	600,000	4.125
2018	1,865,000	5.000	2023	3,900,000	5.000
2018	45,000	4.000	2024	4,100,000	5.000
2019	3,130,000	5.000	2025	3,305,000	4.250
2019	85,000	4.125	2025	1,000,000	5.000
2020	3,375,000	5.000			

Defeasance

Upon the issuance of the Series 2015A Bonds, the Refunded Bonds will be considered defeased and will cease to be entitled to the pledge of any portion of the Pledged Revenues.

Escrow Verification

Certain mathematical computations regarding the sufficiency of and the yield on the investments held in the Escrow Fund will be verified by Causey Demgen & Moore P.C. See “ESCROW VERIFICATION” below.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series 2015A Bonds are presented in the following table.

Sources of Funds

Par Amount	\$63,390,000.00
Net Premium	8,694,709.20
Finance Authority Contribution	<u>4,756,953.36</u>
Total	<u>\$76,841,662.56</u>

Uses of Funds

Deposit to the Escrow Fund ⁽¹⁾	\$76,190,566.16
Costs of Issuance ⁽²⁾	<u>651,096.40</u>
Total	<u>\$76,841,662.56</u>

⁽¹⁾ Amounts in the Escrow Fund will be used to (i) fund new Loans to the City of Santa Fe (a 2015A Governmental Unit) which will use such funds to refinance its existing 2006 Loan and thereby effect an advance refunding of the Series 2006A Bonds and (ii) purchase securities of the Bernalillo County Metropolitan Court (a 2015A Governmental Unit) which will use such funds to refinance the outstanding 2005-1 Court Facilities Fee Refunding Revenue Bonds previously purchased by the Finance Authority and thereby effect a current refunding of the Series 2005C Bonds. See “APPENDIX F—2015 GOVERNMENTAL UNITS: LARGEST REPAYMENT OBLIGATIONS.”

⁽²⁾ Includes the NMFA administrative fee, Underwriters’ discount, Santa Fe costs of issuance and other miscellaneous costs. See “UNDERWRITING.”

ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2015A Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

DEBT SERVICE FOR THE BONDS⁽¹⁾

<u>Fiscal Year</u>	<u>Principal⁽²⁾</u>	<u>Interest⁽³⁾</u>	<u>Outstanding Parity Bonds⁽⁴⁾</u>	<u>Total</u>
2015	\$1,035,000	\$536,192	\$35,971,833	\$37,543,025
2016	2,415,000	2,868,094	30,882,924	36,166,017
2017	3,615,000	2,771,494	31,280,245	37,666,739
2018	2,655,000	2,590,744	31,436,128	36,681,872
2019	3,995,000	2,457,994	32,244,505	38,697,499
2020	4,205,000	2,258,244	26,885,130	33,348,374
2021	4,410,000	2,047,994	28,332,238	34,790,232
2022	4,645,000	1,827,494	24,277,137	30,749,631
2023	4,875,000	1,595,244	27,792,201	34,262,445
2024	5,125,000	1,351,494	24,526,523	31,003,017
2025	5,385,000	1,095,244	20,468,393	26,948,637
2026	1,720,000	825,994	9,115,343	11,661,337
2027	1,810,000	739,994	6,648,868	9,198,862
2028	1,900,000	649,494	2,878,886	5,428,380
2029	1,995,000	554,494	2,067,803	4,617,297
2030	2,060,000	494,644	1,846,746	4,401,390
2031	2,125,000	430,269	1,846,301	4,401,570
2032	2,235,000	324,019	1,853,294	4,412,313
2033	2,310,000	248,588	1,656,125	4,214,712
2034	2,395,000	170,625	429,294	2,994,919
2035	<u>2,480,000</u>	<u>86,800</u>	<u>—</u>	<u>2,566,800</u>
Total	<u>\$63,390,000</u>	<u>\$25,925,148</u>	<u>\$342,439,918</u>	<u>\$431,755,066</u>

(1) Amounts are rounded to the nearest whole dollar. Totals may not add due to rounding.

(2) Payable on June 15 of each year. Includes any mandatory sinking fund payments.

(3) Payable on June 15 and December 15 of each year, commencing June 15, 2015.

(4) Represents principal of and interest on Bonds outstanding as of January 1, 2015, and taking into account the effect of the issuance of the Series 2015A Bonds.

(Source: Western Financial Group, LLC.)

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The following table shows estimated available revenues pledged to the payment of the Bonds, total debt service requirements for the Series 2015A Bonds and all currently Outstanding Parity Bonds and the resulting estimated annual coverage ratios. Revenues for current and future fiscal years are based on Fiscal Year 2013-14 releases of PPRF Revenues from the Senior Indenture 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—Subordinate Lien PPRF Revenues,” “—Agreement Revenues” for descriptions of the revenues presented in the table under the headings “Subordinate Lien PPRF Revenues” and “Agreement Revenues.” See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate—Subordinate Lien PPRF Revenues” and “INVESTMENT CONSIDERATIONS” for a list of some factors affecting Subordinate Lien PPRF Revenues.

ANNUAL DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE RATIOS

Fiscal Year	Subordinate Lien PPRF Revenues ^{(1) (2)}	Agreement Revenues ^{(1) (3)}	Estimated Total Revenues ⁽¹⁾	Total Debt Service Requirements ⁽¹⁾	Estimated Annual Coverage Ratios ⁽⁴⁾
2015	\$40,906,757	\$38,556,433	\$79,463,190	\$37,543,025	2.12 x
2016	43,494,185	38,217,105	81,711,290	36,166,017	2.26 x
2017	36,816,531	41,102,127	77,918,658	37,666,739	2.07 x
2018	34,846,396	39,617,600	74,463,996	36,681,872	2.03 x
2019	32,852,810	41,817,892	74,670,703	38,697,499	1.93 x
2020	35,738,581	35,522,621	71,261,202	33,348,374	2.14 x
2021	30,359,709	37,395,267	67,754,977	34,790,232	1.95 x
2022	30,531,180	33,323,890	63,855,070	30,749,631	2.08 x
2023	32,512,083	34,268,265	66,780,348	34,262,445	1.95 x
2024	31,057,401	31,931,157	62,988,558	31,003,017	2.03 x
2025	31,351,206	27,784,247	59,135,453	26,948,637	2.19 x
2026	29,781,672	12,290,166	42,071,838	11,661,337	3.61 x
2027	28,691,714	12,082,894	40,774,608	9,198,862	4.43 x
2028	29,535,839	9,814,921	39,350,760	5,428,380	7.25 x
2029	38,254,331	10,701,029	48,955,360	4,617,297	10.60 x
2030	28,386,140	10,615,342	39,001,482	4,401,390	8.86 x
2031	27,672,344	10,557,261	38,229,605	4,401,570	8.69 x
2032	26,966,545	8,772,601	35,739,146	4,412,313	8.10 x
2033	28,400,252	7,739,469	36,139,721	4,214,712	8.57 x
2034	28,562,501	6,040,933	34,603,434	2,994,919	11.55 x
2035	<u>27,857,227</u>	<u>5,632,454</u>	<u>33,489,681</u>	<u>2,566,800</u>	13.05 x
Total ⁽⁵⁾	<u>\$674,575,406</u>	<u>\$493,783,675</u>	<u>\$1,168,359,082</u>	<u>\$431,755,066</u>	

(1) Amounts rounded to the nearest dollar. Assumes the Series 2015A Bonds are issued and outstanding and assumes defeasance of 2005C and 2006A Bonds.

(2) Future collections of the Subordinate Lien PPRF Revenues are based on a forecast of revenues to be released from the Senior Indenture. As shown, the figures do not reflect any possible future reduction resulting from payment of debt service on Senior Bonds. For a history of Subordinate Lien PPRF Revenues, see the chart entitled “Historical Subordinate Lien PPRF Revenues” under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate.” See also “INVESTMENT CONSIDERATIONS—Availability of Subordinate Lien PPRF Revenues.”

(3) Represents scheduled payments of Agreements and does not reflect the prepayment of any such Agreements that may occur while the Bonds are outstanding. Assumes the Series 2015A Bonds are issued and outstanding. See “SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS—Outstanding Parity Bonds.”

(4) The Estimated Annual Coverage Ratios are calculated assuming that no additional Parity Bonds will be issued pursuant to the Indenture and are subject to change.

(5) Totals may not foot due to rounding.

(Source: 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 36 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. Pursuant to the Finance Authority's Procurement and Investment Policies, as well as the relevant Committee's governing Charter, 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:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
John E. McDermott (Chair) ⁽¹⁾	President, McDermott Advisory Services, LLC	01/01/2017
William F. Fulginiti (Vice Chair) ⁽²⁾	Executive Director, New Mexico Municipal League	not applicable
David Martin ^{(1) (2)} (Secretary)	Cabinet Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Katherine Ulibarri (Treasurer) ⁽¹⁾	Vice President for Finance and Operations, Central New Mexico Community College	12/31/2018
Jon Barela ^{(1) (2)}	Cabinet Secretary, Economic Development Department, State of New Mexico	not applicable
Tom Clifford ^{(1) (2)}	Cabinet Secretary, Department of Finance and Administration	not applicable
Ryan Flynn ^{(1) (2)}	Cabinet Secretary, Environment Department, State of New Mexico	not applicable
Blake Curtis ⁽¹⁾	Chief Executive Officer, Senior Vice President, Curtis & Curtis, Inc., Clovis, New Mexico	01/01/16
Jerry Jones ⁽¹⁾	Chief Executive Officer, Stolar Research Corporation, Raton, New Mexico	01/01/17
Steve Kopelman ⁽²⁾	Executive Director, New Mexico Association of Counties	not applicable
Terry White ⁽¹⁾	Chief Executive Officer, Sunwest Trust, Inc., Albuquerque, New Mexico	01/01/16

⁽¹⁾ Appointed by the Governor of the State and serves at the pleasure of the Governor.

⁽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.

Presented below is certain information concerning key staff members of the Finance Authority involved in the issuance of the Series 2015A 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.

Robert Brannon, Chief Financial Officer (Interim). Mr. Brannon joined the Finance Authority as an accountant in 2008, was promoted to Controller in 2012, and was appointed Interim Chief Financial Officer in 2014. 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.

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 General Counsel in October 2012. Prior to joining the Finance Authority, Mr. Opperman served as 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, 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 January 1, 2015, the Finance Authority had made 1,263 PPRF loans totaling approximately \$2.45 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 2015A 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 January 1, 2015, the Contingent Liquidity Account was funded to an amount of approximately \$33,431,169. Amounts on

deposit in the Contingent Liquidity Account may vary depending upon the amount of deposits and withdrawals into and from such account.

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.

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 January 1, 2015.

<u>Program</u>	<u>Project</u>	<u>Original Principal Amount</u>	<u>Outstanding as of 1/1/2015</u>	<u>Scheduled Final Maturity</u>
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	1,625,000	5/1/2026
Transportation	Highways 2004A	700,000,000	61,255,000	6/15/2024
Transportation	Highways 2006A	150,000,000	11,305,000	12/15/2018
Transportation	Highways 2006B Subordinate	40,085,000	2,935,000	12/15/2016
Transportation	Highways 2008A Subordinate	115,200,000	35,200,000	6/15/2024
Transportation	Highways 2008B Subordinate	220,000,000	100,000,000	12/15/2026
Transportation	Highways 2009A	112,345,000	15,080,000	6/15/2017
Transportation	Highways 2010A	95,525,000	31,965,000	12/15/2024
Transportation	Highways 2010A Subordinate	79,100,000	63,255,000	12/15/2021
Transportation	Highways 2010B	461,075,000	444,800,000	6/15/2024
Transportation	Highways 2011A-1 Subordinate	80,000,000	80,000,000	12/15/2026
Transportation	Highways 2011A-2 Subordinate	120,000,000	120,000,000	12/15/2026
Transportation	Highways 2011A-3 Subordinate	84,800,000	84,800,000	12/15/2026
Transportation	Highways 2012	220,400,000	217,455,000	6/15/2026
Transportation	Highways 2014 Subordinate	70,110,000	70,110,000	6/15/2032
Transportation	Highways 2014B-1	70,110,000	61,380,000	6/15/2027
Transportation	Highways 2014B-2 Subordinate	70,110,000	18,025,000	6/15/2027

(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 2015A 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 2015A Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2015A 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 2015A Bonds.

ESCROW VERIFICATION

Causey Demgen Moore P.C. will verify the accuracy of the mathematical computations concerning the adequacy of the maturing amounts of interest on the obligations of the United States of America, together with other escrowed moneys to be placed in the Escrow Fund to pay when due pursuant to prior redemption, the redemption price of and interest on the Refunded Bonds, the mathematical computations on the yield on the Series 2015A Bonds, and the yield of certain investments made with the proceeds of the Series 2015A Bonds and other moneys deposited in the Escrow Fund. Such verifications shall be based in part upon information supplied by the Underwriters.

UNDERWRITING

Pursuant to a Bond Purchase Agreement dated February 26, 2015 (the “Bond Purchase Agreement”) between Piper Jaffray & Co., RBC Capital Markets, LLC, Morgan Stanley & Co. LLC, and the Finance Authority, the Underwriters have agreed to purchase the Series 2015A Bonds from the Finance Authority at a purchase price equal to \$71,903,929.85 (being the aggregate principal amount of the Series 2015A Bonds plus a net original issue premium of \$8,694,709.20 and less an underwriting discount of \$180,779.35). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2015A 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 2015A 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.

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 2015A Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2015A Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2015A Bonds.

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 following sections are not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Series 2015A 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.”

The Series 2015A Bonds

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Series 2015A 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 2015A Bonds (the “Tax Code”), and interest on the Series 2015A 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 2015A 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 2015A 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 2015A Bonds. These requirements include: (a) limitations as to the use of proceeds of the Series 2015A Bonds; (b) limitations on the extent to which proceeds of the Series 2015A 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 2015A Bonds above the yield on the Series 2015A 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 2015A Bonds) to the extent necessary to maintain the exclusion of interest on the Series 2015A 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 2015A 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 2015A 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 2015A Bonds.

The Tax Code contains numerous provisions which may affect an investor’s decision to purchase the Series 2015A Bonds. Owners of the Series 2015A 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 2015A 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 2015A Bonds may be sold at a premium, representing a difference between the original offering price of those Series 2015A 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 2015A 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 2015A Bonds. Owners of the Series 2015A 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 2015A 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 2015A Bonds, the exclusion of interest on the Series 2015A Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the Series 2015A 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 2015A Bonds. Owners of the Series 2015A 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 2015A Bonds. If an audit is commenced, the market value of the Series 2015A 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 2015A 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, Underwriters, Trustee, Municipal Advisor, Bond Counsel, Disclosure Counsel, or Underwriters’ Counsel is responsible for paying or reimbursing any Bond Owner with respect to any audit or litigation costs relating to the Series 2015A Bonds.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2015A 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. 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.

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 2015A 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, 2014, 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 4, 2014. 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 new executive officers, 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 2015A 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 2015A Bonds who requests such information):
 1. annual financial information and operating data concerning the Subordinate Lien PPRF Revenues, such information to be of the type set forth under the table captioned “Historical Subordinate Lien PPRF Revenues – Fiscal Years 2009-2010 Through 2013-14 (Released to the Indenture on June 1)” under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Trust Estate – Subordinate Lien PPRF Revenues” 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 Subordinate Lien 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 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 2015A 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 2015A 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 2015A 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 2015A Bonds;
 5. bond calls; and
 6. release, substitution, or sale of property securing repayment of the Series 2015A 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 2015A 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 Exchange Act. The Finance Authority acknowledges that its undertaking pursuant to the Exchange Act described under this heading

is intended to be for the benefit of the Owners of the Series 2015A 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 2015A 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 2015A 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.

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 undertaking.

In addition, the Finance Authority reports 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.

RATINGS

S&P and Moody's have assigned ratings of "AA+" and "Aa2," respectively, to the Series 2015A 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 2015A 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 2015A Bonds may have an adverse effect on the market price of the Series 2015A Bonds. The Municipal Advisor has not undertaken any responsibility to bring to the attention of the owners of the Series 2015A Bonds any proposed revision or withdrawal of the ratings on the Series 2015A 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 2015A Bonds.

INVESTMENT CONSIDERATIONS

Availability of Subordinate Lien PPRF Revenues

The amount of Subordinate Lien PPRF Revenues actually released to the Indenture on any June 1 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 and ultimately released from the Senior Indenture to become Subordinate Lien PPRF Revenues is subject to fluctuation based on the activities that generate those taxes, including general economic conditions. There can be no guarantee that the Finance Authority'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."

In addition, the amount of money to be released from the Senior Indenture to become Subordinate Lien PPRF Revenues may be reduced if the other revenues expected to pay debt service on the Senior Bonds in a given year are not available. The availability of those revenues is dependent upon many factors not within the Finance Authority's control, including the ability of entities to which the Finance Authority has loaned the proceeds of the Senior Bonds to repay those loans.

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 2015A 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 2015A 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, 2014**

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New Mexico Finance Authority
(A Component Unit of the State of New Mexico)

*Financial Statements
and
Independent Auditor's Report
June 30, 2014*



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, 2014

Governing Board

John E. McDermott, Chair
William Fulginiti, Vice Chair
David Martin, Secretary
Katherine Ulibarri, Treasurer
Steve Kopelman, Member
Ryan Flynn, Member
Tom Clifford, Member
Jon Barela, Member
Jerry L. Jones, Member
Blake Curtis, Member
Terry White, Member

Chief Executive Officer

Robert P. Coalter

Acting Chief Financial Officer

Robert Brannon

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, 2014, 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 these 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.

Auditor's 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

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, 2014, 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.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, in 2014 the Authority changed its method of accounting for bond issuance cost with the adoption of Governmental Accounting Standards Board Statement No. 65. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. Our opinions are not modified with respect to this matter.

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 4, 2014, 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.

A handwritten signature in black ink that reads "REDW LLC". The signature is stylized, with the "R" being particularly large and the "LLC" written in a cursive-like font.

Albuquerque, New Mexico
December 4, 2014

New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 2014

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, 2014 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. The Authority's basic financial statements are comprised of the following:

- ◆ 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 financial position is 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 change in cash and cash equivalents during the fiscal year.

The accompanying 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.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

Financial Highlights

- ◆ The Authority's overall financial improved slightly in the past year. The key indicator is total net position which increased by \$33.2 million or 7.8%.
- ◆ During the fiscal year, unrestricted cash decreased 55.3% or \$64.2 million. Restricted cash decreased by 27.0% or \$29.7 million. Restricted investments increased by 39.6% or \$52.1 million.
- ◆ Loans receivable decreased by \$52.1 million or 4.2% during the fiscal year, primarily as a result of a large amount of prepayments on loans.
- ◆ Bonds payable decreased by \$132.3 million or 11.2% in 2014, the result of issuing of \$62.6 million of new bonds, principal payments on outstanding bonds of \$197.3 million, and amortization of bond premium of \$2.6 million.
- ◆ Undisbursed loan proceeds decreased by \$16.7 million or 36.8% during 2014 consistent with reduced loan activity against loan proceeds from borrowers.
- ◆ Appropriation revenue increased by \$9.1 million in fiscal year 2014, representing a 26.6% increase from fiscal year 2013. The addition reflects a subsequent tranche from the initial 2012 appropriation received to continue lending within the State Small Business Credit Initiative program, as well as increased pledged revenues received for payment on intergovernmental receivables.
- ◆ The Authority experienced a \$0.2 million or 5% decrease in administrative fees revenue from \$3.4 million in 2013 to \$3.2 million in 2014. This drop in revenue was in direct relation to the large amount of prepayments on loans experienced during the year, as discussed above.
- ◆ Expenses decreased 8.4% or from \$124.0 million in 2013 to \$113.6 million in 2014 representing an expected decrease of \$10.4 million.
- ◆ Grant revenue and corresponding activity increased 13.4% or \$6.5 million as the Authority experienced increased grant activity within the Water Trust Board, Colonias and Drinking Water programs during the year.
- ◆ No reversions were due to the State General Fund for fiscal year 2014.

Statement of Net Position

The following presents condensed, combined statements of net position as of June 30, 2014 and 2013, with the dollar and percentage change:

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	\$ 51,834,915	\$ 116,073,324	\$ (64,238,409)	-55.3%
Restricted	80,305,540	109,965,262	(29,659,722)	-27.0%
Investments – restricted	183,692,467	131,565,455	52,127,012	39.6%
Loans receivable, net of allowance	1,179,166,365	1,231,232,043	(52,065,678)	-4.2%
Intergovernmental receivables	118,148,921	125,274,549	(7,125,628)	-5.7%
Other receivables	9,405,694	10,960,455	(1,554,761)	-14.2%
Capital assets	104,378	220,772	(116,394)	-52.7%
Other assets	118,610	118,630	(20)	0.0%
Total assets	\$ 1,622,776,890	\$ 1,725,410,490	\$ (102,633,600)	-5.9%
Deferred Outflows of Resources				
Deferred charge on refunding	\$ 1,191,181	\$ -	\$ 1,191,181	100%
Total deferred outflows of resources	\$ 1,191,181	\$ -	\$ 1,191,181	100%
Liabilities				
Bonds payable, net	\$ 1,048,141,351	\$ 1,180,405,517	\$ (132,264,166)	-11.2%
Undisbursed loan proceeds	28,744,630	45,485,533	(16,740,903)	-36.8%
Advanced loan payments	72,189,707	68,380,111	3,809,596	5.6%
Accounts payable, accrued payroll and compensated absences	627,178	831,236	(204,058)	-24.5%
Line of credit	12,006,298	-	12,006,298	100.0%
Other liabilities	3,706,408	4,998,215	(1,291,807)	-25.8%
Total liabilities	1,165,415,572	1,300,100,612	(134,685,040)	-10.4%
Net Position				
Invested in capital assets	104,378	220,772	(116,394)	-52.7%
Restricted for debt service	71,462,270	68,069,252	3,393,018	5.0%
Restricted for program commitments	114,074,025	143,292,282	(29,218,257)	-20.4%
Unrestricted	272,911,826	213,727,572	59,184,254	27.7%
Total net position	458,552,499	425,309,878	33,242,621	7.8%
Total liabilities and net position	\$ 1,623,968,071	\$ 1,725,410,490	\$ (101,442,419)	-5.9%

The Authority's overall financial position increased slightly in the past year. The key indicator is total net position which increased by \$33.2 million or 7.8%.

Assets

Loans receivable decreased by \$52.1 million or 4.2% in 2014. New loans made during the year totaled \$120.7 million while loan payments received were \$172.7 million.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

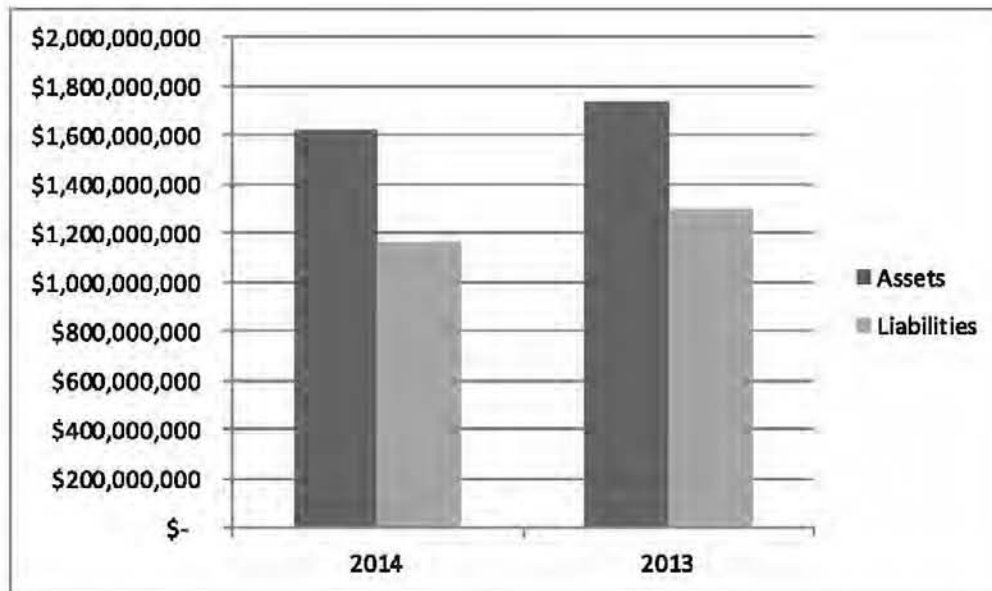
The allowance for uncollectible loans increased \$0.1 million due to changes in estimated losses based on the risk evaluations performed by a third party. The number and amount of early loan payoffs increased significantly from 2013 as interest rates began to fall.

Total cash and investments decreased 19.5% from \$357.6 million in 2013 to \$315.8 million in 2014 due a large amount of bonds being retired or defeased during the year using prepayments on loans.

Liabilities

Bonds payable decreased by \$132.3 million in 2014 resulting from the issuance of \$62.6 million of new bonds, principal payments and defeasances on outstanding bonds of \$197.3 million, and amortization of bond premium of \$2.5 million. Undisbursed loan proceeds decreased by \$16.7 million during 2014 indicating a significant amount of draw requests against loan proceeds from borrowers. Advanced loan payments experienced a \$3.8 million or 5.6% increase from 2013.

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 2014 and 2013 fiscal years:

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Operating Revenues				
Administrative and processing fees	\$ 3,209,306	\$ 3,395,491	\$ (186,185)	-5.5%
Interest on loans	48,723,703	52,942,880	(4,219,177)	-8.0%
Interest on investments	488,080	139,403	348,677	250.1%
Total operating revenues	<u>52,421,089</u>	<u>56,477,774</u>	<u>(4,056,685)</u>	<u>-7.2%</u>
Expenses				
Grants to local governments	50,824,441	48,828,884	1,995,557	4.1%
Bond issuance costs	674,398	10,918,272	(10,243,874)	-93.8%
Professional services	2,189,377	2,651,079	(461,702)	-17.4%
Salaries and benefits	4,284,392	3,926,740	357,652	9.1%
Debt service – interest expense	54,319,247	53,026,726	1,292,521	2.4%
Other expense	1,266,776	4,636,406	(3,369,630)	-72.7%
Total operating expenses	<u>113,558,631</u>	<u>123,988,107</u>	<u>(10,429,476)</u>	<u>-8.4%</u>
Net operating loss	<u>(61,137,542)</u>	<u>(67,510,333)</u>	<u>6,372,791</u>	<u>-9.4%</u>
Nonoperating Revenues (Expenses)				
Appropriation revenue	43,086,860	34,033,130	9,053,730	26.6%
Grant revenue	55,224,996	48,692,048	6,532,948	13.4%
Reversions and transfers	(3,931,693)	(2,953,157)	(978,536)	33.1%
	<u>94,380,163</u>	<u>79,772,021</u>	<u>14,608,142</u>	<u>18.3%</u>
Increase in net position	33,242,621	12,261,688	20,980,933	171.1%
Net position, beginning of year, as restated	<u>425,309,878</u>	<u>413,048,190</u>	<u>-</u>	
Net position, end of year	<u>\$ 458,552,499</u>	<u>\$ 425,309,878</u>	<u>\$ 20,980,933</u>	<u>4.9%</u>

Operating revenue decreased 7.2% to \$52.4 million in 2014. Interest on investments began to increase, experiencing 250% incline compared to 2013 due to a larger portion of cash being invested in long-term investments. Appropriation revenue increased 26.6% while grant revenue increased 13.4%. The loan interest decline directly relates to lower outstanding loans receivable.

Overall operating costs decreased 8.4% due to increased grant expenses of \$2.0 million and a decrease of loan loss provision of \$3.1 million. The decrease in loan loss provision was made based on third party review of the risk of the outstanding direct equity loans in which loan ratings improved from 2013. Grant expense increased in 2014 after a grant activity recovery effort in fiscal years 2012 and 2013.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

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 2014, the total amount outstanding was \$1.0 billion (excluding the \$1.4 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 \$62.6 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 1,183 loans totaling \$2.5 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
Management's Discussion and Analysis
June 30, 2014

Public Project Revolving Fund
Statements of Net Position
June 30

	2014	Restated	2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets					
Cash and equivalents					
Unrestricted	\$ 37,838,342	\$ 79,007,637	\$ (41,169,295)		-52%
Restricted	67,359,957	79,173,378	(11,813,421)		-15%
Restricted investments	122,591,262	130,787,736	(8,196,474)		-6%
Accounts receivable and other	8,794,009	10,367,285	(1,573,276)		-15%
Loans receivable, net of allowance	1,081,631,189	1,138,450,511	(56,819,322)		-5%
Due from the State of New Mexico	104,525,000	108,025,000	(3,500,000)		-3%
Capital assets	70,302	186,696	(116,394)		-62%
Other assets	9,353,716	13,073,586	(3,719,870)		-28%
Total assets	\$ 1,432,163,777	\$ 1,559,071,829	\$ (126,908,052)		-8%
Deferred Outflows of Resources					
Deferred charge on refunding	\$ 1,191,181	\$ -	\$ 1,191,181		100%
Total deferred outflows of resources	\$ 1,191,181	\$ -	\$ 1,191,181		100%
Liabilities					
Accounts payable and accrued payroll liabilities	\$ 2,751,301	\$ 6,202,814	\$ (3,451,513)		-55.6%
Undisbursed loan proceeds	28,682,538	45,423,441	(16,740,903)		-36.9%
Borrowers' debt service and reserve deposits	86,969,969	72,016,499	14,953,470		20.8%
Bonds payable, net	1,036,144,409	1,165,236,955	(129,092,546)		-11.1%
Total liabilities	1,154,548,217	1,288,879,709	(134,331,492)		-10.4%
Net Position					
Invested in capital assets	70,302	186,696	(116,394)		-62.3%
Restricted for program funds	100,144,808	103,752,754	(3,607,946)		-3.5%
Unrestricted	178,591,631	166,252,670	12,338,961		7.4%
Total net position	278,806,741	270,192,120	8,614,621		3.2%
Total liabilities and net position	\$ 1,433,354,958	\$ 1,559,071,829	\$ (125,716,871)		-8.1%

Loan Volume

	2014	2013	Since Inception
Amount of loans made	\$104.0 million	\$61.2 million	\$2.48 billion
Number of loans made	64	67	1,183
Average loan size	\$1.63 million	\$0.9 million	\$2.1 million

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

Public Project Revolving Fund
Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30

	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Interest Income				
Loans	\$ 46,548,780	\$ 50,708,332	\$ (4,159,552)	-8.2%
Investments	245,422	127,387	118,035	92.7%
Total interest income	46,794,202	50,835,719	(4,041,517)	-8.0%
Interest Expense				
Bonds	53,772,342	52,317,500	1,454,842	2.8%
Short-term borrowing	144,082	94,931	49,151	51.8%
Total interest expense	53,916,424	52,412,431	1,503,993	2.9%
Net Interest Income (Loss)				
Interest income (loss) less interest expense	(7,122,222)	(1,576,712)	(5,545,510)	351.7%
Provision for loan losses	1,900,656	(699,842)	2,600,498	-371.6%
Net interest loss after provision for loan losses	(5,221,566)	(2,276,554)	(2,945,012)	129.4%
Noninterest Income				
Loan administration fees	1,451,116	1,659,473	(208,357)	-12.6%
Appropriation revenues	29,091,277	26,585,797	2,505,480	9.4%
Total noninterest income	30,542,393	28,245,270	2,297,123	8.1%
Noninterest Expense				
Salaries and benefits	2,179,170	2,507,794	(328,624)	-13.1%
Professional services	970,669	874,564	96,105	11.0%
Bond issuance costs	674,398	674,703	(305)	0.0%
Other	1,561,926	10,808,047	(9,246,121)	-85.5%
Total noninterest expense	5,386,163	14,865,108	(9,478,945)	-63.8%
Excess of revenues over expenditures	19,934,664	11,103,608	8,831,056	79.5%
Transfers to other funds or agencies	(11,320,043)	(7,490,781)	(3,829,262)	51.1%
Increase (decrease) in net position	8,614,621	3,612,827	5,001,794	138.4%
Net position, beginning of year, as restated	270,192,120	266,579,293	3,612,827	1.4%
Net position, end of year	\$ 278,806,741	\$ 270,192,120	\$ 8,614,621	3.2%

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 2014, the PPRF had a net interest loss of \$7.1 million, compared to \$1.3 million in 2013. This is a result of market conditions in which \$115.5 million in PPRF loans exercised

New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 2014

their early call provisions in 2013 and 2014 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 \$27.4 million in 2014, a \$0.4 million decrease from the \$27.8 million received in 2013. 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, 2014, and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	\$1.4 billion	\$1.6 billion	88%
Net assets	\$278.8 million	\$458.6 million	61%
Revenues	\$77.4 million	\$150.7 million	51%

There are 23 other programs administered by the Authority, some of which are loan programs and some of which are grant programs.

A rise occurred in grant volume for the Drinking Water Revolving Loan Fund program because of increased grant subsidies being awarded for qualifying drinking water facilities projects in New Mexico. The cause was due to various larger projects being approved during the fiscal year.

Similar to the Drinking Water Revolving Loan Fund program, an increase in the Colonias Infrastructure program grant activity reflects the fact that the program saw an increased number of projects being approved during 2014. This is the result of the Colonias Infrastructure Act taking effect July 1, 2011 and the number of approved projects increasing as more funding is available.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

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 2014, the Authority made ten awards totaling \$133.3 million. During 2014, the Authority has made two additional awards totaling \$18.0 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 Position
June 30, 2014

Assets

Current assets

Cash and equivalents	
Unrestricted	\$ 51,834,915
Restricted	80,305,540
Interest receivable	7,431,412
Grants and other receivable	1,788,239
Prepaid rent	19,500
Administrative fees receivable	186,043
Investment in Finance New Mexico	99,110
Loans receivable, net of allowance	93,384,387
Intergovernmental receivables	7,341,438
Total current assets	<u>242,390,584</u>

Noncurrent assets

Restricted investments	183,692,467
Loans receivable, net of allowance	1,085,781,978
Intergovernmental receivables	110,807,483
Capital assets, net of accumulated depreciation	104,378
Total assets	<u>\$ 1,622,776,890</u>

Deferred Outflows of Resources

Deferred charge on refunding	\$ 1,191,181
Total deferred outflows of resources	<u>\$ 1,191,181</u>

Liabilities

Current liabilities

Accounts payable	\$ 262,198
Accrued payroll	91,540
Compensated absences	273,440
Bond interest payable	3,625,714
Undisbursed loan proceeds	28,744,630
Advanced loan payments	72,189,707
Line of credit	12,006,298
Bonds payable, net	70,430,000
Other liabilities	80,694
Total current liabilities	<u>187,704,221</u>

Noncurrent liabilities

Bonds payable	<u>977,711,351</u>
Total liabilities	<u>1,165,415,572</u>

Net Position

Invested in capital assets	104,378
Restricted for debt service	71,462,270
Restricted for program commitments	114,074,025
Unrestricted	272,911,826
Total net position	<u>458,552,499</u>
Total liabilities and net position	<u>\$ 1,623,968,071</u>

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, 2014

Operating Revenues

Administrative fees revenue	\$ 2,819,302
Processing fee	390,004
Interest on loans	48,723,703
Interest on investments	488,080
Total operating revenues	<u>52,421,089</u>

Operating Expenses

Grants to others	50,824,441
Bond issuance costs	674,398
Administrative fees	189,383
Professional services	2,189,377
Salaries and benefits	4,284,392
Other operating costs	1,484,748
Depreciation expense	116,394
Bond interest expense	54,319,247
Provision for loan losses	(822,108)
Interest expense	298,359
Total operating expenses	<u>113,558,631</u>
Net operating loss	<u>(61,137,542)</u>

Nonoperating Revenues (Expenses)

Appropriation revenue	43,086,860
Grant revenue	55,224,996
Transfers to the State of New Mexico	<u>(3,931,693)</u>
Increase in net position	33,242,621

Net position, beginning of year, as restated (note 17)	<u>425,309,878</u>
Net position, end of year	<u>\$ 458,552,499</u>

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, 2014****Cash flows from operating activities**

Cash paid for employee services	\$ (4,277,609)
Cash paid to vendors for services	(5,030,758)
Intergovernmental payments received	7,125,630
Loans payments received	156,697,761
Loans funded	(116,741,280)
Grants to local governments	(50,824,441)
Cash received from federal government for revolving loan funds	12,448,854
Interest on loans	49,600,877
Proceeds from line of credit	17,536,712
Payments of line of credit	(5,530,414)
Administrative fees received	3,887,651
Net cash provided by operating activities	<u>64,892,983</u>

Cash flows from noncapital financing activities

Appropriations received from the State of New Mexico	43,086,860
Cash transfers from the State of New Mexico	42,775,670
Cash transfers to the State of New Mexico	(3,931,221)
Proceeds from the sale of bonds	62,595,000
Payment of bonds	(197,526,239)
Bond issuance costs	(674,398)
Bond interest expense paid	(53,477,874)
Net cash use in noncapital financing activities	<u>(107,152,202)</u>

Cash flows from investing activities

Purchase of investments	(60,323,486)
Sale of investments	8,196,494
Interest received on investments	488,080
Net cash used in investing activities	<u>(51,638,912)</u>

Net increase (decrease) in cash and cash equivalents	(93,898,131)
Cash and cash equivalents, beginning of year	226,038,586
Cash and cash equivalents, end of year	<u>\$ 132,140,455</u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows - continued
For the Year Ended June 30, 2014

**Reconciliation of net operating income (loss) to net cash
provided by (used in) operating activities**

Net operating income (loss)	\$ (61,137,542)
Adjustments to change in net position	
Depreciation	116,394
Amortization on bond premiums	(2,298,264)
Provision for loan losses	(1,238,151)
Interest on investments	(488,080)
Bond interest paid	56,766,702
Bond issuance costs	674,398
Cash received from federal grants	12,448,854
Interest expense	149,168
Changes in assets and liabilities	
Interest receivable	876,416
Grants and other receivable	652,045
Administrative fees receivable	26,300
Loans receivable, net of allowance	53,303,831
Intergovernmental receivables	7,125,628
Accounts payable	(210,841)
Accrued payroll	7,420
Compensated absences	(637)
Funds held for others	(80,263)
Undisbursed loan proceeds	(16,740,903)
Advanced loan payments	3,809,596
Line of credit	12,006,298
Other liabilities	(875,386)
	<u>\$ 64,892,983</u>

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

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Assets and Liabilities
For the Year Ended June 30, 2014

Assets

Cash held by Trustee	
Program funds	\$ 97,782,134
Expense funds	171,363
Revenue funds	7,135,444
Rebate fund	3,126,037
Bond reserve funds	824,863
Total assets	<u>\$ 109,039,841</u>

Liabilities

Accounts payable	\$ 1,712,100
Debt service payable	9,545,607
Program funds held for the NM Department of Transportation	<u>97,782,134</u>
Total liabilities	<u>\$ 109,039,841</u>

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

New Mexico Finance Authority

Notes to Financial Statements

June 30, 2014

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; and 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, whose membership must include 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 DWSRF 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%.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

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 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 Colonias Infrastructure Act 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.

New Mexico Finance Authority

Notes to Financial Statements

June 30, 2014

- ♦ Through a Memorandum of Understanding entered into with the New Mexico Economic Development Department, the Authority received \$13.2 million of federal State Small Business Credit Initiative funds in 2011 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.

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.

The Authority does not have any component units.

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.

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.

New Mexico Finance Authority

Notes to Financial Statements

June 30, 2014

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 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 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 except for Investment in Finance New Mexico which is accounted for utilizing the cost method.

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.

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.

New Mexico Finance Authority

Notes to Financial Statements

June 30, 2014

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.

Deferred Outflows/Inflows of Resources

The statement of net position, where applicable, includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as revenues in future periods.

Bond Discounts and Premiums

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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 PPRF operating fund.

New Mexico Finance Authority

Notes to Financial Statements

June 30, 2014

Undisbursed Loan Proceeds

Undisbursed loan proceeds 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

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is referred to as net position. 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 is 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.

New Mexico Finance Authority

Notes to Financial Statements

June 30, 2014

Recently Issued Accounting Standards

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The 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 2014 resulted in a charge to net position of approximately \$10.2m of previously capitalized debt issuance costs. The implementation of GASBS No. 65 also resulted in the reclassification of the unamortized portion of bond refunding losses. These amounts are now reported as Deferred Outflows of Resources instead of as a reduction of Bonds Payable.

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. Adopting GASB 66 did not impact the Authority's 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. Adopting GASB 67 did not impact the Authority's financial statements.

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 nonemployer 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.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69). This Statement establishes accounting

New Mexico Finance Authority

Notes to Financial Statements

June 30, 2014

and financial reporting standards related to government combinations and disposals of government operations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The Authority has not completed the process of evaluating the impact of GASB 69 on its financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Adopting GASB 70 did not impact the Authority's financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB 71). The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 71 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.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

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, 2014.

New Mexico Finance Authority

Notes to Financial Statements

June 30, 2014

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.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

Cash and equivalents at June 30, 2014 were as follows:

Description	Balance at June 30, 2014	Rated	Percentage of Authority Funds ¹
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	\$ 1,023	N/A	<1%
Wells Fargo deposit account	213,482	N/A	<1%
Wells Fargo Repurchase agreement -fully secured ²	248,028	N/A	<1%
Government Money Market Funds	<u>131,677,922</u>	AAA	41.7%
Total cash and equivalents	<u>\$ 132,140,455</u>		
Cash held in agency fund	<u>\$ 109,039,841 ³</u>		

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, 2014, are comprised of the following:

Description	Fair Value at June 30, 2014	Average Years to Maturity	Percentage of Authority Funds
U.S. Treasury notes	\$ 120,084,268	.98	38.0%
Primary Care Capital Program funds held with the State Treasurer Fund Investment Pool	1,407,522	1 day to 5 years	<1%
Federal Home Loan Mortgage Corporation bonds	<u>62,200,677</u>	1.33	19.69%
Total restricted investments	<u>\$ 183,692,467</u>		

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 \$211,510 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.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

4) Loans Receivable

Loans receivable activity for the fiscal year was as follows:

Program Description	Term (Years)	Rates	2013	Increases	Decreases	2014
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	\$ 1,140,530,507	\$ 104,821,188	\$ 162,646,076	\$ 1,082,705,619
Drinking Water State Revolving Loans	1 to 30	0% to 4%	63,341,227	5,662,622	4,070,491	64,933,358
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	2,616,809	-	311,131	2,305,678
Primary Care Capital Fund Loans	10 to 20	3%	4,216,376	-	632,069	3,584,307
Water Projects Fund Loan Grants	10 to 20	0%	18,336,546	7,301,228	4,414,778	21,222,996
Smart Money Participation Loans	3 to 20	2% to 5%	4,161,711	576,000	55,947	4,681,764
Behavioral Health Care Loan	15	3%	198,512	-	23,907	174,605
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	441,272	587,230	34,804	993,698
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	108,000	-	55,000	53,000
Colinias Infrastructure Fund Loans	10 to 20	3%	202,731	546,253	87,634	661,350
SSBCI Loans	10 to 20	3%	2,461,746	2,127,931	1,277,150	3,312,527
Child Care Revolving Loans	8	3%	25,970	-	6,160	19,810
			1,236,641,407	121,622,452	173,615,147	1,184,648,712
Less allowance for loan losses			(5,409,364)	(895,092)	822,109	(5,482,347)
Totals			\$ 1,231,232,043	\$ 120,727,360	\$ 174,437,256	\$ 1,179,166,365

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2014:

	Principal	Interest	Total
Fiscal year ending June 30			
2015	\$ 93,384,387	\$ 41,501,928	\$ 134,886,315
2016	91,342,260	39,154,650	130,496,910
2017	84,516,759	36,685,197	121,201,956
2018	83,005,755	34,223,254	117,229,009
2019	81,042,883	31,598,294	112,641,177
2020 – 2024	344,420,879	120,448,670	464,869,549
2025 – 2029	238,154,305	63,817,660	301,971,965
2030 – 2034	125,488,846	25,319,255	150,808,101
2035 – 2039	42,919,269	3,785,107	46,704,376
2040 – 2044	373,369	11,387	384,756
Subtotals	1,184,648,712	\$ 396,545,402	\$ 1,581,194,114
Less allowance for loan losses	(5,482,347)		
Loans receivable net	\$ 1,179,166,365		

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

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, 2014, was as follows:

State Entity	Revenue Pledge	Rates	Maturity	2013	Payments	2014	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	\$ 40,085,000	\$ 2,525,000	\$ 37,560,000	\$ 2,650,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,565,000	120,000	23,445,000	125,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	44,375,000	855,000	43,520,000	900,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.00%	4/1/2019	10,825,000	1,975,000	8,850,000	1,955,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	4,599,549	770,628	3,828,921	766,438
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	1,825,000	880,000	945,000	945,000
			Totals	<u>\$ 125,274,549</u>	<u>\$ 7,125,628</u>	<u>\$ 118,148,921</u>	<u>\$ 7,341,438</u>

The following is a summary of scheduled payments to be collected on the receivables from state entities as of June 30, 2014:

	Principal	Interest	Total
Fiscal year ending June 30			
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	7,594,042	4,411,819	12,005,861
2020 – 2024	42,425,000	16,227,813	58,652,813
2025 – 2029	18,780,000	7,193,463	25,973,463
2030 – 2034	14,030,000	3,844,000	17,874,000
2035 – 2039	6,675,000	504,750	7,179,750
Intergovernmental receivables	<u>\$ 118,148,921</u>	<u>\$ 53,238,597</u>	<u>\$ 171,387,518</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

6) Capital Assets

A summary of changes in capital assets during the fiscal year was as follows:

	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
Depreciable assets				
Furniture and fixtures	\$ 28,665	\$ -	\$ -	\$ 28,665
Computer hardware and software	731,618	-	-	731,618
Leasehold improvement	8,241	-	-	8,241
	<u>768,524</u>	<u>-</u>	<u>-</u>	<u>768,524</u>
Accumulated depreciation				
Furniture and fixtures	(28,665)	-	-	(28,665)
Computer hardware and software	(510,846)	(116,394)	-	(627,240)
Leasehold improvement	(8,241)	-	-	(8,241)
	<u>(547,752)</u>	<u>(116,394)</u>	<u>-</u>	<u>(664,146)</u>
Net total	<u>\$ 220,772</u>	<u>\$ (116,394)</u>	<u>\$ -</u>	<u>\$ 104,378</u>

Depreciation expense for the fiscal year was \$116,394.

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.

New Mexico Finance Authority
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Bonds payable consist of the following at June 30, 2014:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt				
2005 A	3.750% to 5.000%	June 1, 2013 to June 1, 2025	\$ 19,015,000	\$ 6,980,000
2005 B	3.500% to 4.500%	June 1, 2013 to June 1, 2020	13,500,000	4,365,000
2006 B	4.250% to 5.000%	June 1, 2013 to June 1, 2036	38,260,000	26,265,000
2006 D	4.250% to 5.000%	June 1, 2013 to June 1, 2036	56,400,000	46,015,000
2007 E	4.250% to 5.000%	June 1, 2013 to June 1, 2032	61,945,000	40,030,000
2008 A	3.000% to 5.000%	June 1, 2013 to June 1, 2038	158,965,000	129,605,000
2008 B	4.000% to 5.250%	June 1, 2013 to June 1, 2035	36,545,000	25,780,000
2008 C	4.250% to 6.000%	June 1, 2013 to June 1, 2033	29,130,000	21,150,000
2009 A	2.250% to 5.000%	June 1, 2013 to June 1, 2038	18,435,000	14,230,000
2009 C	2.500% to 5.250%	June 1, 2013 to June 1, 2029	55,810,000	45,795,000
2009 D-1	3.000% to 4.500%	June 1, 2013 to June 1, 2030	13,570,000	9,370,000
2009 D-2	2.320% to 6.070%	June 1, 2013 to June 1, 2036	38,845,000	36,290,000
2009 E	3.000% to 4.500%	June 1, 2013 to June 1, 2019	35,155,000	19,945,000
2010 A-1	3.000% to 4.500%	June 1, 2013 to June 1, 2034	13,795,000	7,555,000
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	28,450,000
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2035	17,600,000	17,285,000
2011 A	2.000% to 4.000%	June 1, 2013 to June 1, 2016	15,375,000	6,425,000
2011 B-1	2.000% to 4.000%	June 1, 2013 to June 1, 2036	42,735,000	32,500,000
2011 B-2	2.000% to 4.950%	June 1, 2013 to June 1, 2031	14,545,000	12,225,000
2011 C	3.000% to 5.000%	June 1, 2013 to June 1, 2036	53,400,000	46,025,000
2012 A	1.500% to 5.500%	June 1, 2013 to June 1, 2038	24,340,000	22,445,000
2013 A	2.000% to 5.000%	June 1, 2013 to June 1, 2038	44,285,000	41,245,000
2013 B	2.000% to 5.000%	June 1, 2014 to June 1, 2036	16,360,000	15,455,000
			<u>871,790,000</u>	<u>669,225,000</u>
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	36,410,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,445,000	23,445,000
2005 F	4.000% to 5.000%	June 15, 2013 to June 15, 2025	21,950,000	16,245,000
2006 A	4.000% to 5.000%	June 15, 2013 to June 15, 2035	49,545,000	42,525,000
2006 C	4.000% to 5.000%	June 15, 2013 to June 15, 2026	39,860,000	27,845,000
2007 A	4.000% to 5.000%	June 15, 2013 to June 15, 2027	34,010,000	18,260,000
2007 B	4.250% to 5.000%	June 15, 2013 to June 15, 2034	38,475,000	24,050,000
2007 C	4.250% to 5.250%	June 15, 2013 to June 15, 2027	131,860,000	96,700,000
2013 C-1	2.000% to 4.000%	June 15, 2014 to June 15, 2028	3,745,000	3,325,000
2013 C-2	.950% to 5.000%	June 15, 2014 to June 15, 2029	10,550,000	9,350,000
2014 A-1	2.000% to 5.000%	June 15, 2014 to June 15, 2033	15,135,000	15,135,000
2014 A-2	.250% to 4.491%	June 15, 2014 to June 15, 2034	16,805,000	16,805,000
			<u>435,775,000</u>	<u>330,095,000</u>
Subtotal - PPRF Bonds			<u>1,307,565,000</u>	<u>999,320,000</u>

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Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Pooled Equipment Certificates of Participants				
1995 A	6.30%	October 1, 2015	4,288,000	36,000
1996 A	5.80%	April 1, 2016	1,458,000	17,000
			<u>5,746,000</u>	<u>53,000</u>
State Capitol Building Improvement Revenue Bonds				
1996	7.0%	Sept. 15, 2012 to Mar. 15, 2015	9,315,000	945,000
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	8,850,000
Cigarette Tax Revenue Bonds - Behavioral Health Projects				
2006	5.51%	May 1, 2012 to May 1, 2026	2,500,000	1,500,000
Total bonds outstanding			<u>\$ 1,364,161,000</u>	1,010,668,000
Add net unamortized premium				37,473,351
Total bonds payable, net				1,048,141,351
Less current portion of bonds payable				(70,430,000)
Noncurrent portion of bonds payable				<u>\$ 977,711,351</u>

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2015	\$ 70,430,000	\$ 47,179,421	\$ 117,609,421
2016	69,968,000	44,280,544	114,248,544
2017	70,100,000	41,386,204	111,486,204
2018	71,275,000	38,300,822	109,575,822
2019 – 2023	332,065,000	144,408,165	476,473,165
2024 – 2028	230,385,000	71,951,554	302,336,554
2029 – 2033	113,610,000	29,714,771	143,324,771
2034 – 2038	52,780,000	5,688,316	58,468,316
2039 – 2040	<u>55,000</u>	<u>3,523</u>	<u>58,523</u>
	1,010,668,000	<u>\$ 422,913,320</u>	<u>\$ 1,433,581,320</u>
Add unamortized premium	<u>37,473,351</u>		
Bonds payable, net	<u>\$ 1,048,141,351</u>		

New Mexico Finance Authority
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The bonds payable activity for the fiscal year was as follows:

	Balance at June 30, 2013, as restated	Increases	Decreases	Balance at June 30, 2014	Due within One Year
Bonds payable	\$ 1,145,326,000	\$ 62,595,000	\$ (197,253,000)	\$ 1,010,668,000	\$ 70,430,000
Add unamortized premium	36,378,109	3,666,745	(2,571,503)	37,473,351	-
Total	<u>\$ 1,181,704,109</u>	<u>\$ 66,261,745</u>	<u>\$ (199,824,503)</u>	<u>\$ 1,048,141,351</u>	<u>\$ 70,430,000</u>

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 \$72,189,707 at June 30, 2014.

9) Line of Credit

The Authority maintains a credit facility with Wells Fargo for the PPRF which provides for a borrowing limit of up to \$100,000,000 for the purpose of obtaining necessary funding, on an interim basis, to make loans to qualified entities prior to the issuance, sale and delivery of certain Public Project Revolving Fund Revenue Bonds and to reimburse the Authority for such loans that have been made. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issuance. 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, 2014, was .154. The Authority pays a 15 basis point fee on the unused portion of the facility. A summary of changes in the line of credit follows:

	Balance, June 30, 2013	Increases	Decreases	Balance, June 30, 2014	Due within One Year
PPRF line of credit	\$ -	\$ 17,536,712	\$ (5,530,414)	\$ 12,006,298	\$ 12,006,298
Total	<u>\$ -</u>	<u>\$ 17,536,712</u>	<u>\$ (5,530,414)</u>	<u>\$ 12,006,298</u>	<u>\$ 12,006,298</u>

New Mexico Finance Authority
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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, 2014, were \$362,044. Future minimum lease payments are \$242,797 in 2015.

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 \$479,948 for the year ended June 30, 2014. 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 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. The executive plan was not in effect for the year ended June 30, 2014.

New Mexico Finance Authority
Notes to Financial Statements
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12) Compensated Absences

The following changes occurred during the fiscal year in the compensated absences liabilities:

Balance at June 30, 2013	\$ 274,077
Additions	193,745
Deletions	<u>(194,382)</u>
Balance at June 30, 2014	<u>\$ 273,440</u>
Due within one year	<u>\$ 273,440</u>

13) Agency Transactions

The Authority was authorized in 2003 to issue bonds as agent for the New Mexico Department of Transportation (NMDOT). Approximately \$1.4 billion of such bonds are outstanding at June 30, 2014.

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 a biannual fee from the Department of Transportation equal to its overhead costs 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.

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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 \$577 million and the related bonds total approximately \$539 million at June 30, 2014. During FY 2013, loans totaling \$51.6 million exercised this call provision and \$63.8 million exercised the option during fiscal year 2014.

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. Additionally, a

New Mexico Finance Authority
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representative serving on the Board holds a position as Cabinet Secretary of the NM Environmental Department in which the Authority assists the Department in the administration of the State's Drinking Water federal program.

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 plus return on equity totaling \$99,110 as of June 30, 2014.

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The financial statements of FNMLLC as of June 30, 2014 and the year then ended are presented using the FASB financial reporting framework. Condensed financial information is as follows:

Balance Sheet

Assets

Cash	\$ 532,300
Due from affiliates	838,737
Investment in limited liability companies	13,569
Total assets	<u>\$ 1,384,606</u>

Liabilities

Accounts payable	\$ 30,756
Due to affiliate	493,938
Total liabilities	<u>524,694</u>

Equity

Members equity	859,726
Noncontrolling interest	186
	<u>859,912</u>
Total equity	<u>\$ 1,384,606</u>

Statement of Operations

Operating Income

Interest income	\$ 597
Sponsor fee income	810,000
Management fee income	612,203
Total operating income	<u>1,422,800</u>

Operating Expense

Sponsor fee expense	743,681
Management fee expense	377,035
Professional fees	80,835
Gross receipt tax	110,104
Miscellaneous administrative expenses	2,506
Total operating expenses	<u>1,314,161</u>
Net operating income	<u>108,639</u>

Nonoperating Expenses

Share of income from investment in limited liability companies	64
Net income	108,703
Less net income attributable to noncontrolling interest	<u>(11)</u>
Net income attributable to controlling interest	<u>\$ 108,692</u>

New Mexico Finance Authority
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Statement of Members Equity

	Controlling Interest	Noncontrolling Interest	Total Equity
Balance, June 30, 2013	\$ 751,034	\$ 175	\$ 751,209
Net income	<u>108,692</u>	<u>11</u>	<u>108,703</u>
Balance, June 30, 2014	<u><u>\$ 859,726</u></u>	<u><u>\$ 186</u></u>	<u><u>\$ 859,912</u></u>

17) Implementation of new accounting standard GASB Statement 65

Effective July 1, 2013, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. Accordingly, beginning Net Position was reduced by \$10,165,480, for restatement of bond issue costs to fully recognize a period expense (see restatement below). In addition, certain balances are now reported as Deferred Inflows of Resources according to the newly adopted terminology.

	<u>Enterprise Fund</u>
<i>Statement of Revenues, Expenses and Changes in Net Position</i>	
Net position, as previously reported	\$ 435,475,358
Effect of GASB 65 adoption	<u>(10,165,480)</u>
Net position, July 1, 2013, as restated	<u><u>\$ 425,309,878</u></u>

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 Subordinated Indenture. These extracts do not purport to be complete. Please refer to the Subordinated Indenture itself for a full and complete statement of such provisions. During the offering period of the Series 2015A Bonds, copies of the Subordinated Indenture will be available at the principal office of the Municipal Advisor. Subsequent to the offering of the Series 2015A Bonds, copies of the Subordinated Indenture may be obtained from the Trustee. See “ADDITIONAL INFORMATION.”

Definitions

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

“Accreted Amount” means, with respect to Capital Appreciation Bonds of any Series and as of the date of calculation, the amount established pursuant to the Supplemental Indenture authorizing such Capital Appreciation Bonds as the amount representing the initial public offering price, plus the accumulated and compounded interest on such Bonds.

“Act” means the New Mexico Finance Authority Act, being Sections 6-21-1 through 6-21-31, inclusive, NMSA 1978, as amended and supplemented and the Public Securities Short-Term Interest Rate Act, being Sections 6-18-1 through 6-18-16, inclusive, NMSA 1978, as amended and supplemented.

“Additional Bonds and PPRF Secured Obligations” means any Bonds of the NMFA authorized and issued under the Indenture and any PPRF Secured Obligations secured by the lien of the Indenture in compliance therewith, except for the Initial 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 PPRF Secured Obligations and other amounts due under the Indenture. No such loans or securities will be deemed to be Additional Pledged Loans unless such loan or security is identified as an Additional Pledged Loan in a Supplemental Indenture or Pledge Notification or the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture. Additional Pledged Loans do not include loans identified as Additional Senior Pledged Loans.

“Additional Pledged Revenues” means any additional revenues received by the NMFA and designated as part of the Trust Estate pursuant to the Indenture or pursuant to a Supplemental Indenture or Pledge Notification. Additional Pledged Revenues are not revenues attributable to Additional Pledged Loans.

“Additional Senior Pledged Loans” means additional pledged loans at any time pledged pursuant to the Senior Indenture.

“Aggregate Annual Debt Service” means, for any given Bond Fund Year, the sum of the Debt Service payable on all Bonds Outstanding or to be Outstanding (less capitalized interest and principal payable on any Subordinated Bond Anticipation Obligations), and any Security Instrument Repayment Obligations for such Bond Fund Year.

“Agreement” or “Agreements” means, as the case may be, one or more Loan 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 Indenture.

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

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

“Agreement Revenues” means amounts received or earned by the NMFA from or attributable to the Agreements. Agreement Revenues does not include amounts received from Additional Pledged Loans.

“Approval of Bond Counsel” means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the excludability, if any, from gross income for federal income tax purposes of interest on the Bonds.

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

<u>Category of Loans and Additional Pledged Loans</u>	<u>Applicable Percentage</u>
Category I Loans and Additional Pledged Loans	100%
Category II Loans and Additional Pledged Loans	80
Category III Loans and Additional Pledged Loans	50
Category IV Loans and Additional Pledged Loans	0

For purposes of calculating Assumed Repayments of Loans and Additional Pledged Loans for a Series of Bonds for which there are Uncommitted Proceeds, and for purposes of calculating Assumed Repayments of PPRF Secured Obligations, the Assumed Repayments of Loans and Additional Pledged Loans in the amount of the Uncommitted Proceeds and PPRF Secured Obligations will be treated as if they were Category IV Loans and Additional Pledged Loans.

“Authorized Amount” means, with respect to a Commercial Paper Program, the maximum principal amount of commercial paper which is then authorized by the NMFA to be outstanding at any one time pursuant to such Commercial Paper Program.

“Authorized Denominations” with respect to any Series of Bonds issued under the Indenture, has the meaning specified in the related Supplemental Indenture.

“Authorized Officer” means: (i) in the case of the NMFA, the Chairman, any Vice Chairman, Secretary, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, or the 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 document; (ii) in the case of a Governmental Unit, means the person or persons authorized by law, resolution or ordinance of the Governmental Unit to perform any act or sign 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.

“Balloon Bonds” means Bonds (and/or Security Instrument Repayment Obligations relating thereto) other than Bonds which mature within one year from the date of issuance thereof, 25% or more of the Principal Installments on which, during any period of twelve consecutive months (a) are due or (b) at the option of the Owner thereof may be redeemed.

“Bond Anticipation Obligations” means notes, lines of credit or other obligations issued or incurred by the NMFA pursuant to the Indenture in advance of the permanent financing of the NMFA for a Project or in connection with any other purposes of the NMFA.

“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 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 ending on June 15 of each year, except that the first Bond Year will commence on the date of initial delivery of the Initial Bonds and will end on June 15, 2007.

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

“Bonds” means all Bonds, Bond Anticipation Obligations, notes, commercial paper or other obligations (other than PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations) authorized by, issued under and secured by the Indenture, including the Initial Bonds and any Additional Bonds.

“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.

“Capital Appreciation Bonds” means Bonds, the interest on which (a) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such Bonds and designating them as Capital Appreciation Bonds, and (b) is payable upon maturity or redemption of such Bonds.

“Cash Flow Statement” means an NMFA certificate (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds or PPRF Secured Obligations expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year or Interest Rate Swaps to be executed, upon or in connection with the filing of such certificate, (ii) the terms of any Loans or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans or Additional Pledged Revenues 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 Subordinate Lien PPRF Revenues and Additional Pledged Revenues 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;

(C) the earnings on the Bond Fund and the Debt Service Reserve Fund for each such Bond Fund Year; and

(D) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds, PPRF Secured Obligations and Security Instrument Repayment Obligations reasonably expected to be Outstanding;

and (b) showing that in each such Bond Fund Year, the aggregate of the amounts set forth in clauses (A), (B) and (C), exceeds 100% of the aggregate of the amount set forth in clause (D) of this definition.

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

(i) the Subordinate Lien PPRF Revenues and Additional Pledged Revenues 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 a year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans will be included in calculating the ratio described above;

(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; and

(iv) earnings on the Bond Fund will be assumed to equal the greatest amounts from any consecutive 12 months of the immediately preceding 24 months.

“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 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 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 PPRF Secured Obligations, Nonperforming Loans and Additional Pledged Loans, Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been fully replenished in accordance with the related Agreement and Loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agencies.

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

“Commercial Paper Program” means commercial paper obligations with maturities of not more than two hundred seventy (270) days from the dates of issuance thereof which are issued and reissued by the NMFA from time to time pursuant to the Indenture and are outstanding up to an Authorized Amount.

“Covenant Default” with respect to any Loan Agreement, Securities or Additional Pledged Loan means any default or event of default under the Indenture other than (i) a default in payment of principal or interest under the Indenture; (ii) a rendering of the obligor, unable to perform its obligations under the Indenture; or (iii) a bankruptcy, insolvency or similar proceeding with respect to the obligor under the Indenture.

“Cross-over Date” means with respect to Cross-over Refunding Bonds the date on which the Principal portion of the related Cross-over Refunded Bonds is to be paid or redeemed from the proceeds of such Cross-over Refunding Bonds.

“Cross-over Refunded Bonds” means Bonds or other obligations refunded by Cross-over Refunding Bonds.

“Cross-over Refunding Bonds” means Bonds issued for the purpose of refunding Bonds or other obligations if the proceeds of such Cross-over Refunding Bonds are irrevocably deposited in escrow to secure the payment on an applicable redemption date or maturity date of the Cross-over Refunded Bonds (subject to possible

use to pay Principal of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds until the Cross-over Date.

“Current Interest Bonds” means Bonds not constituting Capital Appreciation Bonds. Interest on Current Interest Bonds will be payable periodically on the Interest Payment Dates provided therefor in a Supplemental Indenture.

“Debt Service” means, for any particular Bond Fund Year and for any Series of Bonds, any PPRF Secured Obligations, and any Security Instrument Repayment Obligations, an amount equal to the sum of (a) all interest payable during such Bond Fund Year on such Series of Bonds, any PPRF Secured Obligations and any Security Instrument Repayment Obligations plus (b) the Principal Installments, if any, payable during such Bond Fund Years on such Series of Bonds (other than Subordinated Bond Anticipation Obligations) any PPRF Secured Obligations and any Security Instrument Repayment Obligations; provided, however for purposes of the Indenture and for purposes of preparing a Cash Flow Statement,

(1) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds (for which there is no Interest Rate Swap) or Security Instrument Repayment Obligations or any PPRF Secured Obligations bearing interest at a variable rate which cannot be ascertained for any particular Bond Fund Year, it will be assumed that such Series of Variable Rate Bonds or related Security Instrument Repayment Obligations or any PPRF Secured Obligations will bear interest at such market rate of interest applicable to such Series of Variable Rate Bonds or related Security Instrument Repayment Obligations or any PPRF Secured Obligations as are established for this purpose in the opinion of the NMFA’s financial advisor, underwriters or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise, so long as such estimates are based upon the then-current market conditions);

(2) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds for which an Interest Rate Swap will be in effect, pursuant to which, the NMFA has agreed to pay a fixed rate of interest and the SWAP Counterparty has agreed to pay a variable rate of interest, which rate an Authorized Officer of the NMFA has certified in a written certificate of the NMFA approximates or is intended to approximate the variable rate payable on such Series of Variable Rate Bonds, such Series of Variable Rate Bonds will be deemed to bear interest at the fixed rate provided in such Interest Rate Swap; provided that such fixed rate may be utilized only so long as such Interest Rate Swap is contracted to remain in full force and effect;

(3) when calculating interest payable during such Bond Fund Year for any Series of Bonds which are issued with a fixed interest rate and with respect to which an Interest Rate Swap is in effect pursuant to which the NMFA has agreed to pay a variable rate of interest and the SWAP Counterparty has agreed to pay a fixed rate of interest, which rate an Authorized Officer of the NMFA has certified in a written certificate of the NMFA approximates or is intended to approximate the fixed rate payable on such Series of Bonds, such Series of Bonds will be deemed to bear interest at such market rate as will be established for this purpose, in the opinion of the NMFA’s financial advisor, underwriters or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise, so long as such estimates are based upon the then-current market conditions); provided that such variable rate will be utilized only so long as such Interest Rate Swap is contracted to remain in full force and effect;

(4) when calculating the Principal Installments payable during such Bond Fund Year on any Series of Balloon Bonds, there will be treated as payable in such Bond Fund Year the amount of Principal Installments which would have been payable during such Bond Fund Year had the Principal of each Series of Balloon Bonds Outstanding and the related Security Instrument Repayment Obligations then Outstanding (or arising therefrom) been amortized, from their date of issuance over a period of 25 years, on a level debt service basis at an interest rate equal to the rate borne by such Balloon Bonds on the date of calculation, provided that if the date of calculation is within 12 months before the actual maturity of such

Balloon Bonds or Security Instrument Repayment Obligations, the full amount of Principal payable at maturity will be included in such calculation;

(5) when calculating principal and interest payable during such Bond Fund Year with respect to any Commercial Paper Program, “Debt Service” means an amount equal to the sum of all principal and interest payments that would be payable during such Bond Fund Year assuming that the Authorized Amount of such Commercial Paper Program is amortized on a level debt service basis over a period of 25 years beginning on the date of calculation or, if later, the last day of the period during which obligations can be issued under such Commercial Paper Program, and bearing interest at the maximum interest rate applicable to such Commercial Paper Program;

provided, however, that there will be excluded from Debt Service (x) interest on Bonds (including Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest or capitalized interest is available to pay such interest, (y) Principal on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow, and such proceeds or the earnings thereon are required to be applied to pay such Principal (subject to the possible use to pay the Principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such Principal, and (z) Security Instrument Repayment Obligations to the extent that payments on Pledged Bonds relating to such Security Instrument Repayment Obligations satisfy the NMFA’s obligation to pay such Security Instrument Repayment Obligations.

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

“Debt Service Reserve Fund” means the fund by that name created in the Indenture to be held by the Trustee and administered pursuant to the Indenture and each Account created therein.

“Debt Service Reserve Requirement” means with respect to each Series of Bonds issued pursuant to the Indenture, unless otherwise provided in the related Supplemental Indenture, an amount equal to the least of (i) 10% of the proceeds of such Series of Bonds determined on the basis of original principal amount (unless original issue premium or original issue discount exceeds 2% of original principal, then determined on the basis of initial purchase price to the public), (ii) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds, and (iii) 125% of the average annual Debt Service for such Series of Bonds; provided, however, that in the event any Series of Additional Bonds is issued to refund only a portion and not all of the then Outstanding Bonds of any other Series of Bonds issued pursuant to the Indenture (the “Prior Bonds”), then the portion of such Series of Prior Bonds that remain Outstanding immediately after the issuance of such Additional Bonds and the portion of such Additional Bonds that is allocable to the refunding of such Series of Prior Bonds may be combined and treated as a single Series for the purpose of determining the Debt Service Reserve Requirement relating to such combined Series and the resulting requirement will be allocated among the two Series pro rata based upon the total principal amount remaining Outstanding for each Series. The Debt Service Reserve Requirement may be funded entirely or in part by one or more Reserve Instruments as provided in the Indenture or, if provided in the related Supplemental Indenture, may be accumulated over time. Each Account of the Debt Service Reserve Fund will only be used with respect to the related Series of Bonds.

“Escrowed Interest” means amounts irrevocably deposited in escrow in connection with the issuance of Additional Bonds for refunding purposes or Cross-over Refunding Bonds secured by such amounts or earnings on such amounts which are required to be applied to pay interest on such Cross-over Refunding Bonds or the related Cross-over Refunded Bonds.

“Event of Default” means with respect to any default or event of default under the Indenture any occurrence or event specified in and defined by the Indenture.

“Expense Fund” means the Fund by that name established by the Indenture to be held by the Trustee.

“Fitch” means Fitch Ratings.

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

“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 the NMFA and any “qualified entity” under the Act which has executed and delivered to the NMFA a Loan Agreement or Securities for the purpose of financing all or a portion of a Project under the Indenture.

“Indenture” means the Subordinated General Indenture of Trust and Pledge and all Supplemental Indentures thereto.

“Initial Bonds” means the NMFA’s \$50,395,000 Subordinate Lien Public Project Revolving Fund Refunding Revenue Bonds, Series 2005C and \$8,660,000 Taxable Subordinate Lien Public Project Revolving Fund Refunding Revenue Bonds, Series 2005D.

“Interest Component” has the meaning given in the Indenture.

“Interest Payment Date,” with respect to each Series of Bonds and PPRF Secured Obligations, has the meaning set forth in the related Supplemental Indenture.

“Interest Rate Swap” means an agreement between the NMFA or the Trustee (at the written direction of the NMFA) and a SWAP Counterparty providing for an interest rate cap, floor or swap with respect to any Bonds.

“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.

“Moody’s” means Moody’s Investors Service, Inc.

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

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

“Outstanding” or “Bonds outstanding” means 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 is 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 has been given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee;

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

(d) Bonds in lieu of which others have been authenticated under the Indenture.

“Outstanding” includes all Bonds the principal and/or interest on which have been paid by any bond insurer pursuant to municipal bond insurance policy.

“PPRF Revenues” means collectively, the NMFA Portion of the Governmental Gross Receipts Tax and the revenues from the Additional Senior Pledged Loans, which amounts are to be deposited to the revenue fund created under the Senior Indenture.

“PPRF Secured Obligations” means any bond, note or other obligation identified in a Supplemental Indenture or Pledge Notification as a PPRF Secured Obligation under the Indenture and secured in accordance with the provisions of the Indenture. PPRF Secured Obligations are not “Bonds” as defined in the Indenture.

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

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

(a) Governmental Obligations;

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

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

(ii) Federal Housing Administration (FHA) Debentures;

(iii) General Services Administration Participation certificates;

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

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

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

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

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

(ii) Federal Home Loan Mortgage Corporation. (FHLMC or “Freddie Mac”) 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”) rated AAA by Standard & Poor’s and Aaa by Moody’s Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

(iv) Student Loan Market Association. (SLMA or “Sallie Mae”) Senior debt obligations;

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

(vi) Farm Credit System. Consolidated systemwide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAAm” or “AAm” or by Moody’s of “Aaa” including funds from which the Trustee or its affiliates receive fees for investment advisory or other services to such fund;

(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 and which matures not more than 270 days after the date of purchase;

(h) Bonds or notes issued by any state or municipality which are rated by Moody’s in the highest long-term rating category 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” 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 and, if the amounts to be invested are in the Revenue Fund, such agreement must be approved in writing prior to its acquisition by each bond insurer then insuring any Series of Bonds; provided further, if the amounts to be invested are in the Bond Fund and relate to a Series of Bonds that have been or are then being insured by a bond insurer, such agreement must be approved in writing prior to its acquisition by the bond insurer then insuring such Series of Bonds;

(k) Investment contracts with providers the long term, unsecured debt obligations of which are rated at least “Aaa” by the Rating Agencies and, if the amounts to be invested are in the Revenue Fund, such agreement must be approved in writing prior to its acquisition by each bond insurer then insuring any Series of Bonds; provided further, if the amounts to be invested are in the Bond Fund and relate to a Series of Bonds that have been or are then being insured by a bond insurer, such agreement must be approved in writing prior to its acquisition by the bond insurer then insuring such Series of Bonds; and

(l) The State Treasurer’s short-term investment fund created pursuant to Section 6-10-10.1, NMSA 1978, maintained and invested by the State Treasurer.

“Pledge Notification” means a written notice, executed by an Authorized Officer and delivered to the Trustee, (i) (a) pledging one or more Additional Pledged Loans or (b) identifying loans or securities or obligations to be funded from Uncommitted Proceeds and designating such loans or securities as “Loans” under the Indenture, (ii) describing the Project financed or to be financed with the Additional Pledged Loan or the loan or security to be funded from Uncommitted Proceeds, as appropriate, and (iii) authorizing the Trustee to create Accounts designated in the Loan Agreements or other instruments to be executed and delivered in connection with Additional Pledged Loans or the loan or security to be funded from Uncommitted Proceeds, as appropriate.

“Pledged Bonds” means any Bonds that have been (i) pledged or in which any interest has otherwise been granted to a Security Instrument Issuer as collateral security for Security Instrument Repayment Obligations or (ii) purchased and held by a Security Instrument Issuer pursuant to a Security Instrument.

“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” means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payment of Bonds after an Event of Default, in which case “Principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest), and (b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

“Principal Component” has the meaning given in the Indenture.

“Principal Installment” means, as of any date of calculation, (a) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, the Principal amount of Bonds of such Series due on a certain future date, and (b) with respect to any Security Instrument Repayment Obligations, the principal amount of such Security Interest Repayment Obligations due on a certain future date.

“Program” means the NMFA’s public project revolving fund program.

“Program Costs” means the fees and expenses payable to the Trustee, any Paying Agent, any Remarketing Agent, any Broker-Dealer, any Auction Agent and any other agent consultant engaged to carry out the purposes of the NMFA and the NMFA and Security Instrument Costs.

“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 or refinancing by the NMFA from the Public Project Revolving Fund (to the extent required by law) and (ii) described in a Supplemental Indenture or a Pledge Notification.

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

“Put Bond” means any Bond that is part of a Series of Bonds subject to purchase by the NMFA, its agent or a third party from the Owner of the Bond pursuant to provisions of the Supplemental Indenture authorizing the issuance of the Bond.

“Rating Agencies” means Moody’s, Fitch and S&P, or any of their successors and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds or PPRF Secured Obligations. For purposes of the Cash Flow Statement, however, “Rating Agencies” means Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services and Fitch Ratings or their successors and assigns; provided that, if more than one such Rating Agency shall be categorizing Loans and Additional Pledged Loans, for purposes of assigning a category, “Rating Agencies” shall refer to the Rating Agency assigning the lower of the categorizations.

“Rebate Calculation Date” means, with respect to each Series of Bonds (other than Taxable 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.

“Regular Record Date” means, unless otherwise provided in a Supplemental Indenture, with respect to the Bonds, the fifteenth (15th) day immediately preceding each Interest Payment Date (or the Business Day immediately preceding such fifteenth (15th) day, if such fifteenth (15th) day is not a Business Day).

“Registered Owner” or “Owner” or “Bond holder” or “holder” means (i) when used with respect to the Bonds the person or persons in whose name or names a Bond is registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture and (ii) when used with respect to the PPRF Secured Obligations the registered owners or other holders thereof (if not registered).

“Reimbursement Bonds” means Bonds issued for the purpose of reimbursing the NMFA for Projects financed with cash advanced from the Public Project Revolving Fund.

“Remarketing Agent” means a remarketing agent or commercial paper dealer appointed by the NMFA pursuant to a Supplemental Indenture.

“Reserve Instrument” means a device or instrument issued by a Reserve Instrument Provider to satisfy all or any portion of the Debt Service Reserve Requirement applicable to a Series of Bonds. The term “Reserve Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit and other devices.

“Reserve Instrument Agreement” means any agreement entered into by the NMFA and a Reserve Instrument Provider pursuant to a Supplemental Indenture (including the applicable portions of a Supplemental Indenture) and providing for the issuance by such Reserve Instrument Provider of a Reserve Instrument.

“Reserve Instrument Costs” means all fees, premiums, expenses and similar costs, other than Reserve Instrument Repayment Obligations, required to be paid to a Reserve Instrument Provider pursuant to a Reserve Instrument Agreement. Each Reserve Instrument Agreement will specify the fees, premiums, expenses and costs constituting Reserve Instrument Costs.

“Reserve Instrument Coverage” means, as of any date of calculation, the aggregate amount available to be paid to the Trustee pursuant to the Indenture under all Reserve Instruments.

“Reserve Instrument Fund” means the fund by that name created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Reserve Instrument Limit” means, as of any date of calculation and with respect to any Reserve Instrument, the maximum aggregate amount available to be paid under such Reserve Instrument into the Debt Service Reserve Fund assuming for purposes of such calculation that the amount initially available under each Reserve Instrument has not been reduced or that the amount initially available under each Reserve Instrument has only been reduced as a result of the payment of principal of the applicable Series of Bonds.

“Reserve Instrument Provider” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other institution issuing a Reserve Instrument.

“Reserve Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Reserve Instrument Agreement, those outstanding amounts payable by the NMFA under such Reserve Instrument Agreement to repay the Reserve Instrument Provider for payments previously made by it pursuant to a Reserve Instrument. There will not be included in the calculation of Reserve Instrument Repayment Obligations any Reserve Instrument Costs.

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

“S&P” means Standard & Poor’s Ratings Services.

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

“Security Documents” means the intercept agreements or other security documents, if any, delivered by Governmental Units to provide additional security for a Loan Agreement or Securities.

“Security Instrument” means an instrument or other device issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds. The term “Security Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit and other security instruments and credit enhancement or liquidity devices; provided, however, that no such device or instrument is a “Security Instrument” for purposes of the Indenture unless specifically so designated in a Supplemental Indenture authorizing the use of such device or instrument.

“Security Instrument Agreement” means any agreement entered into by the NMFA and a Security Instrument Issuer pursuant to a Supplemental Indenture and/or the applicable portions of a Supplemental Indenture providing for the issuance by such Security Instrument Issuer of a Security Instrument.

“Security Instrument Costs” means, with respect to any Security Instrument, all fees, premiums, expenses and similar costs, other than Security Instrument Repayment Obligations, required to be paid to a Security Instrument Issuer pursuant to a Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument. Such Security Instrument Agreement or Supplemental Indenture will specify any fees, premiums, expenses and costs constituting Security Instrument Costs.

“Security Instrument Issuer” means any bank or other financial institution, insurance company, surety company or other institution issuing a Security Instrument.

“Security Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Security Instrument Agreement, any outstanding amounts payable by the NMFA under the Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument to repay the Security Instrument Issuer for payments previously or concurrently made by the Security Instrument Issuer pursuant to a Security Instrument. There will not be included in the calculation of the amount of Security Instrument Repayment Obligations any Security Instrument Costs. Each Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument will specify any amounts payable under it which, when outstanding, will constitute Security Instrument Repayment Obligations and will specify the portions of any such amounts that are allocable as principal of and as interest on such Security Instrument Repayment Obligations.

“Senior Bonds” means the bonds from time to time issued under the Senior Indenture.

“Senior Indenture” means the General Indenture of Trust and Pledge dated as of June 1, 1995 (as amended and supplemented from time to time), between the Finance Authority and BOKF, NA, dba Bank of Albuquerque, as trustee.

“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.

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

“State” means the State of New Mexico.

“Subordinate Lien PPRF Revenues” means (i) the PPRF Revenues less the portion of the PPRF Revenues which are used during any applicable period to satisfy the obligations of the Finance Authority under the Senior Indenture (or required by the terms of the Senior Indenture to be retained by the Trustee under the Indenture) plus (ii) all revenues received or earned by the Finance Authority from or attributable to Additional Pledged Loans, if any.

“Subordinated Bond Anticipation Obligations” means Bond Anticipation Obligations, the Principal Installments on which have been subordinated pursuant to the 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.

“SWAP Counterparty” means a member of the International Swap and Derivatives Association, Inc. which is (a) rated in one of the three top rating categories by at least one of the Rating Agencies and (b) meeting the requirements (including the rating requirements, if any) of applicable laws of the State. The documentation with respect to each Interest Rate Swap will require the SWAP Counterparty to (i) maintain its rating in one of the three top rating categories by at least one of the Rating Agencies (or to collateralize its obligations to the satisfaction of the Rating Agencies rating the related Bonds) and (ii) meet the requirements of State law (including the rating requirements, if any).

“SWAP Payments” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the SWAP Counterparty by the Trustee on behalf of the NMFA. SWAP Payments do not include any Termination Payments.

“SWAP Receipts” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Trustee for the account of the NMFA by the SWAP Counterparty. SWAP Receipts do not include amounts received with respect to the early termination or modification of an Interest Rate Swap.

“Taxable Bonds” means all Bonds designated in the related Supplemental Indenture as bearing or accruing interest intended to be subject to Federal income taxation.

“Tax-Exempt Bonds” means all Bonds other than the Taxable Bonds.

“Termination Payments” means the amount payable to the SWAP Counterparty by the Trustee on behalf of the NMFA with respect to the early termination or modification of an Interest Rate Swap. Termination Payments will be payable from and secured by Subordinate Lien PPRF Revenues after payment of amounts then due pursuant to the Indenture.

“Trust Estate” means the property held in trust by or pledged to the Trustee pursuant to the Granting Clauses of the Indenture.

“Trustee” means Bank of Albuquerque N.A., Albuquerque, New Mexico, and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Indenture.

“Uncommitted Proceeds” means that portion of the proceeds of a Series of Bonds for which no Loans have been made at the time of issuance of such Series of Bonds.

“Variable Rate Bonds” means, as of any date of calculation, Bonds the terms of which on such date of calculation are such that interest thereon for any future period of time is expressed to be calculated at a rate which is not susceptible to a precise determination.

The Bonds and PPRF Secured Obligations

Execution; Limited Obligation. The Bonds will be executed on behalf of the NMFA with the manual or official facsimile signature of an Authorized Officer, countersigned with the manual or official facsimile signature of its Secretary and impressed or imprinted thereon the official seal or facsimile thereof of the NMFA. In case any officer, the facsimile of whose signature appears on the Bonds, ceases to be such officer before the delivery of such Bonds, such facsimile will nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery. The Bonds, together with interest thereon, will be limited obligations of the NMFA payable, on a parity with the PPRF Secured Obligations (as to the amounts deposited to the Revenue Fund), the Security Instrument Repayment Obligations and the SWAP Payments solely from the Trust Estate.

The Bonds will be a valid claim of the respective Registered Owners thereof only against the Trust Estate and the NMFA pledges and assigns the same, FIRST, for the equal and ratable payment of the Bonds, the PPRF Secured Obligations (as to amounts deposited to the Revenue Fund), the Security Instrument Repayment Obligations and the SWAP Payments, and, SECOND, for the equal and ratable payment of the Reserve Instrument Repayment Obligations. The Trust Estate will be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, PPRF Secured Obligations as to the amounts deposited to the Revenue Fund, the Security Instrument Repayment Obligations, the SWAP Payments and the Reserve Instrument Repayment Obligations, except as may be otherwise expressly authorized in the Indenture (including the release of Subordinate Lien PPRF Revenues free and clear of the lien of the Indenture upon satisfaction of the payments then due and payable, as provided in the Indenture and the release of Loans, Additional Pledged Loans and Additional Pledged Revenues as provided in the Indenture). The lien and pledge of the Subordinate Lien PPRF Revenues is subject to the prior lien of the Senior Indenture on the PPRF Revenues in that the PPRF Revenues will first be used to satisfy the requirements of the Senior Indenture and upon the release from the lien of the Senior Indenture the PPRF Revenues will immediately be subject to the lien of the Indenture. The Subordinate Lien PPRF Revenues (including the PPRF Revenues following the release thereof each year from the lien of the Senior Indenture) and the other amounts pledged under the Indenture are not subject to the lien of the Senior Indenture.

The Bonds, the Security Instrument Repayment Obligations and SWAP Payments are special limited obligations of the NMFA payable solely from the Trust Estate and will be a valid claim of the respective Owners thereof only against the Revenue Fund, the Bond Fund, the Debt Service Reserve Fund, the Debt Service Fund, the

Agreement Reserve Fund (except as limited by the Indenture) and other moneys held by the Trustee under the Indenture (except the Rebate Fund), and the Bonds, the Security Instrument Repayment Obligations and SWAP Payments will not constitute or create a general obligation or other indebtedness 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. The obligation of the NMFA under the Indenture with respect to the PPRF Secured Obligations is a special limited obligation of the NMFA payable solely from the amounts deposited or to be deposited to the Revenue Fund and will be a valid claim of the respective owners of and fiduciaries for the PPRF Secured Obligations only against the Revenue Fund, and the PPRF Secured Obligations will not constitute nor create a general obligation or other indebtedness of the State or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

The obligation of the NMFA under the Indenture with respect to the Reserve Instrument Repayment Obligations is a special limited obligation of the NMFA payable solely from the Trust Estate after payment of the Bonds, PPRF Secured Obligations (as to the amounts deposited in the Revenue Fund), Security Instrument Repayment Obligations and SWAP Payments and will be a valid claim of the Reserve Instrument Providers against the Trust Estate and will not constitute or give rise to a general obligation or other indebtedness of the State, the NMFA or any other Governmental Unit within the meaning of any constitutional or statutory debt limitation.

No provision of the Bonds, the PPRF Secured Obligations, the Security Instrument Repayment Obligations, the SWAP Payments or Reserve Instrument Repayment Obligation, will be construed or interpreted as creating a delegation of governmental powers or as a donation by or lending of the credit of the NMFA, the State or any Governmental Unit within the meaning of the Constitution of the State. THE NMFA HAS NO TAXING POWERS. The obligation to pay the Principal of and interest and premium, if any, on the Bonds, the PPRF Secured Obligations, the Security Instrument Repayment Obligations, the SWAP Payments and the Reserve Instrument Repayment Obligations will not constitute or give rise to a pecuniary 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 or taxing power of the State or any political subdivision of the State.

The provisions of the Indenture relating to the execution of Bonds may be changed as they apply to the Bonds of any Series by the Supplemental Indenture authorizing such Series of Bonds.

Registration and Exchange of Bonds; Persons Treated as Owners. Books for the registration and for the transfer of the Bonds as provided in the Indenture will be kept by the Trustee which is constituted and appointed by the Indenture as the Bond Registrar with respect to the Bonds, provided, however, that the NMFA may by Supplemental Indenture select a party other than the Trustee to act as Bond Registrar with respect to the Series of Bonds issued under said Supplemental Indenture. Upon the occurrence of an Event of Default, which would require any Security Instrument Issuer to make a payment under a Security Instrument Agreement, the Bond Registrar will make such registration books available to the Security Instrument Issuer. 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 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, 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 provided in the Indenture. 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.

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

Nonpresentment of Bonds. In the event that any Bond is not presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond has been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the NMFA to the holder thereof for the payment of such Bond ceases, determines and is completely discharged, and it is 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 thereafter is 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. The obligation of the Trustee under the Indenture to pay any such amounts to the NMFA will be subject to any provisions of law applicable to the Trustee providing other requirements for disposition of unclaimed property.

PPRF Secured Obligations. The NMFA may secure PPRF Secured Obligations pursuant to a Supplemental Indenture entered into with the Trustee pursuant to the terms of the Indenture. No bond or other obligations will be considered a PPRF Secured Obligation under the Indenture for any purpose or entitled to any security or benefit under the Indenture, unless specifically identified as such in a Supplemental Indenture. Each PPRF Secured Obligation will contain a provision substantially as follows:

“This Bond is secured by the New Mexico Finance Authority (the “NMFA”) as a PPRF Secured Obligation (as defined in the referenced Indenture) under the Subordinated General Indenture of Trust and Pledge (the “Indenture”) between the NMFA and Bank of Albuquerque N.A. (the “Trustee”), as trustee dated as of March 1, 2005 and as provided in the _____ Supplemental Indenture dated as of _____, _____ (the “Supplemental Indenture”) and is entitled to the benefits and is subject to all of the terms and conditions of the Indenture and Supplemental Indenture (as the same may be amended or modified from time to time). The obligations of the NMFA under the Indenture are special limited obligations payable solely from and to the extent of the sources set forth in the Indenture.”

Prior to the execution by the Trustee of a Supplemental Indenture relating to any PPRF Secured Obligation or Obligations, there will have been filed with the Trustee:

- (a) a copy of the Indenture (to the extent not theretofore so filed) and the related Supplemental Indenture;
- (b) a copy, certified by an Authorized Officer of the NMFA, of the proceedings of the NMFA approving the execution and delivery of the PPRF Secured Obligations and the related Supplemental Indenture, together with a certificate, dated as of the date of execution of such Supplemental

Indenture, of an Authorized Officer of the NMFA that such proceedings are still in force and effect without amendments except as shown in such proceedings; and

(c) a certificate of the NMFA to the effect that the Legislature of the State has, to the extent required by law, approved each Project designated for financing under such Supplemental Indenture.

The paying agent for each PPRF Secured Obligation will use its best efforts to notify the Trustee, at least five business days prior to each Interest Payment Date or principal payment date for the PPRF Secured Obligations, if such paying agent has determined that it will not have sufficient moneys available for the payment of amounts due with respect to the PPRF Secured Obligations.

Issuance of Additional Bonds and PPRF Secured Obligations and Additional Senior Bonds.

(a) No additional indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of the Trust Estate for the payment of the Bonds, PPRF Secured Obligations, the Security Instrument Agreements and Interest Rate Swaps authorized in the Indenture, may be created or incurred without the prior written consent of 100% of the Owners of the Outstanding Bonds, owners of PPRF Secured Obligations and Security Instrument Issuers and SWAP Counterparties; provided however, that additional Senior Bonds or other indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of PPRF Revenues under the Indenture may be issued in accordance with the requirements of the Senior Indenture.

(b) In addition, except for the Initial Bonds, no Additional Bonds, PPRF Secured Obligations, Security Instrument Repayment Obligations and SWAP Payments or other indebtedness, bonds or notes of the NMFA payable on a parity with the Bonds, the PPRF Secured Obligations, Securities Instrument Repayment Obligations and SWAP Payments authorized in the Indenture out of the Trust Estate may be issued, created or incurred, unless the following requirements have been met:

(i) the NMFA delivers to the Trustee a Cash Flow Statement taking into account the issuance of the Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes and taking into account the execution and delivery of any related Security Instrument Agreement and Interest Rate Swap;

(ii) all payments required by the Indenture to be made into the Bond Fund must have been made in full;

(iii) the proceeds of the Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes must be used (x) 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), (y) to make Loans or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance) or (z) to finance other projects approved by the NMFA; and

(iv) no Event of Default has occurred and is continuing under the Indenture. The foregoing provisions of this paragraph (iv) will not preclude the issuance of Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes if (x) the issuance of such Additional Bonds and PPRF Secured Obligations or other indebtedness, bonds or notes otherwise complies with the provisions of the Indenture and (y) such Event of Default will cease to continue upon the issuance of the Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes and the application of the proceeds thereof.

(c) There must be on deposit in each Account of the Debt Service Reserve Fund (taking into account any Reserve Instrument coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds.

The requirements above 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 and outstanding PPRF Secured Obligations being lowered.

Covenant Against Creating or Permitting Liens. Except for (A) the pledge of the PPRF Revenues pursuant to the Senior Indenture and (B) the pledge of the Trust Estate to secure payment of the Bonds, PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments, and Reserve Instrument Repayment Obligations under the Indenture, 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, the PPRF Secured Obligations, Security Instrument Repayment Obligations and SWAP Payments and (ii) Subordinate Lien PPRF Revenues not needed for payments under the Indenture in any Bond Fund Year may be released to the NMFA free and clear of the lien of the Indenture as provided in the Indenture.

Open Market Purchases of Bonds

Purchases of Outstanding Bonds on the open market may be made by the NMFA at public or private sale as, when and at such prices as the NMFA may in its discretion determine. Any accrued interest payable upon the purchase of Bonds may be paid from the amount reserved in the Bond Fund for the payment of interest on such Bonds on the next following Interest Payment Date. Any Bonds so purchased will be cancelled by the Trustee and surrendered to the NMFA or destroyed and will not be reissued.

Covenants of the NMFA

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, PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations and the performance of the NMFA's obligations under the Indenture.

No Transfer of Loan Agreements, Additional Pledged Loans, Security Documents and Securities; Exceptions; Further Assurance. The NMFA and the Trustee will not transfer any of the Loan Agreements, Additional Pledged Loans, Security Documents and Securities, except as specifically authorized in the Indenture in furtherance of the security for the Bonds, PPRF Secured Obligations, the Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations; provided that, (i) once the Governmental Unit has repaid all amounts, if any, owing under its Loan 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 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 and in the Senior Indenture, the NMFA will not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners, the owners of PPRF Secured Obligations, Security Instrument Issuers, SWAP Counterparties and Reserve Instrument Providers 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 will cause a financing statement to be filed with the Secretary of State of the State, and in such other manner and at such places as may be required by law fully to protect the security interest of the Owners of the Bonds, the owners of PPRF Secured Obligations, Security Instrument Issuers, SWAP Counterparties and Reserve Instrument Providers 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 are reasonably requested by the Trustee for the protection of the interests of the Bond Owners, the owners of PPRF Secured Obligations, Security Instrument Issuers, SWAP

Counterparties and Reserve Instrument Providers 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 upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds, the PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations executed and delivered under the Indenture have been paid. The Trustee will execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture or any part thereof until the principal of and interest on the Bonds, the PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations have been paid.

Rights Under Loan Agreements, Security Documents and Securities. The Loan Agreements, Security Documents and Securities set forth the covenants and obligations of the Governmental Units, including provisions that, subsequent to the issuance of a related Series of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions in the Indenture, the Loan 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 under the Indenture.

Tax-Exempt Bonds. The NMFA covenants and agrees to and for the benefit of the Owners of the Tax-Exempt Bonds that the NMFA (i) will not take any action that would cause interest on the Tax-Exempt 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 Tax-Exempt Bonds in order to preserve the exemption from federal income taxation of interest on the Tax-Exempt Bonds.

State Pledge of Non-Impairment. The State has pledged to and agreed with the holders of the Bonds and the owners of PPRF Secured Obligations (as obligations 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 Bond holders and the owners of PPRF Secured Obligations or in any way impair the rights and remedies of those holders until the Bonds and the PPRF Secured Obligations 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.

Financing Loan Agreements and Securities

Restrictions. The following restrictions will apply to Loans made by the NMFA under the Indenture:

- (a) The aggregate principal amount of each Loan Agreement and Security will be in whole multiples of Authorized Denomination.
- (b) Each Governmental Unit will agree not to take or permit any action which would cause the respective Agreement or the related Series of Bonds to be “arbitrage bonds” under Sections 103 and 148 of the Code.
- (c) Amounts disbursed from each Governmental Units’ Account within the Program Fund will be used to finance the costs of the related Project and related expenditures on behalf of the Governmental Unit. All funds on deposit in a Governmental Unit’s Program Account may be disbursed to fund a capital projects account held by or on behalf of the Governmental Unit, provided that the Governmental Unit establishes an account for such moneys separate from its other funds, and expressly acknowledges and agrees that its use of such moneys is subject to the requirements and restrictions set forth in the Indenture.

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

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

The provisions of Subsections (b), (d) and (e) above will not apply to Agreements financed with proceeds of Taxable Bonds.

Waiver of Compliance With Program Requirements. With the Approval of Bond Counsel, any of the requirements of the Indenture may be waived or modified by the Trustee and the NMFA

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 on the related Loan (the “Interest Component”) 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”) with respect to the related Loan, all as set forth in the related Agreement. Amounts due as the Principal, Program Costs, and Interest Components of Loan Payments due under each Loan Agreement or Securities will be paid on or before each Loan Payment Date. The Interest Component of Loan Payments for each 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 or Pledge Notification. The Program Cost Component may be included in the interest rate applicable to a Loan.

(b) Agreement and Term. The “Term” of an Agreement will be defined in the Agreement.

(c) Agreement Payment. Agreements will provide that the related Governmental Unit will pay Loan Payments to the NMFA for remittance to Trustee. 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 the NMFA for remittance to and to be held by the Trustee.

(d) Prepayments. Agreements may contain a provision permitting the Governmental Unit to prepay the Principal Component of Loan Payments, in accordance with the provisions of the Agreement subject to any conditions set forth in the related Supplemental Indenture or Agreement. Partial prepayments of the Principal Component of Loan Payments will be made in multiples of the minimum Authorized Denomination.

(e) Use of Reserve at Final Payment. At the time of payment in full under 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 Agreement.

Establishment and Use of Funds

Establishment of Funds; Accounts Within Funds. There are established 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 or Project;

- (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 (other than Agreements related to Taxable Bonds);
- (g) a Subordinate Lien PPRF Revenue Fund (in the Indenture the “Revenue Fund”) established as an account of the Public Project Revolving Fund;
- (h) a Debt Service Reserve Fund and within such fund a separate Account for each Series of Bonds for which a Debt Service Reserve Requirement is established; and
- (i) a Reserve Instrument Fund.

In addition to the foregoing, the NMFA may establish subaccounts within the Program Fund, the Agreement Reserve Fund, the Debt Service Reserve Fund, the Reserve Instrument Fund or the Debt Service Fund.

Program Fund. Except with respect to Reimbursement Bonds, proceeds of which may be deposited directly to the Public Project Revolving Fund, upon the issuance of a Series of Bonds, the Trustee will deposit the amount specified in the related Supplemental Indenture in the Program Fund and except in the case of Uncommitted Proceeds, will allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement, Supplemental Indenture or Pledge Notification. Upon the issuance of a Series of Bonds for which there are Uncommitted Proceeds, the Trustee should deposit such Uncommitted Proceeds in the Program Fund until such time that the Trustee receives a Pledge Notification that identifies the Agreement or Project to which Uncommitted Proceeds are to be allocated and at such time, the Trustee will allocate such Uncommitted Proceeds to the respective Accounts within the Program Fund as provided in each Agreement, Supplemental Indenture or Pledge Notification. Disbursements from each Account within the Program Fund will be made as provided below and may be made in stages or in a single disbursement for the purpose of funding a Governmental Unit’s capital projects account.

Application of Loan Payments. Pursuant to the Loan Agreements and Securities and except as otherwise provided in a Supplemental Indenture, the Loan Payments payable under the Indenture will be paid directly to the NMFA for remittance to the Trustee. Any moneys received by the Trustee directly from a Governmental Unit will be remitted to the NMFA for deposit in the NMFA debt service account or other appropriate account for the Governmental Unit or other borrower from which the Trustee received such moneys.

The Trustee will deposit all Loan Payments from the Loan Agreements and Securities immediately upon receipt thereof from the NMFA, as follows:

First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan (it being anticipated that each Governmental Unit will deposit an amount at least equal to the Loan Payments falling due under the related Loan Agreement or Securities with the NMFA, which will remit that amount to the Trustee for allocation to the related Account in the Debt Service Fund).

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

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

All income earned from the investment of moneys in the respective Accounts (i) held by the NMFA and (ii) of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), will 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, provided, however, that all earnings received on the Governmental Unit's Accounts will be allocated solely to the benefit of such Governmental Unit. The NMFA 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.

At least once each year, and more frequently if required pursuant to the provisions of a Supplemental Indenture, the Trustee will determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account 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, as provided in the Agreement and subject to the following:

(i) Any excess attributable to earnings on funds and accounts for the Governmental Unit will be returned to the Governmental Unit or will credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; and

(ii) Any other excess will be deposited into the Revenue Fund.

Debt Service Fund. When required pursuant to the provisions of a Supplemental Indenture, the Trustee will transfer moneys in the respective Accounts of the Debt Service Fund to the Bond Fund to pay principal of, and premium, if any, and interest on the Bonds, any Security Instrument Repayment Obligations, SWAP Payments (less any SWAP Receipts) and Reserve Instrument Repayment Obligations becoming due, to the extent amounts are on deposit therein for such purpose. When any Bond is called for redemption because a Governmental Unit has made a Prepayment under its Loan Agreement or Securities, the Trustee will, on the redemption date for such Bond, transfer the amount necessary for such redemption from the related Account in the Debt Service Fund to the Bond Fund.

The Trustee will keep the Debt Service Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

In the event that a subaccount of a Governmental Unit's Account within the Debt Service Fund is created for an Additional Pledged Loan, amounts representing principal of and interest on such Additional Pledged Loan will be deposited to the subaccount within the Debt Service Account and will be transferred on each payment date for such Additional Pledged Loan from the Debt Service Fund to the Revenue Fund. Amounts paid under an Additional Pledged Loan for replenishment of a related subaccount of the Agreement Reserve Fund will be deposited therein upon receipt.

Agreement Reserve Fund. The Trustee will deposit the amount, if any, set forth in a Supplemental Indenture or Pledge Notification to the Agreement Reserve Fund and from the source specified in such Supplemental Indenture or Pledge Notification and will allocate such amount to the respective Accounts as provided in each Agreement.

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

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 Account of the Debt Service Fund and credited against payments next coming due under the related Agreement.

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 Agreement.

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 instruments in lieu of a cash deposit to the Agreement Reserve Fund, as more fully described in the Supplemental Indenture and the Agreement.

The Trustee will keep the Agreement Reserve Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

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

In the event that a subaccount of a Governmental Unit's Account within the Agreement Reserve Fund is created for an Additional Pledged Loan, such amounts will be used, in a manner similar to that described above, to secure payment of principal of and interest on such Additional Pledged Loan. In the event that amounts paid by the related Governmental Unit for the payment of principal of and interest on such Additional Pledged Loan are insufficient to make such payments on the fifth day preceding the payment date for such Additional Pledged Loan, amounts on deposit in the related subaccount of the Agreement Reserve Fund will be transferred to the subaccount within the Debt Service Fund and used toward payments on such Additional Pledged Loan on such payment date. Amounts paid under an Additional Pledged Loan for replenishment of the related subaccount of the Agreement Reserve Fund will be deposited therein upon receipt.

Bond Fund. 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 due. 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. There will also be deposited to the Bond Fund from the Debt Service Fund the amounts described in the Indenture and from the Revenue Fund the amounts described in the Indenture. 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.

The Trustee will pay out of the Bond Fund to the Security Instrument Issuers and to the SWAP Counterparties, if any, that have issued Security Instruments or Interest Rate Swaps, respectively, with respect to such Series of Bonds, an amount equal to any Security Instrument Repayment Obligations and SWAP Payments (net of SWAP Receipts) as the case may be, then due and payable to such Security Instrument Issuers or SWAP Counterparties, as applicable. Except as otherwise specified in a related Supplemental Indenture, all such Security Instrument Repayment Obligations and SWAP Payments will be paid on a parity with the payments to be made with respect to principal of and interest on the Bonds; provided that amounts paid under a Security Instrument will be applied only to pay the related Series of Bonds. If payment is so made on Pledged Bonds held for the benefit of the Security Instrument Issuer, a corresponding payment on the Security Instrument Repayment Obligation will be deemed to have been made (without requiring an additional payment by the NMFA) and the Trustee will keep its records accordingly.

The NMFA authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay Debt Service on the Bonds and Security Instrument Repayment Obligations and to pay the SWAP Payments as the same become due and payable and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying said Debt Service. In the event that Debt Service on a Series of Bonds is due more frequently than Loan Payments and amounts on deposit in the Bond Fund are insufficient therefor, amounts on deposit in the Revenue Fund will be used to pay Debt Service on such Series of Bonds, and upon receipt of the Loan Payments, the Revenue Fund will be reimbursed for such payments, as directed by the NMFA. Amounts remaining on deposit in the Bond Fund at the end of the Bond Fund Year after the payment of amounts due, as described above for such Bond Fund Year, will be transferred to the Revenue Fund.

The Trustee will deposit to the Bond Fund all moneys transferred from the Debt Service Reserve Fund or from a Reserve Instrument or Instruments then in effect as provided in the Indenture.

Use of Debt Service Reserve Fund. Except as otherwise provided in the Indenture and subject to the immediately following sentence, moneys in each account in the Debt Service Reserve Fund will at all times be maintained in an amount not less than the applicable Debt Service Reserve Requirement, if any. In calculating the amount on deposit in each account in the Debt Service Reserve Fund, the amount of any Reserve Instrument Coverage will be treated as an amount on deposit in such account in the Debt Service Reserve Fund. Each Supplemental Indenture authorizing the issuance of a Series of Bonds will specify the Debt Service Reserve Requirement, if any, applicable to such Series, which amount will either be (i) deposited immediately upon the issuance and delivery of such Series from (a) proceeds from the sale thereof or from any other legally available source, or (b) by a Reserve Instrument or Instruments, or (c) any combination thereof, (ii) deposited from legally available moneys over the period of time specified therein, or (iii) deposited from any combination of (i) and (ii) above; provided however, the foregoing provisions will be subject to the requirements of any Security Instrument Issuer set forth in any Supplemental Indenture. If at any time the amount on deposit in any account of the Debt Service Reserve Fund is less than the minimum amount to be maintained therein under the Indenture, the NMFA is required, pursuant to the Indenture and the provisions of any Supplemental Indenture, to make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund.

In the event of a deficiency in the Bond Fund for a Series of Bonds, the Trustee will transfer moneys on deposit in the related Account of the Debt Service Reserve Fund to the Bond Fund to make up such deficiency.

In the event funds on deposit in an account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund as aforementioned, and there is insufficient cash available in such account of the Debt Service Reserve Fund to make up such deficiency and Reserve Instruments applicable to such Series are in effect, the Trustee will immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund. Thereafter, the NMFA will be obligated to reinstate the Reserve Instrument as provided in the Indenture.

No Reserve Instrument will be allowed to expire or terminate while the related Series of Bonds are Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required to be maintained in the related account of the Debt Service Reserve Fund.

Moneys at any time on deposit in any Account of the Debt Service Reserve Fund in excess of the amount required to be maintained therein (taking into account the amount of related Reserve Instrument Coverage) will be transferred by the Trustee to the Bond Fund at least once each year.

Moneys on deposit in any Account of the Debt Service Reserve Fund will be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by said account and any Reserve Instrument will only be drawn upon with respect to the Series of Bonds for which such Reserve Instrument was obtained.

The NMFA may, upon obtaining approving opinion of bond counsel to the effect that such transaction will not adversely affect the tax-exempt status of any outstanding Bonds, replace any amounts required to be on deposit in the Debt Service Reserve Fund with a Reserve Instrument.

Use of Reserve Instrument Fund. There will be paid into the Reserve Instrument Fund the amounts required by the Indenture and by a Supplemental Indenture to be so paid. The amounts in the Reserve Instrument Fund will, from time to time, be applied by the Trustee on behalf of the NMFA to pay the Reserve Instrument Repayment Obligations which are due and payable to any Reserve Instrument Provider under any applicable Reserve Instrument Agreement.

Use of Revenue Fund. Pursuant to the Senior Indenture, the PPRF Revenues which are not used to satisfy obligations of the NMFA under the Indenture or required by the terms thereof to be retained by the trustee under the Indenture, are to be released from the lien and pledge of the Senior Indenture on June 1 of each year (being the last day of each bond fund year under the Indenture) and the NMFA covenants and agrees that such amounts are and will be subject to the lien of the Indenture. During each Bond Fund Year, (i) all PPRF Revenues released from the lien of the Senior Indenture will be paid to the Trustee immediately upon the release thereof on June 1 of each year, (ii) all amounts received as Additional Pledged Revenues will be immediately deposited with the Trustee and (iii) all payments representing principal and interest from Additional Pledged Loans will be paid immediately upon receipt thereof by the NMFA to the Trustee, and all of the same will be accounted for and maintained by the Trustee in the Revenue Fund, which fund will be kept separate and apart from all other accounts of the Trustee and which, prior to transfer of any excess therefrom pursuant to the Indenture, will be expended and used by the Trustee only in the manner and order of priority specified below.

(a) (i) If the amounts on deposit in the Bond Fund are insufficient for payments of principal of and interest on the Bonds due on such date or if a deficiency has occurred in the Bond Fund that has not otherwise been rectified, the Trustee will immediately transfer from the Revenue Fund to the Bond Fund, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the principal of and interest on the Bonds due on such date and to rectify any such deficiency then still existing;

(ii) if the Trustee receives notice from the paying agent for any PPRF Secured Obligation that the amounts available for payment of principal and interest with respect to such PPRF Secured Obligation then due on such date will be insufficient or if a deficiency in the payment of any PPRF Secured Obligation has occurred that has not otherwise been rectified, the Trustee will immediately transfer from the Revenue Fund to such paying agent an amount sufficient, together with amounts otherwise available for such purpose, to pay the principal and interest then due with respect to the PPRF Secured Obligations on such date and to rectify any such deficiency then still existing; and

(iii) if the amounts on deposit in the Bond Fund are insufficient for payments then coming due on such date with respect to any Security Instrument Repayment Obligations or SWAP Payments (net of SWAP Receipts) then due pursuant to any Security Instrument Agreements or Interest Rate Swaps or if there has been a deficiency in the payment of any Security Instrument Repayment Obligations or SWAP Payments that has not been rectified, the Trustee will immediately transfer from the Revenue Fund to the Bond Fund, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the amounts due on the Security Instrument Repayment Obligations and the SWAP Payments (net of SWAP Receipts) then due on such date and to rectify any such deficiency then still existing.

The transfers required by (i), (ii) and (iii) above are to be made on a parity basis. In the event that the amounts available for transfer pursuant to (i), (ii) and (iii) above are insufficient therefor the Trustee will make such transfers ratably according to the amounts due.

(b) Subject to making the transfers set forth in Subsection (a) above, the NMFA will make the following transfers to the Trustee:

(i) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (A) to the Accounts in the Debt Service Reserve Fund any amounts required by the Indenture and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided in the Indenture and in any Supplemental Indenture and (B) if funds have been withdrawn from an Account in the Debt Service Reserve Fund or any Account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the NMFA will transfer from the Revenue Fund in such Account(s) in the Debt Service Reserve Fund in an amount sufficient to restore such Account(s) within one year with twelve (12) substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement);

or a ratable portion (based on the amount to be transferred pursuant to the Indenture) of remaining amounts if less than the amount necessary; and

(ii) Equally and ratably to the Accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of such month, such amount from the Revenue Fund, or a ratable portion (based on the amount to be transferred pursuant to the Indenture) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such transfer or deposit from the Revenue Fund into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

(c) In the event that funds are withdrawn from an Account in the Agreement Reserve Fund, or any Account in the Agreement Reserve Fund is at any time funded in an amount less than the applicable Agreement Reserve Requirement, the NMFA will transfer for deposit in such Account(s) in the Agreement Reserve Fund sufficient Subordinate Lien PPRF Revenues, Agreement Revenues, Additional Pledged Revenues and revenues from Additional Pledged Loans in amount to restore such Account(s) within one year with twelve (12) substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Agreement Reserve Requirement); or a ratable portion of remaining Subordinate Lien PPRF Revenues, Agreement Revenues, Additional Pledged Revenues and revenues from Additional Pledged Loans if less than the amount necessary.

(d) Subject to making the foregoing transfers to the Bond Fund and to the paying agent for the PPRF Secured Obligations and to the Security Instrument Issuers and to the SWAP Providers and to the Reserve Instrument Providers, on June 16 of each year, the NMFA will be entitled to direct the Trustee in writing to release to the NMFA the balance on deposit in the Revenue Fund and the Trustee will transfer the such amount to the NMFA and the NMFA may use such balance for:

- (i) deposit to the Public Project Revolving Fund as required by the Act;
- (ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund;
- (iii) refinancing, refunding, repurchase or advance refunding of any Bonds; or
- (iv) for any other lawful purpose, including (A) payment of Program Costs for Bonds issued under the Indenture and similar costs for PPRF Secured Obligations, (B) replacement of reserves for Bonds issued under the Indenture or PPRF Secured Obligations, and (C) payment of Termination Payments;.

provided, however, that notwithstanding the foregoing there will be retained in the Revenue Fund an amount, after giving credit for available amounts in all accounts in the Debt Service Reserve Fund and the Agreement Reserve Fund, sufficient to make payments of all Debt Service requirements on all Bonds, all Security Instrument Repayment Obligations, all SWAP Payments and all Reserve Instrument Repayment Obligations coming due in the then current Bond Fund Year; provided further, that once additional moneys are deposited into the Bond Fund to make all of the foregoing payments, the amounts retained in the Revenue Fund may be released from the lien of this Indenture but only to the extent of additional moneys deposited into the Bond Fund. For purposes of calculating the Debt Service on Variable Rate Bonds for purposes of the Indenture, the provisions of clauses (1), (2) and (3) of the definition of "Debt Service" in the Indenture will apply.

(e) The NMFA may, but is not obligated to, use any PPRF Revenues of the NMFA to satisfy its obligations under the Indenture.

Subordinate Lien PPRF Revenues, Additional Pledged Revenues, Revenues from Additional Pledged Loans and Agreement Revenues to be Held for All Bond Owners and Owners of PPRF Secured Obligations. All of the Subordinate Lien PPRF Revenues, Additional Pledged Revenues, revenues from Additional Pledged Loans and the Agreement Revenues will, until applied as provided in the Indenture, be held by the Trustee or the NMFA, as applicable, only for the benefit of the Owners of Bonds, Owners of PPRF Secured Obligations (as to Subordinate Lien PPRF Revenues only), Security Instrument Issuers, SWAP Counterparties and Reserve Instrument Providers.

Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee or the NMFA for account to any fund referred to in any provision of the Indenture will be held by the Trustee and the NMFA, as the case may be, in trust. Moneys held by the NMFA as servicer of the Agreements and the Additional Pledged Loans until paid to the Trustee will be kept separate and apart from all other accounts of the NMFA, who will hold and administer such moneys as agent for the Trustee and such moneys will at all times be subject to the lien and trust imposed by the Indenture.

Repayment to Governmental Units from Debt Service Fund. Any amounts remaining in any Governmental Unit's Debt Service Account or Agreement Reserve Account after payment in full of the principal of and premium, if any, and interest on the related Agreement, the fees, charges, and expenses of Trustee, all other amounts required to be paid under the Indenture will be paid immediately to the Governmental Unit as an overpayment of Loan Payments.

Trustee under the Indenture. The Trustee under the Indenture and the trustee under the Senior Indenture will at all times be one and the same entity.

Investment of Moneys

Any moneys held (i) as part of a Governmental Unit's Account in any of the Funds established by the Indenture or (ii) by the NMFA as agent for the Trustee, will be invested by the Trustee or the NMFA, as the case may be, in Permitted Investments in accordance with the Indenture. 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 Agreement when due.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund, the Debt Service Reserve 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 by Article VI of 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);

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

(iii) whenever any other transfer or payment is required to be made from any particular Fund or Account, such transfer or payment will be made from such combination of maturing principal, redemption, or repurchase prices, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any permitted investments to be redeemed, withdrawn, or sold, and any penalties, gains, or losses to be realized upon any such redemption, withdrawal, or sale.

Neither the NMFA nor the Trustee will 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 and PPRF Secured Obligations, the principal of and premium, if any, and interest due or to become due on the Bonds and PPRF Secured Obligations 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 Indenture, and if the NMFA has paid or has caused to be paid to (i) all Security Instrument Issuers all Security Instrument Repayment Obligations due and payable under all Security Instruments, (ii) all SWAP Counterparties all SWAP Payments due and payable under all Interest Rate Swaps, and (iii) all Reserve Instrument Providers all Reserve Instrument Repayment Obligations due and payable under all Reserve Instrument Agreements, then the estate and rights granted by the Indenture will cease, terminate 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 for all purposes of the Indenture when (a) payment of the principal of and the applicable premium, if any, on such Bond, whether at maturity or prior redemption plus interest thereon to the due date thereof either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent has irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) noncallable Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made will have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond is deemed to be paid under the Indenture, as aforesaid, it will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or noncallable Governmental Obligations.

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

Notwithstanding anything in the Indenture to the contrary, all moneys or noncallable Governmental Obligations set aside and held in trust pursuant to the 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 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 Indenture for the payment of Bonds and such Bonds have not in fact been actually paid in full, no amendment to the 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 municipal bond 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 Issuers 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 Issuers 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 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 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 under the Indenture or otherwise; or
- (c) if the NMFA for any reason is 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 Trust Estate, 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 is not 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 enacted after the effective date of the

Indenture, if the claims of such creditors are or may be under any circumstances payable from the Trust Estate; 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 are 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 will not be 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 in the Indenture or any Supplemental Indenture thereto on the part of the NMFA to be performed, other than as set forth in the Indenture, 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 25% in aggregate principal amount of the Bonds then Outstanding under the Indenture.

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, Additional Pledged Loans and Security Documents and the provisions of the Indenture for the benefit of the Owners of the Bonds and, as provided in the Indenture, the owners of the PPRF Secured Obligations 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 or Additional Pledged Loans (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 PPRF Secured Obligations, the Agreements, the Additional Pledged Revenues, the Additional Pledged Loans 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 Subordinate Lien PPRF Revenues, Additional Pledged Revenues, Agreement Revenues and revenues attributable to Additional Pledged Loans pledged under the Indenture or pursuant to the Agreements and any Security Documents; or

(f) terminate the provisions of the Indenture providing for NMFA collection, deposit and loan administration functions in connection with Loans and Additional Pledged Loans and cause such payments to be made directly to the Trustee.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners of the Bonds or PPRF Secured Obligations 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 of the Bonds or PPRF Secured Obligations 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 is 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 of the Bonds or PPRF Secured Obligations in the Indenture is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be 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 NMFA for Payments of Governmental Units. Other than in its capacity as servicer of Loans and Additional Pledged Loans, the NMFA will not have any obligation or liability to the Trustee or the Owners of the Bonds or PPRF Secured Obligations with respect to the payment when due of the Loan Payments by the Governmental Units, or with respect to the performance by the Governmental Units of the other agreements and covenants required to be performed by them contained in the Loan Agreements, Additional Pledged Loans and Securities, the related Security Documents, or in the Indenture, or with respect to the performance by the Trustee or any right or obligation required to be performed by them contained in the Indenture.

No Liability by the Governmental Units to the Owners. Except for the payment when due of the Loan Payments and Additional Pledged Loans and the performance of the other agreements and covenants required to be performed by it contained in the Agreements, Additional Pledged Loans and Security Documents, the Governmental Units will not have any obligation or liability to the Owners of Bonds and PPRF Secured Obligations 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, Additional Pledged Loans or Security Documents.

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

(a) such Owner has previously given written notice to the Trustee of a continuing Event of Default (in the case of the Bonds) or of the payment default or other default pursuant to the Indenture (in the case of PPRF Secured Obligations);

(b) the Owners of Bonds and PPRF Secured Obligations of not less than a majority of the aggregate principal amount of the Bonds Outstanding and PPRF Secured Obligations then outstanding have made written request to the Trustee to institute proceedings in respect of such Event of Default (in the case of the Bonds) or of the payment default or other default pursuant to the Indenture (in the case of PPRF Secured Obligations) 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 of Bonds and PPRF Secured Obligations 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 and Owners of PPRF Secured Obligations. Notwithstanding the foregoing, the Owner of any Bond and the Owners of PPRF Secured Obligations has the right, which is absolute and unconditional, to receive payment of interest on such Bond or PPRF Secured Obligation when due in accordance with the terms thereof and of the Indenture and the principal of such Bond or PPRF Secured Obligation at the stated maturity thereof 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 and PPRF Secured Obligations outstanding have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, 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 or PPRF Secured Obligations.

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 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, and after giving effect to the parity claim of PPRF Secured Obligations to amounts on deposit in the Revenue Fund, 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, and after giving effect to the parity claim of PPRF Secured Obligations to amounts on deposit in the Revenue Fund, will be applied as follows:

(a) To the payment of the Principal of, premium, if any, and interest then due and payable on the bonds as follows:

(i) Unless the principal of all Bonds has become due and payable, all such moneys will be applied:

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 is not sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons or entity entitled thereto without any discrimination or privilege;

SECOND: To the payment to the persons or entity entitled thereto of the unpaid principal of any of the Bonds which 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;

THIRD: To be held for the payment to the persons entitled thereto as the same becomes 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.

(ii) If the principal of all the Bonds has become due 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.

(b) To the payment of all obligations then due and payable to any Security Instrument Issuers under any applicable Security Instrument Agreement.

Whenever moneys are to be applied pursuant to the provisions of the Indenture, such moneys will be applied at such times, and from time to time, as the Trustee determines, 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 will deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal to be paid on such date 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 is not 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 under the Indenture 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 have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default has been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee, the Security Instrument Issuers 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.

Defaults Relating to PPRF Secured Obligations. A default with respect to the PPRF Secured Obligations is not (in and of itself) an Event of Default under the Indenture and the Owners of the PPRF Secured Obligations will be limited to their right to payment from Subordinate Lien PPRF Revenues and performance by the NMFA of its covenants and agreements under the Indenture on their behalf. In the event that NMFA fails to make payment on any PPRF Secured Obligation or defaults in the due and punctual performance of any other covenant, condition or provision of the Indenture relating thereto, the Trustee may and upon the written request of the Owners of a majority of the PPRF Secured Obligations (or any fiduciary therefore) and upon receipt of indemnity to its satisfaction, will in its own name exercise any of the rights and remedies provided in the Indenture to the extent applicable to the collection and application of Subordinate Lien PPRF Revenues.

The Owners of PPRF Secured Obligations will be secured by and entitled to a parity claim on all Subordinate Lien PPRF Revenues deposited to or required to be deposited to the Revenue Fund. In the exercise of remedies under the Indenture relating to the collection and application of Subordinate Lien PPRF Revenues, the

Trustee will act for the benefit of the Owners of the PPRF Secured Obligations on the same basis as for Owners of Bonds.

The Trustee

Fees, Charges and Expenses of the Trustee. The Trustee will be entitled to payment and reimbursement for reasonable fees for its services rendered under the Indenture and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee will be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent and Registrar for the Bonds as provided in the Indenture. 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 foregoing advances, fees, costs and expenses incurred.

Notice to Owners if Event of Default Occurs. Except as otherwise required by the Indenture, the Trustee will give to the Owners of Bonds and PPRF Secured Obligations notice of each default under the Indenture known to the Trustee within ninety days after the occurrence thereof, unless such default has been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of principal of or premium, if any, or interest on any of the Bonds or PPRF Secured Obligations, the Trustee will be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Owners. Each such notice of default will be given by the Trustee by mailing written notice thereof to all holders of Bonds and PPRF Secured Obligations then outstanding whose names appear on the list of Owners as provided in the Indenture and, if required by the Trustee, such Owners have offered the Security or indemnity required by the Indenture.

Intervention by the Trustee. In any judicial proceeding to which the NMFA or a Governmental Unit is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interest of Owners of the Bonds, the Trustee may intervene on behalf of Owners and will do so if requested in writing by the Owners of a majority in the aggregate principal amount of Bonds then outstanding and, if required by the Trustee, such Owners have offered the Security or indemnity required by the Indenture.

Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, will be and become successor to the Trustee under the Indenture and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

Resignation by the Trustee. The Trustee and any successor to the Trustee may at any time resign from the trusts created in the Indenture by giving thirty days' written notice by registered or certified mail to the NMFA and to the owner of each Bond as shown by the list of Owners required by the Indenture to be kept by the Trustee, and such resignation will take effect only upon the appointment of a successor Trustee by the Owners or by the NMFA.

Removal of the Trustee. The Trustee may be removed at any time, by the NMFA (except during the continuance of an Event of Default) by written notice signed by the NMFA or by an instrument or concurrent instruments in writing delivered to the Trustee and to the NMFA and signed by the Owners of a majority in aggregate principal amount of Bonds then outstanding. Any removal will take effect upon the appointment of a successor Trustee.

Appointment of Successor Trustee. In case the Trustee under the Indenture resigns or is removed, or is dissolved, or is in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it is taken under the control of any public officer or officers, or of a receiver appointed by a court, the NMFA covenants and agrees to appoint a successor Trustee. If in a proper case no appointment of a successor Trustee is made by the NMFA pursuant to the Indenture within 45 days after the Trustee gives NMFA written notice

of resignation or after a vacancy in the office of the Trustee has occurred by reason of its inability to act or its removal, the Trustee, or any Bondholder may apply to any court of competent jurisdiction to appoint a successor to itself as Trustee. Said court, after such notice, if any, as such court may deem proper, thereupon may appoint a successor Trustee. Every such Trustee appointed pursuant to the Indenture will be a trust company or bank in good standing having a reported capital and surplus of not less than \$50,000,000 if there be such an institution willing, qualified and able to accept the trust upon customary terms.

Concerning Any Successor Trustee. Every successor Trustee appointed under the Indenture will execute, acknowledge and deliver to its predecessor and also to the NMFA an instrument in writing accepting such appointment under the Indenture, and thereupon such successor, without any further act, deed or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor will, nevertheless, on the written request of the NMFA, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor under the Indenture; and every predecessor Trustee will deliver all securities and moneys held by it as Trustee under the Indenture to its successor. Should any instrument in writing from the NMFA be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties vested by the Indenture or intended to be vested in the predecessor, any and all such instruments in writing will, on request, be executed, acknowledged and delivered by the NMFA. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor under the Indenture, together with all other instruments provided for in the Indenture, will be filed or recorded by the successor Trustee in each recording office where the Indenture has been filed or recorded.

Supplemental Indentures, Amendments to Agreements, Amendments and Supplements to Senior Indenture

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 the Initial Obligations or Additional Bonds and PPRF Secured Obligations in accordance with the Indenture;
- (b) To cure any ambiguity or formal defect or omission in the Indenture;
- (c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee;
- (d) To subject to the Indenture additional revenues, properties or collateral;
- (e) To evidence the appointment of a separate Trustee or paying agent or the succession of a new Trustee or paying agent under the Indenture;
- (f) To make any other change which in the 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 the Rating Agencies that such amendments will not result in the rating on the Bonds and PPRF Secured or any Governmental Unit or to grant additional powers or rights to the Trustee;
- (h) To add additional covenants of the NMFA or any Governmental Unit or to surrender any right or power conferred in the Indenture upon the NMFA 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 Indenture and subject to the terms and provisions contained in the Indenture, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds and PPRF Secured Obligations then outstanding

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 is 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 the Indenture permits, or is construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond issued under the Indenture, 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 or PPRF Secured Obligations over any other Bond or Bonds or PPRF Secured Obligations, or (iv) a reduction in the aggregate principal amount of the Bonds or PPRF Secured Obligations required for consent to such supplemental indentures, or (v) permit the creation of any lien ranking prior to the lien of the Indenture on the Trust Estate or any part thereof, or (vi) deprive the Owner of any Bond then outstanding of the lien created by the Indenture on the Trust Estate without the prior consent of 100% of the holders of the Bonds and PPRF Secured Obligations 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.

Amendment of Agreements and Security Documents. The NMFA has the right to amend an Agreement, Additional Pledged Loan documents 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 in the Indenture 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 and PPRF Secured Obligations following such amendment being lower than the rating on the Bonds and PPRF Secured Obligations 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 owners of any PPRF Secured Obligations; or
- (iv) to make any other change or amendment upon delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

If the NMFA or a Governmental Unit proposes 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.

Amendments and Supplements to Senior Indenture. The NMFA will be permitted to amend and supplement the provisions of the Senior Indenture as provided therein including amendments and supplements permitting the issuance of additional Senior Bonds under the Indenture, provided that without the prior written consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture and the owners of PPRF Secured Obligations, the NMFA and the Trustee will not amend or supplement the Senior Indenture to change the time for release of the PPRF Revenues from the lien of the Senior Indenture or to preclude such release as contemplated under the Indenture.

Miscellaneous

Consents, etc. of Owners. Any consent, request, direction, approval, objection or other instrument required by the Indenture to be signed and executed by the Owners may be in any number of concurrent documents and may be executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, will be sufficient for any of the purposes of the Indenture, and will be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same, will be proved by the registration books of the Trustee maintained by the Trustee pursuant to the Indenture.

(c) The fact of ownership of PPRF Secured Obligations and the amount or amounts, numbers and other identification of such PPRF Secured Obligations, and the date of holding the same, will be proved by the registration books of the registrar for such obligations or otherwise as the NMFA may determine.

For all purposes of the Indenture and of the proceedings for the enforcement thereof, such person will be deemed to continue to be the Owner of such Bond or owner of PPRF Secured Obligations until the Trustee receives notice in writing to the contrary.

Limitation of Rights. With the exception of any rights expressly conferred in the Indenture, nothing expressed or mentioned in or to be implied from the Indenture or the Bonds or PPRF Secured Obligations is intended or is to be construed to give to any person or company other than the parties thereto, the Governmental Units and the Owners of the Bonds or owners of any PPRF Secured Obligations, any legal or equitable right, remedy or claim under or with respect to the Indenture or any covenants, conditions and provisions therein contained; the Indenture and all of the covenants, conditions and provisions thereof being intended to be and being for the sole and exclusive benefit of the parties thereto, the Governmental Units and the holders of the Bonds and PPRF Secured Obligations as provided in the Indenture.

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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 2015A 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 2015A 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 121,298 square miles. The estimated 2013 population of the State was 2,085,287. 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.

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 2002-2014

<u>Year</u>	<u>Population</u>		<u>Annual Percentage Change</u>	
	<u>New Mexico</u>	<u>United States</u>	<u>New Mexico</u>	<u>United States</u>
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.)	2,078,407	311,721,632	0.9	0.9
2012 (est.)	2,084,594	314,112,078	0.3	0.7
2013 (est.)	2,086,895	316,497,531	0.1	0.7
2014 (est.)	2,085,572	318,857,056	(0.1)	0.7

(Source: U.S. Census Bureau, Population Division. Last Revised December 2014.)

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
2004-2013

<u>Year</u>	<u>Civilian Labor Force</u> <u>(Thousands)</u>		<u>Number of Employed</u> <u>(Thousands)</u>		<u>Unemployment Rate</u>		N.M. as % of U.S. <u>Rate</u>
	<u>New Mexico</u>	<u>United States</u>	<u>New Mexico</u>	<u>United States</u>	<u>New Mexico</u>	<u>United States</u>	
2004	901,833	147,401	849,970	139,252	5.8%	5.5%	105%
2005	913,453	149,320	866,349	141,730	5.2	5.1	102
2006	924,516	151,428	886,708	144,427	4.1	4.6	89
2007	936,464	153,124	903,919	146,047	3.5	4.6	76
2008	947,435	154,287	904,735	145,362	4.5	5.8	78
2009	934,396	154,142	870,349	139,877	6.9	9.3	74
2010	930,293	153,889	856,033	139,064	8.0	9.6	83
2011	923,936	153,617	953,987	139,869	7.6	8.9	85
2012	925,360	154,975	859,965	142,469	7.1	8.1	88
2013	926,242	155,389	862,563	143,929	6.9	7.4	93

(Source: New Mexico Department of Workforce Solutions, Economic Research and Analysis.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2004-2013

<u>Year</u>	<u>Personal Income (000)</u>		<u>Annual</u> <u>Percentage Change</u>	
	<u>New Mexico</u>	<u>United States</u>	<u>New Mexico</u>	<u>United States</u>
2004	52,314,496	10,043,231,000	n/a	n/a
2005	56,233,308	10,605,595,000	7.5%	5.6%
2006	60,090,836	11,376,405,000	6.9	7.3
2007	63,643,408	11,990,104,000	5.9	5.4
2008	67,188,091	12,429,234,000	5.6	3.7
2009	66,241,297	12,080,223,000	-1.4	-2.8
2010	68,505,892	12,417,659,000	3.4	2.8
2011	72,234,158	13,189,935,000	5.4	6.2
2012	74,601,613	13,873,161,000	3.3	5.2
2013	74,996,363	14,151,427,000	0.5	2.0

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

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2004-2013

<u>Year</u>	<u>Per Capita Income</u>		N.M. as a % <u>of U.S.</u>	<u>Annual Percentage Change</u>	
	<u>New Mexico</u>	<u>United States</u>		<u>New Mexico.</u>	<u>United States</u>
2004	27,479	34,300	80	n/a	n/a
2005	29,102	35,888	81	5.9%	4.6%
2006	30,625	38,127	80	5.2	6.2
2007	31,980	39,804	80	4.4	4.4
2008	33,416	40,873	82	4.5	2.7
2009	32,522	39,379	83	-2.7	-3.7
2010	33,175	40,144	83	2.0	1.9
2011	34,763	42,332	82	4.8	5.5
2012	35,805	44,200	81	3.0	4.4
2013	35,965	44,765	80	0.4	1.3

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis.)

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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	<u>34,865,280</u>	<u>24,128,541</u>	<u>6,897,283</u>	<u>4,975,028</u>	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

New Mexico Finance Authority

\$63,390,000 Subordinate Lien Public Project Revolving Fund Refunding Revenue Bonds Series 2015A

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 Subordinate Lien Public Project Revolving Fund Refunding Revenue Bonds, Series 2015A in the aggregate principal amount of \$63,390,000 (the “Series 2015A Bonds”). The Series 2015A Bonds are being issued for the purpose of providing funds to (i) originate Loans to and purchase Securities of certain governmental entities (“Governmental Units”) that will be issued to refinance certain the Series 2015A Projects for such Governmental Units and (ii) pay costs incurred in connection with the issuance of the Series 2015A Bonds.

The Series 2015A Bonds are authorized to be issued under and secured by a Subordinated General Indenture of Trust and Pledge dated as of March 1, 2005, as previously supplemented (the “General Indenture”), and as further amended and supplemented by an Eleventh Supplemental Indenture of Trust dated as of April 1, 2015 (together with the General Indenture, the “Indenture”) 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 of New Mexico (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 New Mexico Finance Authority Act, Sections 6-21-1 et seq., NMSA 1978, as amended and supplemented, and has lawful authority to issue the Series 2015A Bonds and to execute and deliver the Indenture.

2. The Series 2015A 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 Series 2015A 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 Series 2015A 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 Series 2015A 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 Series 2015A 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 obligations of the Finance Authority pursuant to the Series 2015A 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 expressing the opinions above, we are relying, in part, on a report of independent certified public accountants verifying (i) the mathematical computations of the adequacy of the maturing principal amounts of and interest on the investments and moneys included in the Escrow Account to pay when due, at stated maturity or upon prior redemption, all principal of, any prior redemption premiums, and interest on the Refunded Bonds, and (ii) the mathematical calculations of the yield of the Series 2015A Bonds and the yield of certain investments made with the proceeds of the Series 2015A Bonds and other moneys deposited in the Escrow Account.

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 Series 2015A 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 Series 2015A 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 2015A Bonds, payment of principal, premium, if any, interest on the Series 2015A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2015A 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 2015A Bonds. The Series 2015A 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 2015A Bond certificate will be issued for each maturity of the Series 2015A Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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 Exchange Act. 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 2015A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015A 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 2015A 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 2015A Bonds, except in the event that use of the book-entry system for the Series 2015A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015A 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 2015A 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 2015A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015A 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 2015A 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 2015A 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 2015A 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 2015A 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 2015A 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 2015A Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2015A 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 2015A 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 Municipal Advisor believe to be reliable, but the Finance Authority and the Municipal Advisor take no responsibility for the accuracy thereof.

APPENDIX F

2015A GOVERNMENTAL UNITS; LARGEST REPAYMENT OBLIGATIONS

2015A Governmental Units

As previously stated, a portion of the proceeds of the Series 2015A Bonds is being used to originate Loans to be made to or purchase securities of the 2015A Governmental Units or to reimburse the Finance Authority, in whole or in part, for Loans made to or the purchase of securities of 2015A Governmental Units. The 2015A Governmental Units, the amount of their respective Loans or securities and the maturity dates of the same are listed in the following table:

<u>Governmental Unit</u>	<u>Original Loan/Security Amount</u>	<u>Agreement Reserve Amount</u>	<u>Maturity Date</u>
City of Santa Fe	\$36,650,000	—	06/15/35
Bernalillo County Metropolitan Court	<u>37,560,000</u>	—	06/01/25
Total	<u>\$74,210,000</u>		

(Source: Finance Authority.)

Outstanding Agreements Generating Largest Amount of Agreement Revenues

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

Albuquerque-Bernalillo County Water Utility Authority Loan. 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 and Bernalillo County. The ABCWUA has jurisdiction over certain water facilities and properties and certain sanitary sewer facilities and properties.

Pursuant to various loan agreements (the “ABCWUA Loan Agreements”) between ABCWUA and the Finance Authority totaling \$97,005,000, 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/sewer system, water, wastewater system including expenses related to: regular system improvements, expansion, maintenance and upgrades to operate a water and wastewater utility pursuant to the basic capital program and diversion of surface water from the San Juan Chama and delivering it for use by current and future users of the system.

The 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 May 1, 2025. As of January 1, 2015, the current outstanding principal amount of the ABCWUA Loan Agreements is \$68,215,000. ABCWUA has defeased certain Bond-funded loans and will pay off \$16,395,000 in May 2015.

Bernalillo County Metropolitan Court Bonds. The Finance Authority has entered into various obligations with the Bernalillo County Metropolitan Court (the “Metro Court Obligations”) in which certain court facilities revenues as described below are used to secure the debt obligations. The proceeds of the Metro Court Obligations provided funds for the refunding of bonds issued by the Finance Authority to finance the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court.

The Metro Court Obligations are payable solely from the Pledged Court Facilities Revenues, which consist of a portion of certain court fees and penalty assessments deposited to the Court Facilities Fund and distributed monthly by the State Treasurer, at the direction of the Director of the Administrative Office of the Courts, to the

Finance Authority for deposit to the Pledged Court Facilities Revenue Fund and certain parking fees, rents and other charges collected by the Bernalillo County Metropolitan Court from tenants and users of the Parking Facility Project after deduction of certain related costs. Certain funds and accounts created and maintained by the Finance Authority pursuant to the resolution authorizing the issuance of the Metro Court Bonds are also pledged to secure repayment of the Metro Court Bonds. As of January 1, 2015, these obligations have a current outstanding principal amount of \$37,560,000, with a final scheduled maturity of June 1, 2025.

City of Santa Fe—Convention and Civic Center Loan. The Finance Authority has previously entered into a loan agreement in the amount of \$42,220,000 with the City of Santa Fe (the “Santa Fe Agreement”) secured by a pledge to the Finance Authority of the City of Santa Fe’s Lodgers’ Tax. Proceeds from the Santa Fe Agreement were used to finance the construction of a new Convention and Civic Center in the City of Santa Fe. The Santa Fe Agreement has an outstanding aggregate principal amount of \$36,650,000 as of January 1, 2015, with a final scheduled maturity on June 15, 2035.

Eastern New Mexico University—Residence Hall Construction and General Improvements Loan. The Finance Authority has previously entered into a loan agreement in the amount of \$28,050,000 with Eastern New Mexico University (the “ENMU Agreement”) secured by a pledge to the Finance Authority of ENMU gross system revenues. Proceeds from the ENMU Agreement were used to finance a new residence hall and make general improvements to the campus. The ENMU Agreement has an outstanding aggregate principal amount of \$26,365,000 as of January 1, 2015, with a final scheduled maturity on April 1, 2036.

University of New Mexico—Subordinate Lien Cigarette Tax Bonds/UNM Health Sciences Center Project Bonds. The Finance Authority has issued Bonds and used a portion of the proceeds thereof to purchase bonds for the benefit of University of New Mexico (the “UNM Bonds”). The UNM Bonds were used to fund or refinance improvements at the Health Science Center at the University of New Mexico in Albuquerque, New Mexico and are payable from and secured by certain cigarette tax revenues required to be distributed to the Finance Authority on behalf of and for the benefit of the Health Science Center. As additional security for the UNM Bonds, the Finance Authority has pledged, on a subordinate basis, the amounts on deposit in a credit enhancement account created by Section 6-21-6.7 NMSA 1978. As of January 1, 2015, the UNM Bonds are outstanding in the aggregate principal amount of \$23,445,000 and have a final scheduled maturity on June 15, 2025.



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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 2015D 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 2015D Bonds (the “Tax Code”), and interest on the Series 2015D 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 2015D Bonds is exempt from taxation by the State of New Mexico, except for estate or gift taxes and taxes on transfers. See “TAX MATTERS.”



\$29,355,000
SUBORDINATE LIEN PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS, SERIES 2015D

Dated: Date of Initial Delivery

Due: June 15, as shown on inside front cover

The New Mexico Finance Authority Subordinate Lien Public Project Revolving Fund Revenue Bonds, Series 2015D (the “Series 2015D 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 2015D Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount of each maturity of the Series 2015D Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2015D Bonds will be made in book-entry form only, and beneficial owners of the Series 2015D 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 2015D Bonds.

The Series 2015D Bonds will be issued under and secured by the Subordinated General Indenture of Trust and Pledge. Interest on the Series 2015D Bonds accrues from the date of initial delivery of the Series 2015D Bonds and is payable on June 15 and December 15 of each year, commencing December 15, 2015. Principal of the Series 2015D 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 2015D Bonds are subject to optional redemption prior to maturity.

Proceeds of the Series 2015D Bonds will be used by the Finance Authority for the purposes of (i) originating a Loan to a governmental entity of the State that will be used to refinance a Project for such governmental entity, and (ii) paying costs incurred in connection with the issuance of the Series 2015D Bonds. The principal of and premium, if any, and interest on the Series 2015D 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 and may issue additional bonds and other obligations pursuant to the Indenture with a lien on the Trust Estate on parity with the lien of the Series 2015D Bonds. The Finance Authority has issued and expects to issue bonds with a lien on the NMFA Portion of the Governmental Gross Receipts Tax senior to the lien of the Series 2015D Bonds.

The Series 2015D 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 2015D 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 2015D 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 2015D 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 2015D 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. Certain legal matters will be passed upon for the Underwriters by Hogan Lovells US LLP, Denver, Colorado. Western Financial Group, LLC has acted as municipal advisor to the Finance Authority in connection with the issuance of Series 2015D Bonds. It is expected that a single certificate for each maturity of the Series 2015D Bonds will be delivered to DTC or its agent on or about August 12, 2015.

This Official Statement is dated July 30, 2015, and the information contained herein speaks only as of that date.

NEW MEXICO FINANCE AUTHORITY

\$29,355,000

SUBORDINATE LIEN PUBLIC PROJECT REVOLVING FUND REVENUE BONDS
SERIES 2015D

MATURITY SCHEDULE

Year (June 15)	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	CUSIP <u>Number</u> [†]
2016	\$2,185,000	5.00%	0.30%	64711N ZM0
2017	1,730,000	5.00	0.72	64711N ZN8
2018	1,815,000	5.00	1.04	64711N ZP3
2019	1,910,000	4.00	1.26	64711N ZQ1
2020	1,985,000	5.00	1.51	64711N ZR9
2021	2,090,000	5.00	1.78	64711N ZS7
2022	2,195,000	5.00	2.07	64711N ZT5
2023	2,305,000	5.00	2.25	64711N ZU2
2024	2,425,000	5.00	2.40	64711N ZV0
2025	2,550,000	5.00	2.54	64711N ZW8
2026	2,680,000	5.00	2.70 (c)	64711N ZX6
2027	5,485,000	5.00	2.79 (c)	64711N ZY4

(c) Yield to par call on June 15, 2025.

[†] The above referenced CUSIP number(s) have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2015D Bonds. Neither the Finance Authority, the Trustee, the Municipal Advisor, nor the Underwriters is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the Series 2015D Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015D 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 2015D 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 2015D 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 (the “Exchange Act”), 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 2015D Bonds are offered to the public may vary from the initial reoffering yields or prices shown on the inside front cover page of this Official Statement. In connection with this offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect market yields or prices of the Series 2015D 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 2015D 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 2015D 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 2015D 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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Salt Lake City, Utah

Trustee, Registrar and Paying Agent

BOKF, NA
Albuquerque, New Mexico

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OFFICIAL STATEMENT
RELATING TO
\$29,355,000
SUBORDINATE LIEN PUBLIC PROJECT REVOLVING FUND
REVENUE BONDS, SERIES 2015D

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 \$29,355,000 Subordinate Lien Public Project Revolving Fund Revenue Bonds, Series 2015D (the “Series 2015D Bonds”) being issued by the New Mexico Finance Authority (the “Finance Authority”). The Series 2015D 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 Subordinated General Indenture of Trust and Pledge, dated as of March 1, 2005, as previously amended and supplemented (the “General Indenture”), and as further amended and supplemented by an Twelfth Supplemental Indenture of Trust, dated as of August 1, 2015 (the “Twelfth Supplemental Indenture” and together with the General Indenture, the “Indenture”) all between the Finance Authority and BOKF, NA, Albuquerque, New Mexico, as trustee (the “Trustee”), and are presented under the caption “Definitions” in “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE.”

New Mexico Finance Authority

The 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, 2014 included as APPENDIX A hereto. See “FINANCIAL STATEMENTS” herein.

Authority and Purpose

The Series 2015D 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” herein.

Proceeds from the sale of the Series 2015D Bonds will be used by the Finance Authority for the purposes of (i) originating a Loan to a governmental entity of the State (the “2015D Governmental Unit”) that will be used to refinance a Project for such governmental entity and (ii) paying costs incurred in connection with the issuance of the Series 2015D Bonds. See “THE PLAN OF FINANCING” and APPENDIX F for a list of the 2015D Governmental Units and the amounts of the Loan financed with proceeds of the Series 2015D Bonds.

Parity Obligations

Bonds and other obligations with a lien on the Trust Estate on parity with the lien of the Series 2015D 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.”

The Series 2015D Bonds

The Series 2015D Bonds will be dated the date of their initial delivery. Interest on the Series 2015D Bonds is payable on June 15 and December 15 of each year, commencing December 15, 2015. The Series 2015D Bonds will mature on the dates and in the amounts (unless redeemed prior to maturity) and will bear interest at the rates shown on the inside front cover of this Official Statement. The Series 2015D 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 2015D 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 2015D 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 2015D Bonds, all as more fully described in APPENDIX E. In reading this Official Statement, it should be understood that while the Series 2015D 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 2015D Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry only system as described in APPENDIX E, and (ii) 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 2015D Bonds are subject to optional redemption prior to maturity. See “THE SERIES 2015D BONDS—Redemption.”

Security and Sources of Payment

Special Limited Obligations. The Bonds, including the Series 2015D Bonds, are special limited obligations of the Finance Authority secured by and payable solely from the special revenues and funds of the Finance Authority pledged under the Indenture, including: (i) moneys from the repayment by governmental borrowers of loans made or securities issued to finance a project under the Indenture (“Agreements”); (ii) moneys from the repayment by governmental borrowers to the Finance Authority of loans made or securities purchased from moneys in the Public Project Revolving Fund and pledged as “Additional Pledged Loans” under the Indenture; (iii) certain Governmental Gross Receipts Tax revenues and moneys from the repayment to the Finance Authority of certain loans, to the extent available on June 1 of each year after all obligations of the Finance Authority under the Senior Indenture (as defined below under “Senior Bonds”) have been satisfied (together with the moneys described in (ii) in this paragraph, the “Subordinate Lien PPRF Revenues”); (iv) any additional revenues received by the Finance Authority and designated as part of the special revenues and funds pledged under the Indenture pursuant to a Supplemental Indenture or Pledge Notification; and (v) certain funds and accounts created and maintained pursuant to the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Funds” and see “Establishment and Use of Funds” in “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE” herein. Moneys from the sources described in (ii) and (iii) above may be released from the Indenture on June 16 of each year. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” 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 2015D 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 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.

Senior Bonds. The Finance Authority's General Indenture of Trust and Pledge dated as of June 1, 1995, as amended and supplemented (the "Senior Indenture"), creates a lien on the NMFA Portion of the Governmental Gross Receipts Tax and additional pledged loans pledged to the Senior Indenture (collectively, and as defined in the Indenture, the "PPRF Revenues") that is senior to the lien of the Indenture. Pursuant to the Senior Indenture the Finance Authority has issued and may issue bonds or other obligations with a lien on PPRF Revenues senior to the lien of the Indenture ("Senior Bonds"). Those Senior Bonds and obligations are secured by and payable from the PPRF Revenues prior to their release from the Senior Indenture. The Finance Authority maintains an ongoing program to provide loans and to purchase securities from Governmental Units and expects to finance some of those activities with the issuance of additional Senior Bonds. At or about the same time that the Finance Authority issues the Series 2015D Bonds, the Finance Authority expects to issue a series of Senior Bonds in the principal amount of \$45,475,000. The issuance of the Series 2015D Bonds is not contingent upon the issuance of these Senior Lien Bonds. The timing, amount and other details of any other additional Senior Bonds are not known as of the date of this Official Statement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Senior Bonds."

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 with a lien on parity with the Series 2015D Bonds. The Finance Authority must satisfy certain requirements set forth in the Indenture to issue such Additional Bonds. The timing, amount and other details of such Additional Bonds are not known as of the date of this Official Statement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds."

Continuing Disclosure Undertaking

The Finance Authority has undertaken for the benefit of the Series 2015D Bond Owners that, so long as the Series 2015D 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 20% of the estimated Subordinate Lien Revenues in the then-current fiscal year to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB and notice of certain material events to the MSRB in accordance with Rule 15c2-12 promulgated under the Exchange Act. 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 2015D 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 2015D Bonds (the "Tax Code"), and interest on the Series 2015D 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 2015D 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 2015D 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. 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 municipal advisor to the Finance Authority (the "Municipal Advisor") in connection with its issuance of the Series 2015D Bonds. See "MUNICIPAL ADVISOR."

The Finance Authority's audited financial statements for the fiscal year ended June 30, 2014, included in APPENDIX A, have been audited by REDW, LLC, Certified Public Accountants, Albuquerque, New Mexico. See also "FINANCIAL STATEMENTS."

Offering and Delivery of the Series 2015D Bonds

The Series 2015D 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 2015D Bonds will be delivered to DTC or its agent on or about August 12, 2015. The Series 2015D Bonds will be distributed in the initial offering by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofAML") and J.P. Morgan Securities LLC (together, the "Underwriters") for which BofAML 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 2015D Bonds.

THE SERIES 2015D BONDS

General

The Series 2015D Bonds will be dated as of the date of their initial delivery and interest will accrue on the Series 2015D 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 15 and December 15 of each year, commencing December 15, 2015. The Series 2015D Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside front cover (unless redeemed prior to maturity). The Series 2015D Bonds are issuable in denominations of \$5,000 or integral multiples of \$5,000 (the "Authorized Denominations").

Book-Entry Only System

The Depository Trust Company will act as securities depository for all of the Series 2015D Bonds through its nominee, Cede & Co. One fully registered bond in a denomination equal to the principal amount and maturity of the Series 2015D Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2015D Bonds will be made in book-entry only form, and beneficial owners of the Series 2015D 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 2015D 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 2015D Bonds maturing on or after June 15, 2026, are subject to optional redemption at any time on and after June 15, 2025, in whole or in part, in such order of maturity as may be selected by the Finance Authority and by lot within each maturity (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 2015D Bonds to be redeemed, plus interest accrued to the redemption date.

Partially Redeemed Bonds. In case any Series 2015D Bond is redeemed in part, upon the presentation of such Series 2015D 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 2015D Bond or Bonds of the same series, interest rate and maturity and in an aggregate principal amount equal to the unredeemed portion of such Series 2015D Bond. A portion of any Series 2015D 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 2015D Bonds for redemption, the Trustee will treat each such Bond as representing that number of Series 2015D Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bonds by \$5,000.

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

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

If at the time of mailing of any notice of redemption there are not on deposit with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice is to state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date and that such notice will be of no effect unless such moneys are so deposited.

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

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 2015D Bonds, are special limited obligations of the Finance Authority payable solely from the Trust Estate. The Series 2015D 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 2015D 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 2015D 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, first, for the equal and ratable payment of the Bonds, the PPRF Secured Obligations (as to amounts deposited to the Revenue Fund), the Security Instrument Repayment Obligations and the SWAP Payments, and, second, for the equal and ratable payment of the Reserve Instrument Repayment Obligations. The Trust Estate includes: (i) Agreement Revenues; (ii) Additional Pledged Revenues; (iii) Subordinate Lien PPRF Revenues; and (iv) other amounts in certain funds and accounts created and maintained pursuant to the Indenture; all as more fully described below. The Agreement Revenues, Additional Pledged Revenues and Subordinate Lien PPRF Revenues are collectively referred to as the “Subordinate Lien Revenues.”

Agreement Revenues. The Agreements consist of Loan Agreements and Securities (each as defined in the Indenture) 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”) 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 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 2015D Governmental Units and the allocable portions of the Loans financed with the Series 2015D 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 the Subordinate Lien PPRF Revenues. The Finance Authority reports that no Governmental Unit has failed to timely pay its obligations owing under its respective Agreement.

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The following table lists the various types of revenues from which Agreement Revenues are derived based upon scheduled payments in fiscal year 2015-2016. The table also lists the amounts of those revenues and the percentage of the total Agreement Revenues of those revenues.

<u>Type of Revenue</u>	<u>FY 2015-2016 Amounts</u>	<u>% of Total Agreement Revenues</u>
Enterprise System Revenues	\$16,576,946	39.97%
Local Special Tax	14,171,292	34.17
Gross Receipts Tax	5,451,927	13.15
General Obligation (ad valorem taxes)	3,421,885	8.25
Fire Protection Funds	1,156,908	2.79
Special Assessments	515,925	1.24
Mill Levy	97,850	0.24
Law Enforcement Protection Funds	<u>76,632</u>	<u>0.18</u>
Total	<u>\$41,469,365</u>	<u>100.00%</u>

Note: Totals may not add due to rounding. Assumes that the Loan funded with proceeds of the Series 2015D Bonds is executed and delivered.

(Source: The Finance Authority.)

The following table lists the ten Agreements that are expected to generate the largest Agreement Revenues in fiscal year 2015-2016, based on scheduled payments in fiscal year 2015-16 and assuming no prepayments of the Agreements. These ten Agreements comprise 68.70% of projected Agreement Revenues for fiscal year 2015-2016.

AGREEMENTS EXPECTED TO GENERATE AGREEMENT REVENUES⁽¹⁾

<u>Obligor/Issuer</u>	<u>FY 2015-2016 Loan Payment</u>	<u>% of Projected FY 2015-2016 Agreement Revenues⁽²⁾</u>
Albuquerque Bernalillo County Water Utility Authority (Enterprise System Revenues)	\$6,637,900	16.01%
City of Santa Fe (Local Special Tax)	4,202,381	10.13
Bernalillo City Metro Court (Local Special Tax)	3,875,850	9.35
Jicarilla Apache Nation (General Revenue) ⁽³⁾	3,404,280	8.21
Santa Ana Pueblo (Enterprise System Revenues)	3,028,262	7.30
Eastern New Mexico University (Local Special Tax)	1,719,410	4.15
Los Alamos County (Enterprise System Revenues)	1,698,828	4.10
University of New Mexico Health Sciences Center (Local Special Tax)	1,628,650	3.93
Cobre Consolidated Schools (Ad Valorem Taxes)	1,261,415	3.04
Espanola (Gross Receipts Tax)	<u>1,033,721</u>	<u>2.49</u>
Total	<u>\$29,490,697</u>	<u>68.70%</u>

(1) Based on scheduled fiscal year 2015-2016 debt service and assumes no prepayment or redemption.

(2) Assumes that the Loan funded with proceeds of the Series 2015D Bonds is executed and delivered.

(3) Secured by all revenues available to the Jicarilla Apache Nation, including enterprise system revenues.

(Source: Finance Authority.)

Although Agreement Revenues are received at various times throughout the year, they are held under the Indenture until June 15 of each year to be applied to pay debt service on the Bonds. For more information with respect to Agreement Revenues and Governmental Units with the largest repayment obligations, see “APPENDIX F—2015D GOVERNMENTAL UNITS; 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 of Subordinate Lien PPRF Revenues.

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 Revenues. Additional Pledged Revenues consist of any additional revenues received by the Finance Authority and designated as part of the Trust Estate pursuant to the Indenture or a Pledge Notification. Additional Pledged Revenues are not revenues attributable to Additional Pledged Loans. Additional Pledged Revenues may be among the amounts released from the Revenue Fund on June 16 of each year to the extent they will not be required for debt service in the then current Bond Fund Year, as described below under "Subordinate Lien PPRF Revenues." Additional Pledged Revenues are deposited in the Revenue Fund immediately upon their receipt throughout the year by the Finance Authority. For a more complete description of these deposits and transfers, see "Flow of Funds" below under this caption, and "Establishment and Use of Funds" in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" herein. At the present, the Finance Authority has not designated any sources of revenues or "Additional Pledged Revenues."

Subordinate Lien PPRF Revenues. Subordinate Lien PPRF Revenues consist in part of the NMFA Portion of the Governmental Gross Receipts Tax and moneys from the repayment to the Finance Authority of the Additional Senior Pledged Loans deposited to the revenue fund created under the Senior Indenture (the "PPRF Revenues"), to the extent such amounts are available on June 1 of each Bond Fund Year after all obligations of the Finance Authority under the Senior Indenture have been satisfied and the Trustee has retained any amounts required to be retained pursuant to the Senior Indenture. "Additional Senior Pledged Loans" are additional loans or securities made or purchased by the Finance Authority from amounts on deposit in the Public Project Revolving Fund, the payments of principal of and interest on which have been specifically pledged by the Finance Authority to the payment of the Senior Bonds and other amounts due under the Senior Indenture. Pursuant to the Indenture, all moneys released from the Senior Indenture on June 1 of each Bond Fund Year are to be deposited into the Revenue Fund created by the Indenture. See "INVESTMENT CONSIDERATIONS—Availability of Subordinate Lien PPRF Revenues."

Subordinate Lien PPRF Revenues also consist, in part, of revenues from 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 Bonds and PPRF Secured Obligations and other amounts secured by the Indenture. See "Flow of Funds" below under this caption.

Additional Pledged Loans (repayments of which are pledged to the payment of the Bonds) are not Additional Senior Pledged Loans (repayments of which are pledged only to the extent available for transfer under the Senior Indenture on June 1 of each Bond Fund Year).

The following table shows, for fiscal years 2010-11 through 2014-15, the amounts released to the Finance Authority from the Senior Indenture, which represent the amounts that would be included as Historical Subordinate Lien PPRF Revenues under the Indenture.

HISTORICAL SUBORDINATE LIEN PPRF REVENUES
FISCAL YEARS 2010-11 THROUGH 2014-15
(RELEASED TO THE INDENTURE ON JUNE 1)

Fiscal Year <u>2010-11</u>	Fiscal Year <u>2011-12</u>	Fiscal Year <u>2012-13</u>	Fiscal Year <u>2013-14</u>	Fiscal Year <u>2014-15</u>
\$36,302,648	\$35,794,361	\$40,753,364	\$41,468,998	\$44,943,388

(Source: Finance Authority.)

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 political 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.

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Presented below is information from the New Mexico Taxation and Revenue Department concerning collections of the governmental gross receipts tax for the fiscal years 2010-2011 through 2014-2015.

**GOVERNMENTAL GROSS RECEIPTS TAX COLLECTIONS
FISCAL YEARS 2010-2011 THROUGH 2014-2015**

	<u>Fiscal Year 2010-2011</u>	<u>Fiscal Year 2011-2012</u>	<u>Fiscal Year 2012-2013</u>	<u>Fiscal Year 2013-2014</u>	<u>Fiscal Year 2014-2015</u>
Total Net Receipts	\$32,872,185	\$34,939,052	\$36,766,258	\$36,396,929	\$35,287,521
NMFA Portion of the Governmental Gross Receipts Tax	\$24,518,214	\$26,204,289	\$27,451,328	\$27,297,697	\$26,465,641

(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), a Debt Service Reserve Fund (with a separate account for each series of Bonds with a Debt Service Reserve Requirement), an Agreement Reserve Fund (with a separate account for each Agreement that has a reserve requirement), an Expense Fund and a Reserve Instrument Fund all of which are part of the Trust Estate. Amounts on deposit in accounts in each Debt Service Reserve Account and in each Agreement Reserve Account shall only secure repayment of the Loan made under the related Agreement. The Finance Authority is not establishing or funding an account in the Debt Service Reserve Fund for the Series 2015D Bonds. Amounts in the accounts of the Program Fund are held by the Finance Authority and, upon request and submission of proper documentation, by the respective Governmental Unit, the Finance Authority will disburse funds directly to the provider of goods or services relating to the Project for which an account has been established in the Program Fund.

Flow of Funds

Loan Payments. All Loan Payments payable under the Loan Agreements and Securities (except as otherwise provided in a Supplemental Indenture) are required to be paid directly to the Finance Authority for remittance to the Trustee for deposit immediately upon their receipt, as follows:

First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit in that Account to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan (it being anticipated that each Governmental Unit will deposit an amount at least equal to the Loan Payments coming due under the related Loan Agreement or Securities with the Finance Authority, which will remit that amount to the Trustee for allocation to the related Account in the Debt Service Fund);

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

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

On 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 Fund, an amount sufficient, together with amounts in such Debt Service Account, to pay the Principal Component and the Interest Component due under such Loan Agreement or Securities on such Loan Payment Date. Two Business Days prior to an Interest Payment Date, available moneys in the Revenue Fund will be transferred to the Paying Agent for the Bonds to the extent the amounts in the Bond Fund and the Debt Service Fund are insufficient to pay Debt Service on the Bonds on such Interest Payment Date. 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 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. The Trustee is directed to return any excess 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. 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 and any remaining excess will be deposited into the Revenue Fund.

Revenue Fund. During each Bond Fund Year, (i) all PPRF Revenues released from the lien of the Senior Indenture will be paid by the Finance Authority to the Trustee immediately upon their release on June 1 of each year, (ii) all Additional Pledged Revenues will be immediately deposited with the Trustee; and (iii) all payments representing principal and interest from Additional Pledged Loans will be paid immediately upon their receipt by the Finance Authority to the Trustee. All of those amounts will be accounted for and maintained by the Trustee in the Revenue Fund. The Revenue Fund will be kept separate and apart from all other accounts of the Trustee and prior to transfers of any excess funds from the Revenue Fund on June 16 of each year (as described below), all amounts in it will be transferred by the Trustee in the order of priority specified below:

(a) To the Bond Fund, an amount needed, when added to amounts on deposit in the Bond Fund and transferred from the Debt Service Fund, to pay the principal of and interest on the Bonds due on June 15 and to rectify any deficiency in the Bond Fund that has not otherwise been rectified.

(b) To the Paying Agent for any PPRF Secured Obligation that notifies the Trustee, an amount needed, when added to amounts otherwise available for such purpose, to pay the principal and interest then due with respect to the PPRF Secured Obligations on June 15 and to rectify any such deficiency in the payment of any PPRF Secured Obligation which has occurred that has not otherwise been rectified.

(c) To the Bond Fund, an amount needed, when added to amounts transferred from the Debt Service Fund, to pay the amounts due on the Security Instrument Repayment Obligations and the SWAP Payments (net of SWAP Receipts) then due pursuant to any Security Instrument Agreements or Interest Rate Swaps, and the amount needed to rectify any deficiency in the payment of any Security Instrument Repayment Obligations or SWAP Payments that has not been rectified.

The transfers required by the preceding paragraph are to be made on a parity basis. If the amount available for transfer is insufficient, the Trustee must make those transfers ratably according to the amounts due.

After making the transfers described above, the Finance Authority must make the following transfers to the Trustee:

(a) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (i) to the Accounts in the Debt Service Reserve Fund, any amounts required by the General Indenture and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided in the General Indenture and in any Supplemental Indenture and (ii) if funds shall have been withdrawn from an Account in the Debt Service Reserve Fund or any Account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the Finance Authority shall transfer from the Revenue Fund to such Account or Accounts in the Debt Service Reserve Fund an amount sufficient to restore such Account or Accounts within one year with 12 substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement); or a ratable portion (based on the amount to be transferred pursuant to the following bulleted clause) of remaining amounts if less than the amount necessary; and

(b) Equally and ratably to the Accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments in effect and expected to continue in effect after the end of such month, such amount from the Revenue Fund, or a ratable portion (based on the amount to be transferred pursuant to the previous bulleted clause) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such transfer or deposit from the Revenue Fund into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

In the event that funds have been withdrawn from an Account in the Agreement Reserve Fund, or any Account in the Agreement Reserve Fund is at any time funded in an amount less than its Agreement Reserve Requirement after making the transfers described above, the Finance Authority will transfer for deposit in such Account sufficient Subordinate Lien PPRF Revenues, Agreement Revenues with respect to the related Agreement, Additional Pledged Revenues and revenues from Additional Pledged Loans to restore such Account within one year with 12 substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Agreement Reserve Requirement); or a ratable portion of remaining Subordinate Lien PPRF Revenues, Agreement Revenues with respect to the related Agreement, Additional Pledged Revenues and revenues from Additional Pledged Loans if less than the amount necessary.

After making the foregoing transfers to the Bond Fund and to the Paying Agent for the PPRF Secured Obligations and to the Security Instrument Issuers and to the SWAP Providers and to the Reserve Instrument Providers, on June 16 of each year, the Finance Authority will be entitled to direct the Trustee in writing to release to the Finance Authority the balance on deposit in the Revenue Fund and the Trustee must then transfer the balance to the Finance Authority. However, prior to any such release being made, there must be retained in the Revenue Fund an amount, after giving credit for available amounts in all accounts in the Debt Service Reserve Fund and the Agreement Reserve Fund, sufficient to make payments of all Bond Debt Service requirements (calculated as provided in clauses (i), (ii) and (iii) of the definition of Debt Service presented under the caption "Definitions" in "APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE"), Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations coming due in the then current Bond Fund Year; provided further, that once additional moneys are deposited into the Bond Fund to make all of the foregoing payments, the amounts retained in the Revenue Fund may be released from the lien of the Indenture but only to the extent of additional moneys deposited into the Bond Fund. The Finance Authority may use the balance for (i) deposit to the Public Project Revolving Fund as required by the Act; (ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund; (iii) refinancing, refunding, repurchase or advance refunding of any Bonds; or (iv) for any other lawful purpose, including payment of Program Costs for Bonds and similar costs for PPRF Secured Obligations, replacement of reserves for Bonds or PPRF Secured Obligations and payment of Termination Payments.

The Finance Authority may, but is not obligated to, use any legally available PPRF Revenues of the Finance Authority to satisfy its obligations under the Indenture. At this point, the Finance Authority has not entered into any counterparty transactions with respect to the PPRF.

The Finance Authority will contribute \$10.5 million of fiscal year 2015 flow-through funds towards New Mexico's Local Economic Development Act fund and \$3.8 million of fiscal year 2015 flow-through funds for various projects under the State's capital budget. Such contribution is a one-time transfer and has no effect on debt service coverage for the Bonds, as the contribution will be made after debt service requirements.

Debt Service Reserve Fund. The Indenture permits the establishment of a separate Account in the Debt Service Reserve Fund solely for the benefit of the holders of a Series of Bonds in an amount equal to the least of (i) 10% of the proceeds of such Series of Bonds determined on the basis of original principal amount (unless original issue premium or original issue discount exceeds two percent of original principal, then determined on the basis of initial purchase price to the public); (ii) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds; or (iii) 125% of the average annual Debt Service for such Series of Bonds (the "Debt Service Reserve Requirement"). If at any time the amount on deposit in any Account of the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement for that Account, the Finance Authority is required to make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund. **Although the Finance Authority has established separate Accounts in the Debt Service Reserve Fund for Series of Outstanding Parity Bonds, it is not establishing or funding an Account in the Debt Service Reserve Fund for the Series 2015D Bonds.**

The Debt Service Reserve Requirement may be funded entirely or in part with one or more letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit or other devices (each, a "Reserve Instrument"). No Reserve Instrument may be allowed to expire or terminate while the related Series of Bonds are Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required to be maintained in the related account of the Debt Service Reserve Fund.

In the event of a deficiency in the Bond Fund for a Series of Bonds, the Trustee will transfer moneys on deposit in the related Account of the Debt Service Reserve Fund to the Bond Fund to make up such deficiency. Moneys on deposit in any Account of the Debt Service Reserve Fund will be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by that Account and any Reserve Instrument may only be drawn upon with respect to the Series of Bonds for which such Reserve Instrument was obtained.

If funds on deposit in an Account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund, and there is insufficient cash available in such Account of the Debt Service Reserve Fund to make up such deficiency and Reserve Instruments applicable to such Series are in effect, the Trustee will immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund.

Moneys at any time on deposit in the account of the Debt Service Reserve Fund in excess of the amount required to be maintained therein (taking into account the amount of related Reserve Instrument Coverage) will be transferred by the Trustee to the Bond Fund at least once each year.

Previous Series of Outstanding Parity Bonds are secured by Accounts in the Debt Service Reserve Fund. The Debt Service Reserve Requirement for such Series of Outstanding Parity Bonds was funded by the acquisition of Reserve Instruments issued by either Ambac Assurance Corporation ("Ambac") or MBIA Insurance Corporation ("MBIA," and consequently ceded to its subsidiary National Public Finance Guarantee Corp., "National"). Neither the Finance Authority nor the Underwriters make any representation as to the ability of Ambac, MBIA or National to meet its obligations under its respective Reserve Instruments. In the event that a Reserve Instrument on deposit in the Debt Service Reserve Fund were terminated, the Finance Authority is required to replenish the Debt Service Reserve Requirement for the respective Series of Bonds or to provide a replacement Reserve Instrument.

Ambac and MBIA issued their respective Reserve Instruments when each was rated “AAA” and “Aaa” by S&P and Moody’s, respectively. The Finance Authority has been informed that S&P and Moody’s have lowered or no longer maintain their ratings with respect to Ambac, MBIA and National. The Finance Authority (with the advice of counsel) has determined that the Indenture does not require the Finance Authority to replace the Reserve Instruments as a result of the action taken by the rating agencies. Further financial information regarding Ambac, MBIA and National can be obtained at their respective websites. Neither the Finance Authority, nor the Underwriters make any representation as to any information on those websites or the ability of Ambac, MBIA, National or any other provider of Reserve Instruments to make payments on the Outstanding Parity Bonds in amounts and at the times required by the Indenture.

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 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

A limited number of Governmental Units (in an amount not deemed material by the Finance Authority) have the option, beginning one year after origination, to make full or partial Prepayments of their Loans. Neither the outstanding Bonds nor the Series 2015D Bonds are subject to mandatory redemption under such circumstances. With respect to the Series 2015D Bonds, the Indenture instead provides that, for the purpose of matching, to the extent practicable, (i) the revenues received from Loan Payments received pursuant to Loans reimbursed or originated with proceeds of the Series 2015D Bonds with debt service payable on Series 2015D Bonds, and (ii) the overall debt service requirements on the Outstanding Bonds and the Series 2015D Bonds with revenues received from Loan Payments on all outstanding Loans, the Finance Authority shall, within 365 days following the receipt of a Prepayment, in part or in full, of a Loan reimbursed with proceeds of Series 2015D Bonds, take separately or in combination any one or more of the actions described in subsections (a), (b) or (c) of this Section:

(a) The Finance Authority may, to the extent practicable, call for optional redemption prior to maturity Series 2015D Bonds which are subject to redemption, selecting Series 2015D Bonds for optional redemption in an amount and with debt service requirements that approximate the debt service requirements of the Loan for which the Prepayment was received (or a pro-rata portion thereof in the event that only a portion of the Prepayment is applied pursuant to this Subsection); or

(b) The Finance Authority may, to the extent practicable, originate one or more new Loans (i) in an aggregate principal amount equal to or greater than the amount of the Prepayment (or a pro rata portion thereof in the event that only a portion of the Prepayment is applied pursuant to this Subsection), and (ii) 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 in the event that only a portion of the Prepayment is applied pursuant to this Subsection). The Finance Authority shall provide a Cash Flow Statement to the Trustee establishing that, in taking the actions described in subsection (b) of this Section, the requirements of the Cash Flow Statement, as defined in of the Indenture, are satisfied.

(c) In the event that the Finance Authority does not take one of the actions described in either subsections (a) or (b) of this Section, the Finance Authority shall defease Series 2015D Bonds, in Authorized Denominations, to the first optional redemption date for such Series 2015D Bonds, in an amount approximating the amount of the Prepayment received (or a pro rata portion thereof in the event that only a portion of the Prepayment is applied pursuant to this Subsection). The principal amount and maturity date of the Series 2015D Bonds to be defeased shall correspond to the principal amount and due date of the Principal Component of such Prepayment. The Finance Authority shall recalculate the Loan payments due under any Loan in the case of a Prepayment in part of Loan payments under such Loan in a manner which is consistent with the actions taken as described in subsections (a), (b) or (c) of this Section.

(d) If, within 90 days following the receipt of a Prepayment, the Finance Authority has not either redeemed Bonds as provided in Subsection (a) of this Section or originated one or more new Loans as provided in Subsection (b) of this Section, the Finance Authority shall restrict the yield on investment of the Prepayment amount to the yield on the Loan for which the Prepayment was made, until one or more new Loans have been originated in an aggregate principal amount equal to or greater than the amount of the Prepayment, until Bonds have been redeemed, or until Series 2015D Bonds have been defeased as provided in Subsection (c) of this Section.

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 Senior 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.

<u>Fiscal Year</u>	<u>Number of Prepayments</u>	<u>Aggregate Principal Amount</u>
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	33	54,407,892
2013-2014	23	71,812,973
2014-2015 ⁽¹⁾	18	87,924,017

(1) Reflects prepayments received for the period of July 1, 2014 through June 1, 2015, including Prepayments under the Indenture as well as prepayments under the Senior 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 2015D 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 \$193,314 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 Senior Indenture. The NMFA has also applied \$83,715,000 of such prepayments to redeem obligations under the Indenture or the Senior Indenture. There remains \$4,015,703 of prepayments for which the NMFA is working to identify new loans.

(Source: The Finance Authority.)

Additional Bonds

Additional Bonds, PPRF Secured Obligations, Security Instrument Repayment Obligations and SWAP Payments 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, created 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,” taking into account the issuance of the Additional Bonds, PPRF Secured Obligations 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 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, PPRF Secured Obligations or other indebtedness, bonds or notes must be used (1) 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); (2) to make additional Loans or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance); or (3) to finance other projects approved by the Finance Authority.

(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, PPRF Secured Obligations or other indebtedness, bonds or notes if (1) the issuance of such Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes otherwise complies with the requirements of the Indenture; and (2) such Event of Default will cease to continue upon the issuance of the Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes and the application of the proceeds thereof.

All payments required to be made into the Bond Fund must have been made in full, and there must be on deposit in each account of the Debt Service Reserve Fund (taking into account any Reserve Instrument Coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds.

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 2015D 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 Senior Lien Obligations Other Than Senior Bonds. Other than the Senior Bonds, no additional indebtedness, bonds or notes of the Finance Authority payable on a priority senior to the pledge of the Trust Estate for payment of the Bonds, PPRF Secured Obligations, the Security Instrument Repayment Obligations and the SWAP Payments will be created or incurred without the prior written consent of 100% of the Owners of Outstanding Bonds, Owners of PPRF Secured Obligations, Security Instrument Issuers and SWAP Counterparties.

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Outstanding Parity Bonds

The Finance Authority has previously issued other Series of Bonds that are outstanding under the Indenture. The various Series of Outstanding Parity Bonds, their original principal amounts and their aggregate principal amounts outstanding as of July 1, 2015, are set forth below.

<u>Series⁽¹⁾</u>	<u>Original Principal Amount Issued</u>	<u>Aggregate Principal Amount Outstanding as of 7/1/2015⁽²⁾</u>
2005E	\$23,630,000	\$23,320,000
2006A	49,545,000	2,040,000
2006C	39,860,000	26,135,000
2007A	34,010,000	15,680,000
2007B	38,475,000	22,340,000
2007C	131,860,000	89,445,000
2013C	14,295,000	11,570,000
2014A	31,940,000	29,900,000
2015A	<u>63,390,000</u>	<u>62,355,000</u>
Total	<u>\$427,005,000</u>	<u>\$282,785,000</u>

(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.)

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

The Finance Authority may issue additional bonds pursuant to the Indenture from time to time to satisfy the financing needs of governmental entities in the State of New Mexico.

Outstanding Senior Bonds

The Finance Authority is authorized to issue bonds pursuant to the Senior Indenture to provide funds to Governmental Units for projects that have been approved by the Legislature for funding through the Public Project Revolving Fund. In connection with the issuance of Senior Bonds, the Finance Authority may enter into a loan agreement with the Governmental Unit or may purchase securities of the Governmental Unit in consideration for the loan of a portion of the proceeds of such Senior Bonds for projects (the “Senior PPRF Agreements”). The Senior Bonds are secured by (i) all revenues received by the Finance Authority from the allocation of the NMFA Portion of the Governmental Gross Receipts Tax, as more fully described herein under “The Governmental Gross Receipts Tax”; (ii) all revenues received or earned by the Finance Authority from or attributable to the Senior PPRF Agreements (except for certain costs of administering the Public Project Revolving Fund program); (iii) all revenues received or earned by the Finance Authority from or attributable to other loan agreements or securities pledged to the Senior Indenture; and (iv) all interest earned by and profits derived from the sale of investments in certain funds and accounts created under the Senior Indenture.

The Finance Authority has issued, and expects to issue, additional Senior Bonds under the Senior Indenture from time to time to satisfy the financing needs of governmental entities of the State of New Mexico. At or about the same time that the Finance Authority issues the Series 2015D Bonds, the Finance Authority expects to issue a

series of Senior Bonds in the principal amount of \$45,475,000. The issuance of the Series 2015D Bonds is not contingent upon the issuance of these Senior Lien Bonds. The timing, amount and other details of any other additional Senior Bonds have not been determined. The following table presents the series of Senior Bonds that were outstanding as of July 1, 2015, under the Senior Indenture.

<u>Series⁽¹⁾</u>	<u>Original Principal Amount Issued</u>	<u>Aggregate Principal Amount Outstanding as of 7/1/2015⁽²⁾</u>
2005A	\$19,015,000	\$5,795,000
2005B	13,500,000	3,490,000
2006B	38,260,000	24,440,000
2006D	56,400,000	44,975,000
2007E	61,945,000	37,085,000
2008A	158,965,000	124,400,000
2008B	36,545,000	24,195,000
2008C	29,130,000	19,385,000
2009A	18,435,000	13,265,000
2009C	55,810,000	43,630,000
2009D-1	13,570,000	8,385,000
2009D-2	38,845,000	35,605,000
2009E	35,155,000	16,480,000
2010A-1	15,170,000	6,110,000
2010A-2	13,795,000	13,795,000
2010B-1	38,610,000	26,035,000
2010B-2	17,600,000	17,120,000
2011A	15,375,000	3,270,000
2011B-1	42,735,000	28,850,000
2011B-2	14,545,000	11,435,000
2011C	53,400,000	42,800,000
2012A	24,340,000	21,265,000
2013A	44,285,000	37,910,000
2013B	16,360,000	14,175,000
2014B	58,235,000	54,970,000
2015B	<u>45,325,000</u>	<u>45,325,000</u>
Total ⁽³⁾	<u>\$975,350,000</u>	<u>\$724,190,000</u>

(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) All series of bonds have maturities on June 1.

(3) At or about the same time that the Finance Authority issues the Series 2015D Bonds, the Finance Authority expects to issue a series of Senior Bonds in the principal amount of \$45,475,000. The issuance of the Series 2015D Bonds is not contingent upon the issuance of these Senior Lien Bonds.

(Source: The Finance Authority.)

The Finance Authority has established a debt service reserve fund under the Senior Indenture to secure payment of debt service on any Senior Bonds issued under the Senior Indenture (the “Senior Lien Common Debt Service Reserve Fund”). As of June 1, 2015, the Senior Lien Common Debt Service Reserve Fund was funded in the amount of \$30,259,922. The Senior Lien Common Debt Service Reserve Fund secures the Senior Bonds and is not pledged as security for the 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, Amendments to Agreements, and Amendments and Supplements to Senior Indenture.”

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.

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THE PLAN OF FINANCING

Purposes of the Series 2015D Bonds

Proceeds from the sale of the Series 2015D Bonds will be used by the Finance Authority for the purposes of (i) originating a Loan to the 2015D Governmental Unit that will be used to refinance a Project for such 2015D Governmental Unit and (ii) paying costs incurred in connection with the issuance of the Series 2015D Bonds.

See APPENDIX F for the 2015D Governmental Unit and the amount of the Loan expected to be financed with proceeds of the Series 2015D Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series 2015D Bonds are presented in the following table.

Sources of Funds

Par Amount	\$29,355,000.00
Original Issue Premium.....	4,782,150.50
Amounts from Prior Loan Account.....	3,908,850.00
Finance Authority Contribution	<u>69,393.86</u>
Total.....	<u>\$38,115,394.36</u>

Uses of Funds

Deposit to Fund Account ⁽¹⁾	\$37,735,663.02
Costs of Issuance ⁽²⁾	<u>379,731.34</u>
Total	<u>\$38,115,394.36</u>

⁽¹⁾ Amounts in the Program Fund Account will be used to fund the Loan to the 2015D Governmental Unit, which will be used to refinance a previous Loan, fund an agreement reserve account and provide for capitalized interest. See “APPENDIX F—2015D GOVERNMENTAL UNIT: LARGEST REPAYMENT OBLIGATIONS.”

⁽²⁾ Costs of issuance include Underwriters’ discount, legal fees (including legal fees of counsel to the 2015D Governmental Unit), rating agency fees, Trustee fees, financial advisory fees (including financial advisory fees of the 2015D Governmental Unit), and other miscellaneous costs.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service payable for the Series 2015D Bonds and all currently Outstanding Parity Bonds for each fiscal year through their respective final maturity dates.

DEBT SERVICE FOR THE BONDS⁽¹⁾

<u>Series 2015D Bonds</u>				
<u>Fiscal Year</u>	<u>Principal⁽²⁾</u>	<u>Interest⁽³⁾</u>	<u>Outstanding Parity Bonds⁽⁴⁾</u>	<u>Total</u>
2016	\$2,185,000	\$1,219,280	\$34,154,492	\$37,558,773
2017	1,730,000	1,339,400	35,621,614	38,691,014
2018	1,815,000	1,252,900	34,633,372	37,701,272
2019	1,910,000	1,162,150	36,760,999	39,833,149
2020	1,985,000	1,085,750	31,476,374	34,547,124
2021	2,090,000	986,500	32,962,982	36,039,482
2022	2,195,000	882,000	28,838,381	31,915,381
2023	2,305,000	772,250	32,354,945	35,432,195
2024	2,425,000	657,000	29,088,017	32,170,017
2025	2,550,000	535,750	25,100,637	28,186,387
2026	2,680,000	408,250	11,661,337	14,749,587
2027	5,485,000	274,250	9,198,862	14,958,112
2028	—	—	5,428,380	5,428,380
2029	—	—	4,617,297	4,617,297
2030	—	—	4,401,390	4,401,390
2031	—	—	4,401,570	4,401,570
2032	—	—	4,412,313	4,412,313
2033	—	—	4,214,712	4,214,712
2034	—	—	2,994,919	2,994,919
2035	—	—	<u>2,566,800</u>	<u>2,566,800</u>
Total	<u>\$29,355,000</u>	<u>\$10,575,480</u>	<u>\$374,889,392</u>	<u>\$414,819,872</u>

(1) Amounts are rounded to the nearest whole dollar. Totals may not add due to rounding.

(2) Payable on June 15 of each year.

(3) Payable on June 15 and December 15 of each year, commencing December 15, 2015.

(4) Represents principal of and interest on Bonds outstanding as of July 1, 2015.

(Source: Western Financial Group, LLC.)

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The following table shows estimated available revenues pledged to the payment of the Bonds, total debt service requirements for the Series 2015D Bonds and all currently Outstanding Parity Bonds and the resulting estimated annual coverage ratios. Revenues for current and future fiscal years are based on Fiscal Year 2014-15 releases of PPRF Revenues from the Senior Indenture 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—Subordinate Lien PPRF Revenues,” “—Agreement Revenues” for descriptions of the revenues presented in the table under the headings “Subordinate Lien PPRF Revenues” and “Agreement Revenues.” See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate—Subordinate Lien PPRF Revenues” and “INVESTMENT CONSIDERATIONS” for a list of some factors affecting Subordinate Lien PPRF Revenues.

ANNUAL DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE RATIOS

<u>Fiscal Year</u>	<u>Subordinate Lien PPRF Revenues</u> ^{(1) (2)}	<u>Agreement Revenues</u> ^{(1) (3)}	<u>Estimated Total Revenues</u> ⁽¹⁾	<u>Total Debt Service Requirements</u> ⁽¹⁾	<u>Estimated Annual Coverage Ratios</u> ⁽⁴⁾
2016	\$40,559,979	\$41,469,365	\$82,029,344	\$37,558,773	2.18 x
2017	34,812,529	42,314,994	77,127,522	38,691,014	1.99 x
2018	32,897,406	40,767,168	73,664,574	37,701,272	1.95 x
2019	31,000,148	43,079,505	74,079,653	39,833,149	1.86 x
2020	33,847,751	36,823,846	70,671,597	34,547,124	2.05 x
2021	28,942,987	38,714,197	67,657,184	36,039,482	1.88 x
2022	29,167,617	34,552,132	63,719,749	31,915,381	2.00 x
2023	31,218,078	35,501,800	66,719,878	35,432,195	1.88 x
2024	29,863,071	33,157,384	63,020,455	32,170,017	1.96 x
2025	29,909,805	29,080,645	58,990,450	28,186,387	2.09 x
2026	28,409,324	15,430,816	43,840,140	14,749,587	2.97 x
2027	27,323,689	17,890,157	45,213,845	14,958,112	3.02 x
2028	28,276,728	9,858,321	38,135,049	5,428,380	7.03 x
2029	37,113,450	10,739,591	47,853,041	4,617,297	10.36 x
2030	27,097,169	10,648,980	37,746,149	4,401,390	8.58 x
2031	26,374,870	10,585,717	36,960,587	4,401,570	8.40 x
2032	25,672,651	8,795,708	34,468,359	4,412,313	7.81 x
2033	27,100,711	7,757,207	34,857,918	4,214,712	8.27 x
2034	28,103,583	6,052,833	34,156,416	2,994,919	11.40 x
2035	<u>27,760,665</u>	<u>5,638,391</u>	<u>33,399,056</u>	<u>2,566,800</u>	13.01 x
Total ⁽⁵⁾	<u>\$605,452,211</u>	<u>\$478,858,757</u>	<u>\$1,084,310,968</u>	<u>\$414,819,872</u>	

(1) Amounts rounded to the nearest dollar. Assumes the Series 2015D Bonds are issued and Outstanding.

(2) Future collections of the Subordinate Lien PPRF Revenues are based on a forecast of revenues to be released from the Senior Indenture. As shown, the figures do not reflect any possible future reduction resulting from payment of debt service on Senior Bonds. For a history of Subordinate Lien PPRF Revenues, see the chart entitled “Historical Subordinate Lien PPRF Revenues” under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Trust Estate.” See also “INVESTMENT CONSIDERATIONS—Availability of Subordinate Lien PPRF Revenues.”

(3) Represents scheduled payments of Agreements and does not reflect the prepayment of any such Agreements that may occur while the Bonds are outstanding. Assumes the Series 2015D Bonds are issued and outstanding. See “SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS—Outstanding Parity Bonds.”

(4) The Estimated Annual Coverage Ratios are calculated assuming that no additional Parity Bonds will be issued pursuant to the Indenture and are subject to change.

(5) Totals may not foot due to rounding.

(Source: 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 36 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:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
John E. McDermott (Chair) ⁽¹⁾	President, McDermott Advisory Services, LLC	01/01/2017
William F. Fulginiti (Vice Chair) ⁽²⁾	Executive Director, New Mexico Municipal League	not applicable
David Martin ^{(1) (2)} (Secretary)	Cabinet Secretary, Energy, Minerals and Natural Resources Department, State of New Mexico	not applicable
Katherine Ulibarri (Treasurer) ⁽¹⁾	Vice President for Finance and Operations, Central New Mexico Community College	12/31/2018
Jon Barela ^{(1) (2)}	Cabinet Secretary, Economic Development Department, State of New Mexico	not applicable
Tom Clifford ^{(1) (2)}	Cabinet Secretary, Department of Finance and Administration	not applicable
Blake Curtis ⁽¹⁾	Chief Executive Officer, Senior Vice President, Curtis & Curtis, Inc., Clovis, New Mexico	01/01/16
Ryan Flynn ^{(1) (2)}	Cabinet Secretary, Environment Department, State of New Mexico	not applicable
Jerry Jones ⁽¹⁾	Chief Executive Officer, Stolar Research Corporation, Raton, New Mexico	01/01/17
Steve Kopelman ⁽²⁾	Executive Director, New Mexico Association of Counties	not applicable
Terry White ⁽¹⁾	Chief Executive Officer, Sunwest Trust, Inc., Albuquerque, New Mexico	01/01/16

⁽¹⁾ Appointed by the Governor of the State and serves at the pleasure of the Governor.

⁽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.

Presented below is certain information concerning key staff members of the Finance Authority involved in the issuance of the Series 2015D 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 in various municipal instruments during his career.

Robert Brannon, Chief Financial Officer. Mr. Brannon joined the Finance Authority as an accountant in 2008, was promoted to Controller in 2012, and was appointed Interim Chief Financial Officer in 2014. 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.

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 General Counsel in October 2012. Prior to joining the Finance Authority, Mr. Opperman served as 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 June 1, 2015, the Finance Authority had made 1,225 PPRF loans totaling approximately \$2.52 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 2015D 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 June 1, 2015, the Contingent Liquidity Account was funded to an amount of approximately \$33,513,272. 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 although the Finance Authority anticipates that it will renew or replace the Wells Fargo Short-Term Borrowing prior to such expiration date. 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. The Finance Authority does not have any current plans to draw upon the Wells Fargo Short-Term Borrowing by the end of the year. However, the Finance Authority reserves the right to draw upon the Wells Fargo Short-Term Borrowing if it is expedient to do so.

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, 2015.

<u>Program</u>	<u>Project</u>	<u>Original Principal Amount</u>	<u>Outstanding as of July 1, 2015</u>	<u>Scheduled Final Maturity</u>
Cigarette Tax	University of New Mexico Health Sciences Building	\$39,035,000	\$6,895,000	4/1/2019
Cigarette Tax	Behavioral Health Facilities	2,500,000	1,375,000	5/1/2026
Transportation	Highways 2006A	150,000,000	11,305,000	12/15/2018
Transportation	Highways 2006B Subordinate	40,085,000	2,935,000	12/15/2016
Transportation	Highways 2008A Subordinate	115,200,000	35,200,000	6/15/2024
Transportation	Highways 2008B Subordinate	220,000,000	100,000,000	12/15/2026
Transportation	Highways 2009A	112,345,000	10,260,000	6/15/2017
Transportation	Highways 2010A	95,525,000	31,965,000	12/15/2024
Transportation	Highways 2010A Subordinate	79,100,000	63,255,000	12/15/2021
Transportation	Highways 2010B	461,057,000	444,800,000	6/15/2024
Transportation	Highways 2011A-1 Subordinate	80,000,000	80,000,000	12/15/2026
Transportation	Highways 2011A-2 Subordinate	120,000,000	120,000,000	12/15/2026
Transportation	Highways 2011A-3 Subordinate	84,800,000	84,800,000	12/15/2026
Transportation	Highways 2012	220,400,000	216,555,000	6/15/2026
Transportation	Highways 2014 Subordinate	70,110,000	70,110,000	6/15/2032
Transportation	Highways 2014B-1	61,380,000	61,380,000	6/15/2027
Transportation	Highways 2014B-2 Subordinate	18,025,000	18,025,000	6/15/2027

(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 2015D 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 2015D Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2015D 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 2015D Bonds.

UNDERWRITING

Pursuant to a Bond Purchase Agreement dated July 30, 2015 (the “Bond Purchase Agreement”) between Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, and the Finance Authority, the Underwriters have agreed to purchase the Series 2015D Bonds from the Finance Authority at a purchase price equal to \$34,067,756.64 (being the aggregate principal amount of the Series 2015D Bonds plus an original issue premium of \$4,782,150.50 and less an underwriting discount of \$69,393.86). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2015D 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 2015D 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 2015D Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreements”) with Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings, including the Series 2015D Bonds, at the original issue prices. Pursuant to the Dealer Agreements, CS&Co. and LPL may purchase Series 2015D Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2015D Bonds that such sells.

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.

In the course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Finance Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with 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 following sections are not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Series 2015D 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 2015D 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 2015D Bonds (the “Tax Code”), and interest on the Series 2015D 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 2015D 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 2015D 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 2015D Bonds. These requirements include: (a) limitations as to the use of proceeds of the Series 2015D Bonds; (b) limitations on the extent to which proceeds of the Series 2015D 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 2015D Bonds above the yield on the Series 2015D 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 2015D Bonds) to the extent necessary to maintain the exclusion of interest on the Series 2015D 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 2015D 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 2015D 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 2015D Bonds.

The Tax Code contains numerous provisions which may affect an investor’s decision to purchase the Series 2015D Bonds. Owners of the Series 2015D 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 2015D 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.

The Series 2015D Bonds were sold at a premium, representing a difference between the original offering price of those Series 2015D 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 2015D 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 2015D Bonds. Owners of the Series 2015D 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 2015D 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 2015D Bonds, the exclusion of interest on the Series 2015D Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the Series 2015D 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 2015D Bonds. Owners of the Series 2015D 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 2015D Bonds. If an audit is commenced, the market value of the Series 2015D 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 2015D 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, Underwriters, Trustee, Municipal Advisor, Bond Counsel, Disclosure Counsel, or Underwriters’ Counsel is responsible for paying or reimbursing any Bond Owner with respect to any audit or litigation costs relating to the Series 2015D Bonds.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2015D 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. 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.

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 2015D 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, 2014, 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 4, 2014. 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/.

CONTINUING DISCLOSURE UNDERTAKING

The Finance Authority will execute and deliver a Continuing Disclosure Undertaking in connection with the issuance of the Series 2015D 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 2015D Bonds who requests such information):
 1. annual financial information and operating data concerning the Subordinate Lien PPRF Revenues, such information to be of the type set forth under the table captioned “Historical Subordinate Lien PPRF Revenues – Fiscal Years 2010-2011 Through 2014-15 (Released to the Indenture on June 1)” under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Trust Estate – Subordinate Lien PPRF Revenues” 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 Subordinate Lien 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 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 2015D 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 2015D 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 2015D 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 2015D Bonds;
 5. bond calls; and
 6. release, substitution, or sale of property securing repayment of the Series 2015D 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 2015D 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 2015D 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 2015D 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 2015D 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.

In addition, the Finance Authority reports 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.

RATINGS

S&P and Moody’s have assigned ratings of “AA+” and “Aa2,” respectively, to the Series 2015D 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 2015D 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 2015D Bonds may have an adverse effect on the market price of the Series 2015D Bonds. The Municipal Advisor has not undertaken any responsibility to bring to the attention of the owners of the Series 2015D Bonds any proposed revision or withdrawal of the ratings on the Series 2015D 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 2015D Bonds.

INVESTMENT CONSIDERATIONS

Availability of Subordinate Lien PPRF Revenues

The amount of Subordinate Lien PPRF Revenues actually released to the Indenture on any June 1 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 and ultimately released from the Senior Indenture to become Subordinate Lien PPRF Revenues is subject to fluctuation based on the activities that generate those taxes, including general economic conditions. There can be no guarantee that the Finance Authority’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.”

In addition, the amount of money to be released from the Senior Indenture to become Subordinate Lien PPRF Revenues may be reduced if the other revenues expected to pay debt service on the Senior Bonds in a given year are not available. The availability of those revenues is dependent upon many factors not within the Finance Authority’s control, including the ability of entities to which the Finance Authority has loaned the proceeds of the Senior Bonds to repay those loans.

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 2015D 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 2015D 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

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APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE FINANCE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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New Mexico Finance Authority
(A Component Unit of the State of New Mexico)

*Financial Statements
and
Independent Auditor's Report
June 30, 2014*

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, 2014

Governing Board

John E. McDermott, Chair
William Fulginiti, Vice Chair
David Martin, Secretary
Katherine Ulibarri, Treasurer
Steve Kopelman, Member
Ryan Flynn, Member
Tom Clifford, Member
Jon Barela, Member
Jerry L. Jones, Member
Blake Curtis, Member
Terry White, Member

Chief Executive Officer

Robert P. Coalter

Acting Chief Financial Officer

Robert Brannon

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, 2014, 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 these 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.

Auditor's 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

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, 2014, 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.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, in 2014 the Authority changed its method of accounting for bond issuance cost with the adoption of Governmental Accounting Standards Board Statement No. 65. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. Our opinions are not modified with respect to this matter.

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 4, 2014, 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.

A handwritten signature in cursive script that reads "REDW LLC". The letters are fluidly connected, with a large initial 'R' and 'E'.

Albuquerque, New Mexico
December 4, 2014

New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 2014

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, 2014 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. The Authority's basic financial statements are comprised of the following:

- ◆ 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 financial position is 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 change in cash and cash equivalents during the fiscal year.

The accompanying 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.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

Financial Highlights

- ◆ The Authority's overall financial improved slightly in the past year. The key indicator is total net position which increased by \$33.2 million or 7.8%.
- ◆ During the fiscal year, unrestricted cash decreased 55.3% or \$64.2 million. Restricted cash decreased by 27.0% or \$29.7 million. Restricted investments increased by 39.6% or \$52.1 million.
- ◆ Loans receivable decreased by \$52.1 million or 4.2% during the fiscal year, primarily as a result of a large amount of prepayments on loans.
- ◆ Bonds payable decreased by \$132.3 million or 11.2% in 2014, the result of issuing of \$62.6 million of new bonds, principal payments on outstanding bonds of \$197.3 million, and amortization of bond premium of \$2.6 million.
- ◆ Undisbursed loan proceeds decreased by \$16.7 million or 36.8% during 2014 consistent with reduced loan activity against loan proceeds from borrowers.
- ◆ Appropriation revenue increased by \$9.1 million in fiscal year 2014, representing a 26.6% increase from fiscal year 2013. The addition reflects a subsequent tranche from the initial 2012 appropriation received to continue lending within the State Small Business Credit Initiative program, as well as increased pledged revenues received for payment on intergovernmental receivables.
- ◆ The Authority experienced a \$0.2 million or 5% decrease in administrative fees revenue from \$3.4 million in 2013 to \$3.2 million in 2014. This drop in revenue was in direct relation to the large amount of prepayments on loans experienced during the year, as discussed above.
- ◆ Expenses decreased 8.4% or from \$124.0 million in 2013 to \$113.6 million in 2014 representing an expected decrease of \$10.4 million.
- ◆ Grant revenue and corresponding activity increased 13.4% or \$6.5 million as the Authority experienced increased grant activity within the Water Trust Board, Colonias and Drinking Water programs during the year.
- ◆ No reversions were due to the State General Fund for fiscal year 2014.

Statement of Net Position

The following presents condensed, combined statements of net position as of June 30, 2014 and 2013, with the dollar and percentage change:

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	\$ 51,834,915	\$ 116,073,324	\$ (64,238,409)	-55.3%
Restricted	80,305,540	109,965,262	(29,659,722)	-27.0%
Investments – restricted	183,692,467	131,565,455	52,127,012	39.6%
Loans receivable, net of allowance	1,179,166,365	1,231,232,043	(52,065,678)	-4.2%
Intergovernmental receivables	118,148,921	125,274,549	(7,125,628)	-5.7%
Other receivables	9,405,694	10,960,455	(1,554,761)	-14.2%
Capital assets	104,378	220,772	(116,394)	-52.7%
Other assets	118,610	118,630	(20)	0.0%
Total assets	\$ 1,622,776,890	\$ 1,725,410,490	\$ (102,633,600)	-5.9%
Deferred Outflows of Resources				
Deferred charge on refunding	\$ 1,191,181	\$ -	\$ 1,191,181	100%
Total deferred outflows of resources	\$ 1,191,181	\$ -	\$ 1,191,181	100%
Liabilities				
Bonds payable, net	\$ 1,048,141,351	\$ 1,180,405,517	\$ (132,264,166)	-11.2%
Undisbursed loan proceeds	28,744,630	45,485,533	(16,740,903)	-36.8%
Advanced loan payments	72,189,707	68,380,111	3,809,596	5.6%
Accounts payable, accrued payroll and compensated absences	627,178	831,236	(204,058)	-24.5%
Line of credit	12,006,298	-	12,006,298	100.0%
Other liabilities	3,706,408	4,998,215	(1,291,807)	-25.8%
Total liabilities	1,165,415,572	1,300,100,612	(134,685,040)	-10.4%
Net Position				
Invested in capital assets	104,378	220,772	(116,394)	-52.7%
Restricted for debt service	71,462,270	68,069,252	3,393,018	5.0%
Restricted for program commitments	114,074,025	143,292,282	(29,218,257)	-20.4%
Unrestricted	272,911,826	213,727,572	59,184,254	27.7%
Total net position	458,552,499	425,309,878	33,242,621	7.8%
Total liabilities and net position	\$ 1,623,968,071	\$ 1,725,410,490	\$ (101,442,419)	-5.9%

The Authority's overall financial position increased slightly in the past year. The key indicator is total net position which increased by \$33.2 million or 7.8%.

Assets

Loans receivable decreased by \$52.1 million or 4.2% in 2014. New loans made during the year totaled \$120.7 million while loan payments received were \$172.7 million.

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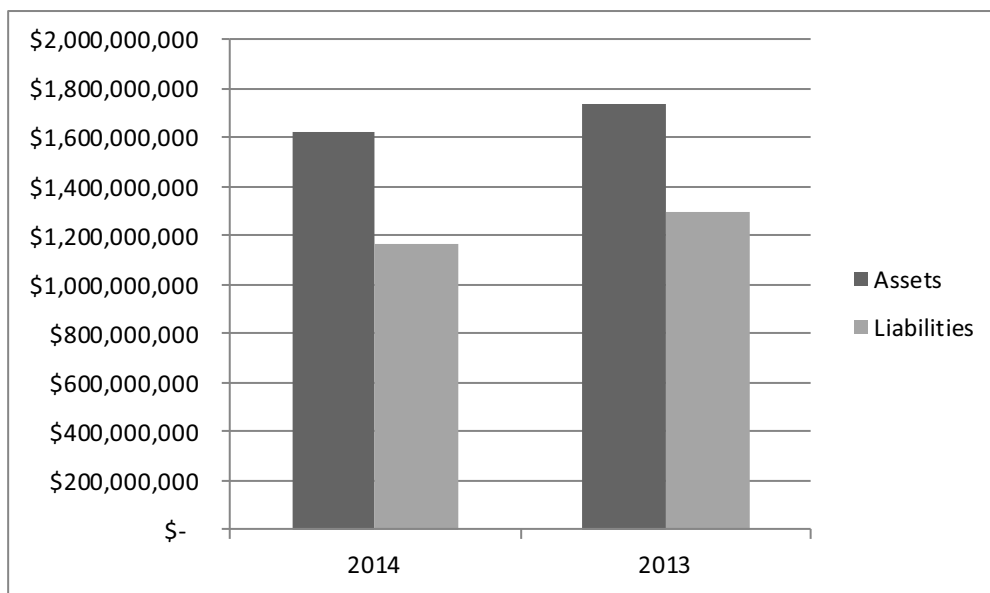
The allowance for uncollectible loans increased \$0.1 million due to changes in estimated losses based on the risk evaluations performed by a third party. The number and amount of early loan payoffs increased significantly from 2013 as interest rates began to fall.

Total cash and investments decreased 19.5% from \$357.6 million in 2013 to \$315.8 million in 2014 due a large amount of bonds being retired or defeased during the year using prepayments on loans.

Liabilities

Bonds payable decreased by \$132.3 million in 2014 resulting from the issuance of \$62.6 million of new bonds, principal payments and defeasances on outstanding bonds of \$197.3 million, and amortization of bond premium of \$2.5 million. Undisbursed loan proceeds decreased by \$16.7 million during 2014 indicating a significant amount of draw requests against loan proceeds from borrowers. Advanced loan payments experienced a \$3.8 million or 5.6% increase from 2013.

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 2014 and 2013 fiscal years:

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	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Operating Revenues				
Administrative and processing fees	\$ 3,209,306	\$ 3,395,491	\$ (186,185)	-5.5%
Interest on loans	48,723,703	52,942,880	(4,219,177)	-8.0%
Interest on investments	<u>488,080</u>	<u>139,403</u>	<u>348,677</u>	<u>250.1%</u>
Total operating revenues	<u>52,421,089</u>	<u>56,477,774</u>	<u>(4,056,685)</u>	<u>-7.2%</u>
Expenses				
Grants to local governments	50,824,441	48,828,884	1,995,557	4.1%
Bond issuance costs	674,398	10,918,272	(10,243,874)	-93.8%
Professional services	2,189,377	2,651,079	(461,702)	-17.4%
Salaries and benefits	4,284,392	3,926,740	357,652	9.1%
Debt service – interest expense	54,319,247	53,026,726	1,292,521	2.4%
Other expense	<u>1,266,776</u>	<u>4,636,406</u>	<u>(3,369,630)</u>	<u>-72.7%</u>
Total operating expenses	<u>113,558,631</u>	<u>123,988,107</u>	<u>(10,429,476)</u>	<u>-8.4%</u>
Net operating loss	<u>(61,137,542)</u>	<u>(67,510,333)</u>	<u>6,372,791</u>	<u>-9.4%</u>
Nonoperating Revenues (Expenses)				
Appropriation revenue	43,086,860	34,033,130	9,053,730	26.6%
Grant revenue	55,224,996	48,692,048	6,532,948	13.4%
Reversions and transfers	<u>(3,931,693)</u>	<u>(2,953,157)</u>	<u>(978,536)</u>	<u>33.1%</u>
	<u>94,380,163</u>	<u>79,772,021</u>	<u>14,608,142</u>	<u>18.3%</u>
Increase in net position	33,242,621	12,261,688	20,980,933	171.1%
Net position, beginning of year, as restated	<u>425,309,878</u>	<u>413,048,190</u>	<u>-</u>	
Net position, end of year	<u>\$ 458,552,499</u>	<u>\$ 425,309,878</u>	<u>\$ 20,980,933</u>	<u>4.9%</u>

Operating revenue decreased 7.2% to \$52.4 million in 2014. Interest on investments began to increase, experiencing 250% incline compared to 2013 due to a larger portion of cash being invested in long-term investments. Appropriation revenue increased 26.6% while grant revenue increased 13.4%. The loan interest decline directly relates to lower outstanding loans receivable.

Overall operating costs decreased 8.4% due to increased grant expenses of \$2.0 million and a decrease of loan loss provision of \$3.1 million. The decrease in loan loss provision was made based on third party review of the risk of the outstanding direct equity loans in which loan ratings improved from 2013. Grant expense increased in 2014 after a grant activity recovery effort in fiscal years 2012 and 2013.

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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 2014, the total amount outstanding was \$1.0 billion (excluding the \$1.4 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 \$62.6 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 1,183 loans totaling \$2.5 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.

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Public Project Revolving Fund
Statements of Net Position
June 30

	2014	Restated	2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets					
Cash and equivalents					
Unrestricted	\$ 37,838,342	\$ 79,007,637	\$ (41,169,295)		-52%
Restricted	67,359,957	79,173,378	(11,813,421)		-15%
Restricted investments	122,591,262	130,787,736	(8,196,474)		-6%
Accounts receivable and other	8,794,009	10,367,285	(1,573,276)		-15%
Loans receivable, net of allowance	1,081,631,189	1,138,450,511	(56,819,322)		-5%
Due from the State of New Mexico	104,525,000	108,025,000	(3,500,000)		-3%
Capital assets	70,302	186,696	(116,394)		-62%
Other assets	9,353,716	13,073,586	(3,719,870)		-28%
Total assets	\$ 1,432,163,777	\$ 1,559,071,829	\$ (126,908,052)		-8%
Deferred Outflows of Resources					
Deferred charge on refunding	\$ 1,191,181	\$ -	\$ 1,191,181		100%
Total deferred outflows of resources	\$ 1,191,181	\$ -	\$ 1,191,181		100%
Liabilities					
Accounts payable and accrued payroll liabilities	\$ 2,751,301	\$ 6,202,814	\$ (3,451,513)		-55.6%
Undisbursed loan proceeds	28,682,538	45,423,441	(16,740,903)		-36.9%
Borrowers' debt service and reserve deposits	86,969,969	72,016,499	14,953,470		20.8%
Bonds payable, net	1,036,144,409	1,165,236,955	(129,092,546)		-11.1%
Total liabilities	1,154,548,217	1,288,879,709	(134,331,492)		-10.4%
Net Position					
Invested in capital assets	70,302	186,696	(116,394)		-62.3%
Restricted for program funds	100,144,808	103,752,754	(3,607,946)		-3.5%
Unrestricted	178,591,631	166,252,670	12,338,961		7.4%
Total net position	278,806,741	270,192,120	8,614,621		3.2%
Total liabilities and net position	\$ 1,433,354,958	\$ 1,559,071,829	\$ (125,716,871)		-8.1%

Loan Volume

	2014	2013	Since Inception
Amount of loans made	\$104.0 million	\$61.2 million	\$2.48 billion
Number of loans made	64	67	1,183
Average loan size	\$1.63 million	\$0.9 million	\$2.1 million

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Public Project Revolving Fund
Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30

	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Interest Income				
Loans	\$ 46,548,780	\$ 50,708,332	\$ (4,159,552)	-8.2%
Investments	245,422	127,387	118,035	92.7%
Total interest income	46,794,202	50,835,719	(4,041,517)	-8.0%
Interest Expense				
Bonds	53,772,342	52,317,500	1,454,842	2.8%
Short-term borrowing	144,082	94,931	49,151	51.8%
Total interest expense	53,916,424	52,412,431	1,503,993	2.9%
Net Interest Income (Loss)				
Interest income (loss) less interest expense	(7,122,222)	(1,576,712)	(5,545,510)	351.7%
Provision for loan losses	1,900,656	(699,842)	2,600,498	-371.6%
Net interest loss after provision for loan losses	(5,221,566)	(2,276,554)	(2,945,012)	129.4%
Noninterest Income				
Loan administration fees	1,451,116	1,659,473	(208,357)	-12.6%
Appropriation revenues	29,091,277	26,585,797	2,505,480	9.4%
Total noninterest income	30,542,393	28,245,270	2,297,123	8.1%
Noninterest Expense				
Salaries and benefits	2,179,170	2,507,794	(328,624)	-13.1%
Professional services	970,669	874,564	96,105	11.0%
Bond issuance costs	674,398	674,703	(305)	0.0%
Other	1,561,926	10,808,047	(9,246,121)	-85.5%
Total noninterest expense	5,386,163	14,865,108	(9,478,945)	-63.8%
Excess of revenues over expenditures	19,934,664	11,103,608	8,831,056	79.5%
Transfers to other funds or agencies	(11,320,043)	(7,490,781)	(3,829,262)	51.1%
Increase (decrease) in net position	8,614,621	3,612,827	5,001,794	138.4%
Net position, beginning of year, as restated	270,192,120	266,579,293	3,612,827	1.4%
Net position, end of year	\$ 278,806,741	\$ 270,192,120	\$ 8,614,621	3.2%

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 2014, the PPRF had a net interest loss of \$7.1 million, compared to \$1.3 million in 2013. This is a result of market conditions in which \$115.5 million in PPRF loans exercised

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

their early call provisions in 2013 and 2014 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 \$27.4 million in 2014, a \$0.4 million decrease from the \$27.8 million received in 2013. 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, 2014, and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	\$1.4 billion	\$1.6 billion	88%
Net assets	\$278.8 million	\$458.6 million	61%
Revenues	\$77.4 million	\$150.7 million	51%

There are 23 other programs administered by the Authority, some of which are loan programs and some of which are grant programs.

A rise occurred in grant volume for the Drinking Water Revolving Loan Fund program because of increased grant subsidies being awarded for qualifying drinking water facilities projects in New Mexico. The cause was due to various larger projects being approved during the fiscal year.

Similar to the Drinking Water Revolving Loan Fund program, an increase in the Colonias Infrastructure program grant activity reflects the fact that the program saw an increased number of projects being approved during 2014. This is the result of the Colonias Infrastructure Act taking effect July 1, 2011 and the number of approved projects increasing as more funding is available.

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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 2014, the Authority made ten awards totaling \$133.3 million. During 2014, the Authority has made two additional awards totaling \$18.0 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 Position
June 30, 2014

Assets

Current assets

Cash and equivalents	
Unrestricted	\$ 51,834,915
Restricted	80,305,540
Interest receivable	7,431,412
Grants and other receivable	1,788,239
Prepaid rent	19,500
Administrative fees receivable	186,043
Investment in Finance New Mexico	99,110
Loans receivable, net of allowance	93,384,387
Intergovernmental receivables	<u>7,341,438</u>
Total current assets	242,390,584

Noncurrent assets

Restricted investments	183,692,467
Loans receivable, net of allowance	1,085,781,978
Intergovernmental receivables	110,807,483
Capital assets, net of accumulated depreciation	<u>104,378</u>
Total assets	<u><u>\$ 1,622,776,890</u></u>

Deferred Outflows of Resources

Deferred charge on refunding	<u>\$ 1,191,181</u>
Total deferred outflows of resources	<u><u>\$ 1,191,181</u></u>

Liabilities

Current liabilities

Accounts payable	\$ 262,198
Accrued payroll	91,540
Compensated absences	273,440
Bond interest payable	3,625,714
Undisbursed loan proceeds	28,744,630
Advanced loan payments	72,189,707
Line of credit	12,006,298
Bonds payable, net	70,430,000
Other liabilities	<u>80,694</u>
Total current liabilities	187,704,221

Noncurrent liabilities

Bonds payable	<u>977,711,351</u>
Total liabilities	<u><u>1,165,415,572</u></u>

Net Position

Invested in capital assets	104,378
Restricted for debt service	71,462,270
Restricted for program commitments	114,074,025
Unrestricted	<u>272,911,826</u>
Total net position	<u>458,552,499</u>
Total liabilities and net position	<u><u>\$ 1,623,968,071</u></u>

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, 2014

Operating Revenues

Administrative fees revenue	\$ 2,819,302
Processing fee	390,004
Interest on loans	48,723,703
Interest on investments	488,080
Total operating revenues	<u>52,421,089</u>

Operating Expenses

Grants to others	50,824,441
Bond issuance costs	674,398
Administrative fees	189,383
Professional services	2,189,377
Salaries and benefits	4,284,392
Other operating costs	1,484,748
Depreciation expense	116,394
Bond interest expense	54,319,247
Provision for loan losses	(822,108)
Interest expense	298,359
Total operating expenses	<u>113,558,631</u>
Net operating loss	<u>(61,137,542)</u>

Nonoperating Revenues (Expenses)

Appropriation revenue	43,086,860
Grant revenue	55,224,996
Transfers to the State of New Mexico	(3,931,693)
Increase in net position	<u>33,242,621</u>
Net position, beginning of year, as restated (note 17)	<u>425,309,878</u>
Net position, end of year	<u><u>\$ 458,552,499</u></u>

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, 2014

Cash flows from operating activities

Cash paid for employee services	\$ (4,277,609)
Cash paid to vendors for services	(5,030,758)
Intergovernmental payments received	7,125,630
Loans payments received	156,697,761
Loans funded	(116,741,280)
Grants to local governments	(50,824,441)
Cash received from federal government for revolving loan funds	12,448,854
Interest on loans	49,600,877
Proceeds from line of credit	17,536,712
Payments of line of credit	(5,530,414)
Administrative fees received	<u>3,887,651</u>
Net cash provided by operating activities	<u>64,892,983</u>

Cash flows from noncapital financing activities

Appropriations received from the State of New Mexico	43,086,860
Cash transfers from the State of New Mexico	42,775,670
Cash transfers to the State of New Mexico	(3,931,221)
Proceeds from the sale of bonds	62,595,000
Payment of bonds	(197,526,239)
Bond issuance costs	(674,398)
Bond interest expense paid	<u>(53,477,874)</u>
Net cash use in noncapital financing activities	<u>(107,152,202)</u>

Cash flows from investing activities

Purchase of investments	(60,323,486)
Sale of investments	8,196,494
Interest received on investments	<u>488,080</u>
Net cash used in investing activities	<u>(51,638,912)</u>

Net increase (decrease) in cash and cash equivalents	(93,898,131)
Cash and cash equivalents, beginning of year	<u>226,038,586</u>
Cash and cash equivalents, end of year	<u><u>\$ 132,140,455</u></u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows - continued
For the Year Ended June 30, 2014

**Reconciliation of net operating income (loss) to net cash
provided by (used in) operating activities**

Net operating income (loss)	\$ (61,137,542)
Adjustments to change in net position	
Depreciation	116,394
Amortization on bond premiums	(2,298,264)
Provision for loan losses	(1,238,151)
Interest on investments	(488,080)
Bond interest paid	56,766,702
Bond issuance costs	674,398
Cash received from federal grants	12,448,854
Interest expense	149,168
Changes in assets and liabilities	
Interest receivable	876,416
Grants and other receivable	652,045
Administrative fees receivable	26,300
Loans receivable, net of allowance	53,303,831
Intergovernmental receivables	7,125,628
Accounts payable	(210,841)
Accrued payroll	7,420
Compensated absences	(637)
Funds held for others	(80,263)
Undisbursed loan proceeds	(16,740,903)
Advanced loan payments	3,809,596
Line of credit	12,006,298
Other liabilities	(875,386)
	<u>\$ 64,892,983</u>

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

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Assets and Liabilities
For the Year Ended June 30, 2014

Assets

Cash held by Trustee	
Program funds	\$ 97,782,134
Expense funds	171,363
Revenue funds	7,135,444
Rebate fund	3,126,037
Bond reserve funds	<u>824,863</u>
Total assets	<u><u>\$ 109,039,841</u></u>

Liabilities

Accounts payable	\$ 1,712,100
Debt service payable	9,545,607
Program funds held for the NM Department of Transportation	<u>97,782,134</u>
Total liabilities	<u><u>\$ 109,039,841</u></u>

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

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; and 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, whose membership must include 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 DWSRF 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%.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

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 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 Colonias Infrastructure Act 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.

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- ♦ Through a Memorandum of Understanding entered into with the New Mexico Economic Development Department, the Authority received \$13.2 million of federal State Small Business Credit Initiative funds in 2011 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.

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.

The Authority does not have any component units.

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.

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.

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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 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 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 except for Investment in Finance New Mexico which is accounted for utilizing the cost method.

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.

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.

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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.

Deferred Outflows/Inflows of Resources

The statement of net position, where applicable, includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as revenues in future periods.

Bond Discounts and Premiums

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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 PPRF operating fund.

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Undisbursed Loan Proceeds

Undisbursed loan proceeds 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

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is referred to as net position. 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 is 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.

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Recently Issued Accounting Standards

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The 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 2014 resulted in a charge to net position of approximately \$10.2m of previously capitalized debt issuance costs. The implementation of GASBS No. 65 also resulted in the reclassification of the unamortized portion of bond refunding losses. These amounts are now reported as Deferred Outflows of Resources instead of as a reduction of Bonds Payable.

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. Adopting GASB 66 did not impact the Authority's 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. Adopting GASB 67 did not impact the Authority's financial statements.

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 nonemployer 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.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69). This Statement establishes accounting

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and financial reporting standards related to government combinations and disposals of government operations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The Authority has not completed the process of evaluating the impact of GASB 69 on its financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Adopting GASB 70 did not impact the Authority's financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB 71). The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 71 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.

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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, 2014.

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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.

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Cash and equivalents at June 30, 2014 were as follows:

Description	Balance at June 30, 2014	Rated	Percentage of Authority Funds ¹
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	\$ 1,023	N/A	<1%
Wells Fargo deposit account	213,482	N/A	<1%
Wells Fargo Repurchase agreement -fully secured ²	248,028	N/A	<1%
Government Money Market Funds	<u>131,677,922</u>	AAA	41.7%
Total cash and equivalents	<u>\$ 132,140,455</u>		
Cash held in agency fund	<u>\$ 109,039,841³</u>		

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, 2014, are comprised of the following:

Description	Fair Value at June 30, 2014	Average Years to Maturity	Percentage of Authority Funds
U.S. Treasury notes	\$ 120,084,268	.98	38.0%
Primary Care Capital Program funds held with the State Treasurer Fund Investment Pool	1,407,522	1 day to 5 years	<1%
Federal Home Loan Mortgage Corporation bonds	<u>62,200,677</u>	1.33	19.69%
Total restricted investments	<u>\$ 183,692,467</u>		

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 \$211,510 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.

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4) Loans Receivable

Loans receivable activity for the fiscal year was as follows:

Program Description	Term (Years)	Rates	2013	Increases	Decreases	2014
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	\$ 1,140,530,507	\$ 104,821,188	\$ 162,646,076	\$ 1,082,705,619
Drinking Water State Revolving Loans	1 to 30	0% to 4%	63,341,227	5,662,622	4,070,491	64,933,358
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	2,616,809	-	311,131	2,305,678
Primary Care Capital Fund Loans	10 to 20	3%	4,216,376	-	632,069	3,584,307
Water Projects Fund Loan Grants	10 to 20	0%	18,336,546	7,301,228	4,414,778	21,222,996
Smart Money Participation Loans	3 to 20	2% to 5%	4,161,711	576,000	55,947	4,681,764
Behavioral Health Care Loan	15	3%	198,512	-	23,907	174,605
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	441,272	587,230	34,804	993,698
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	108,000	-	55,000	53,000
Colinias Infrastructure Fund Loans	10 to 20	3%	202,731	546,253	87,634	661,350
SSBCI Loans	10 to 20	3%	2,461,746	2,127,931	1,277,150	3,312,527
Child Care Revolving Loans	8	3%	25,970	-	6,160	19,810
			1,236,641,407	121,622,452	173,615,147	1,184,648,712
Less allowance for loan losses			(5,409,364)	(895,092)	822,109	(5,482,347)
Totals			<u>\$ 1,231,232,043</u>	<u>\$ 120,727,360</u>	<u>\$ 174,437,256</u>	<u>\$ 1,179,166,365</u>

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2014:

	Principal	Interest	Total
Fiscal year ending June 30			
2015	\$ 93,384,387	\$ 41,501,928	\$ 134,886,315
2016	91,342,260	39,154,650	130,496,910
2017	84,516,759	36,685,197	121,201,956
2018	83,005,755	34,223,254	117,229,009
2019	81,042,883	31,598,294	112,641,177
2020 – 2024	344,420,879	120,448,670	464,869,549
2025 – 2029	238,154,305	63,817,660	301,971,965
2030 – 2034	125,488,846	25,319,255	150,808,101
2035 – 2039	42,919,269	3,785,107	46,704,376
2040 – 2044	373,369	11,387	384,756
Subtotals	1,184,648,712	\$ 396,545,402	\$ 1,581,194,114
Less allowance for loan losses	(5,482,347)		
Loans receivable net	<u>\$ 1,179,166,365</u>		

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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, 2014, was as follows:

State Entity	Revenue Pledge	Rates	Maturity	2013	Payments	2014	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	\$ 40,085,000	\$ 2,525,000	\$ 37,560,000	\$ 2,650,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,565,000	120,000	23,445,000	125,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	44,375,000	855,000	43,520,000	900,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.00%	4/1/2019	10,825,000	1,975,000	8,850,000	1,955,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	4,599,549	770,628	3,828,921	766,438
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	1,825,000	880,000	945,000	945,000
Totals				<u>\$ 125,274,549</u>	<u>\$ 7,125,628</u>	<u>\$ 118,148,921</u>	<u>\$ 7,341,438</u>

The following is a summary of scheduled payments to be collected on the receivables from state entities as of June 30, 2014:

	Principal	Interest	Total
Fiscal year ending June 30			
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	7,594,042	4,411,819	12,005,861
2020 – 2024	42,425,000	16,227,813	58,652,813
2025 – 2029	18,780,000	7,193,463	25,973,463
2030 – 2034	14,030,000	3,844,000	17,874,000
2035 – 2039	6,675,000	504,750	7,179,750
Intergovernmental receivables	<u>\$ 118,148,921</u>	<u>\$ 53,238,597</u>	<u>\$ 171,387,518</u>

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6) Capital Assets

A summary of changes in capital assets during the fiscal year was as follows:

	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
Depreciable assets				
Furniture and fixtures	\$ 28,665	\$ -	\$ -	\$ 28,665
Computer hardware and software	731,618	-	-	731,618
Leasehold improvement	8,241	-	-	8,241
	<u>768,524</u>	<u>-</u>	<u>-</u>	<u>768,524</u>
Accumulated depreciation				
Furniture and fixtures	(28,665)	-	-	(28,665)
Computer hardware and software	(510,846)	(116,394)	-	(627,240)
Leasehold improvement	(8,241)	-	-	(8,241)
	<u>(547,752)</u>	<u>(116,394)</u>	<u>-</u>	<u>(664,146)</u>
Net total	<u>\$ 220,772</u>	<u>\$ (116,394)</u>	<u>\$ -</u>	<u>\$ 104,378</u>

Depreciation expense for the fiscal year was \$116,394.

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.

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Bonds payable consist of the following at June 30, 2014:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt				
2005 A	3.750% to 5.000%	June 1, 2013 to June 1, 2025	\$ 19,015,000	\$ 6,980,000
2005 B	3.500% to 4.500%	June 1, 2013 to June 1, 2020	13,500,000	4,365,000
2006 B	4.250% to 5.000%	June 1, 2013 to June 1, 2036	38,260,000	26,265,000
2006 D	4.250% to 5.000%	June 1, 2013 to June 1, 2036	56,400,000	46,015,000
2007 E	4.250% to 5.000%	June 1, 2013 to June 1, 2032	61,945,000	40,030,000
2008 A	3.000% to 5.000%	June 1, 2013 to June 1, 2038	158,965,000	129,605,000
2008 B	4.000% to 5.250%	June 1, 2013 to June 1, 2035	36,545,000	25,780,000
2008 C	4.250% to 6.000%	June 1, 2013 to June 1, 2033	29,130,000	21,150,000
2009 A	2.250% to 5.000%	June 1, 2013 to June 1, 2038	18,435,000	14,230,000
2009 C	2.500% to 5.250%	June 1, 2013 to June 1, 2029	55,810,000	45,795,000
2009 D-1	3.000% to 4.500%	June 1, 2013 to June 1, 2030	13,570,000	9,370,000
2009 D-2	2.320% to 6.070%	June 1, 2013 to June 1, 2036	38,845,000	36,290,000
2009 E	3.000% to 4.500%	June 1, 2013 to June 1, 2019	35,155,000	19,945,000
2010 A-1	3.000% to 4.500%	June 1, 2013 to June 1, 2034	13,795,000	7,555,000
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	28,450,000
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2035	17,600,000	17,285,000
2011 A	2.000% to 4.000%	June 1, 2013 to June 1, 2016	15,375,000	6,425,000
2011 B-1	2.000% to 4.000%	June 1, 2013 to June 1, 2036	42,735,000	32,500,000
2011 B-2	2.000% to 4.950%	June 1, 2013 to June 1, 2031	14,545,000	12,225,000
2011 C	3.000% to 5.000%	June 1, 2013 to June 1, 2036	53,400,000	46,025,000
2012 A	1.500% to 5.500%	June 1, 2013 to June 1, 2038	24,340,000	22,445,000
2013 A	2.000% to 5.000%	June 1, 2013 to June 1, 2038	44,285,000	41,245,000
2013 B	2.000% to 5.000%	June 1, 2014 to June 1, 2036	16,360,000	15,455,000
			<u>871,790,000</u>	<u>669,225,000</u>
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	36,410,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,445,000	23,445,000
2005 F	4.000% to 5.000%	June 15, 2013 to June 15, 2025	21,950,000	16,245,000
2006 A	4.000% to 5.000%	June 15, 2013 to June 15, 2035	49,545,000	42,525,000
2006 C	4.000% to 5.000%	June 15, 2013 to June 15, 2026	39,860,000	27,845,000
2007 A	4.000% to 5.000%	June 15, 2013 to June 15, 2027	34,010,000	18,260,000
2007 B	4.250% to 5.000%	June 15, 2013 to June 15, 2034	38,475,000	24,050,000
2007 C	4.250% to 5.250%	June 15, 2013 to June 15, 2027	131,860,000	96,700,000
2013 C-1	2.000% to 4.000%	June 15, 2014 to June 15, 2028	3,745,000	3,325,000
2013 C-2	.950% to 5.000%	June 15, 2014 to June 15, 2029	10,550,000	9,350,000
2014 A-1	2.000% to 5.000%	June 15, 2014 to June 15, 2033	15,135,000	15,135,000
2014 A-2	.250% to 4.491%	June 15, 2014 to June 15, 2034	16,805,000	16,805,000
			<u>435,775,000</u>	<u>330,095,000</u>
Subtotal - PPRF Bonds			<u>1,307,565,000</u>	<u>999,320,000</u>

New Mexico Finance Authority
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Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Pooled Equipment Certificates of Participants				
1995 A	6.30%	October 1, 2015	4,288,000	36,000
1996 A	5.80%	April 1, 2016	<u>1,458,000</u>	<u>17,000</u>
			<u>5,746,000</u>	<u>53,000</u>
State Capitol Building Improvement Revenue Bonds				
1996	7.0%	Sept. 15, 2012 to Mar. 15, 2015	9,315,000	945,000
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	8,850,000
Cigarette Tax Revenue Bonds - Behavioral Health Projects				
2006	5.51%	May 1, 2012 to May 1, 2026	<u>2,500,000</u>	<u>1,500,000</u>
Total bonds outstanding			<u>\$ 1,364,161,000</u>	1,010,668,000
Add net unamortized premium				37,473,351
Total bonds payable, net				1,048,141,351
Less current portion of bonds payable				<u>(70,430,000)</u>
Noncurrent portion of bonds payable				<u>\$ 977,711,351</u>

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2015	\$ 70,430,000	\$ 47,179,421	\$ 117,609,421
2016	69,968,000	44,280,544	114,248,544
2017	70,100,000	41,386,204	111,486,204
2018	71,275,000	38,300,822	109,575,822
2019 – 2023	332,065,000	144,408,165	476,473,165
2024 – 2028	230,385,000	71,951,554	302,336,554
2029 – 2033	113,610,000	29,714,771	143,324,771
2034 – 2038	52,780,000	5,688,316	58,468,316
2039 – 2040	<u>55,000</u>	<u>3,523</u>	<u>58,523</u>
	<u>1,010,668,000</u>	<u>\$ 422,913,320</u>	<u>\$ 1,433,581,320</u>
Add unamortized premium	<u>37,473,351</u>		
Bonds payable, net	<u>\$ 1,048,141,351</u>		

New Mexico Finance Authority
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The bonds payable activity for the fiscal year was as follows:

	Balance at June 30, 2013, as restated	Increases	Decreases	Balance at June 30, 2014	Due within One Year
Bonds payable	\$ 1,145,326,000	\$ 62,595,000	\$ (197,253,000)	\$ 1,010,668,000	\$ 70,430,000
Add unamortized premium	36,378,109	3,666,745	(2,571,503)	37,473,351	-
Total	<u>\$ 1,181,704,109</u>	<u>\$ 66,261,745</u>	<u>\$ (199,824,503)</u>	<u>\$ 1,048,141,351</u>	<u>\$ 70,430,000</u>

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 \$72,189,707 at June 30, 2014.

9) Line of Credit

The Authority maintains a credit facility with Wells Fargo for the PPRF which provides for a borrowing limit of up to \$100,000,000 for the purpose of obtaining necessary funding, on an interim basis, to make loans to qualified entities prior to the issuance, sale and delivery of certain Public Project Revolving Fund Revenue Bonds and to reimburse the Authority for such loans that have been made. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issuance. 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, 2014, was .154. The Authority pays a 15 basis point fee on the unused portion of the facility. A summary of changes in the line of credit follows:

	Balance, June 30, 2013	Increases	Decreases	Balance, June 30, 2014	Due within One Year
PPRF line of credit	\$ -	\$ 17,536,712	\$ (5,530,414)	\$ 12,006,298	\$ 12,006,298
Total	<u>\$ -</u>	<u>\$ 17,536,712</u>	<u>\$ (5,530,414)</u>	<u>\$ 12,006,298</u>	<u>\$ 12,006,298</u>

New Mexico Finance Authority
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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, 2014, were \$362,044. Future minimum lease payments are \$242,797 in 2015.

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 \$479,948 for the year ended June 30, 2014. 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 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. The executive plan was not in effect for the year ended June 30, 2014.

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Notes to Financial Statements
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12) Compensated Absences

The following changes occurred during the fiscal year in the compensated absences liabilities:

Balance at June 30, 2013	\$ 274,077
Additions	193,745
Deletions	<u>(194,382)</u>
Balance at June 30, 2014	<u>\$ 273,440</u>
Due within one year	<u>\$ 273,440</u>

13) Agency Transactions

The Authority was authorized in 2003 to issue bonds as agent for the New Mexico Department of Transportation (NMDOT). Approximately \$1.4 billion of such bonds are outstanding at June 30, 2014.

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 a biannual fee from the Department of Transportation equal to its overhead costs 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.

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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 \$577 million and the related bonds total approximately \$539 million at June 30, 2014. During FY 2013, loans totaling \$51.6 million exercised this call provision and \$63.8 million exercised the option during fiscal year 2014.

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. Additionally, a

New Mexico Finance Authority
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representative serving on the Board holds a position as Cabinet Secretary of the NM Environmental Department in which the Authority assists the Department in the administration of the State's Drinking Water federal program.

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 plus return on equity totaling \$99,110 as of June 30, 2014.

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The financial statements of FNMLLC as of June 30, 2014 and the year then ended are presented using the FASB financial reporting framework. Condensed financial information is as follows:

Balance Sheet

Assets

Cash	\$ 532,300
Due from affiliates	838,737
Investment in limited liability companies	13,569
Total assets	<u>\$ 1,384,606</u>

Liabilities

Accounts payable	\$ 30,756
Due to affiliate	493,938
Total liabilities	<u>524,694</u>

Equity

Members equity	859,726
Noncontrolling interest	186
	<u>859,912</u>
Total equity	<u>\$ 1,384,606</u>

Statement of Operations

Operating Income

Interest income	\$ 597
Sponsor fee income	810,000
Management fee income	612,203
Total operating income	<u>1,422,800</u>

Operating Expense

Sponsor fee expense	743,681
Management fee expense	377,035
Professional fees	80,835
Gross receipt tax	110,104
Miscellaneous administrative expenses	2,506
Total operating expenses	<u>1,314,161</u>
Net operating income	<u>108,639</u>

Nonoperating Expenses

Share of income from investment in limited liability companies	64
Net income	108,703
Less net income attributable to noncontrolling interest	<u>(11)</u>
Net income attributable to controlling interest	<u>\$ 108,692</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

Statement of Members Equity

	Controlling Interest	Noncontrolling Interest	Total Equity
Balance, June 30, 2013	\$ 751,034	\$ 175	\$ 751,209
Net income	<u>108,692</u>	<u>11</u>	<u>108,703</u>
Balance, June 30, 2014	<u><u>\$ 859,726</u></u>	<u><u>\$ 186</u></u>	<u><u>\$ 859,912</u></u>

17) Implementation of new accounting standard GASB Statement 65

Effective July 1, 2013, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. Accordingly, beginning Net Position was reduced by \$10,165,480, for restatement of bond issue costs to fully recognize a period expense (see restatement below). In addition, certain balances are now reported as Deferred Inflows of Resources according to the newly adopted terminology.

	<u>Enterprise Fund</u>
<i>Statement of Revenues, Expenses and Changes in Net Position</i>	
Net position, as previously reported	\$ 435,475,358
Effect of GASB 65 adoption	<u>(10,165,480)</u>
Net position, July 1, 2013, as restated	<u><u>\$ 425,309,878</u></u>

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 Subordinated Indenture. These extracts do not purport to be complete. Please refer to the Subordinated Indenture itself for a full and complete statement of such provisions. During the offering period of the Series 2015D Bonds, copies of the Subordinated Indenture will be available at the principal office of the Municipal Advisor. Subsequent to the offering of the Series 2015D Bonds, copies of the Subordinated Indenture may be obtained from the Trustee. See “ADDITIONAL INFORMATION.”

Definitions

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

“Accreted Amount” means, with respect to Capital Appreciation Bonds of any Series and as of the date of calculation, the amount established pursuant to the Supplemental Indenture authorizing such Capital Appreciation Bonds as the amount representing the initial public offering price, plus the accumulated and compounded interest on such Bonds.

“Act” means the New Mexico Finance Authority Act, being Sections 6-21-1 through 6-21-31, inclusive, NMSA 1978, as amended and supplemented and the Public Securities Short-Term Interest Rate Act, being Sections 6-18-1 through 6-18-16, inclusive, NMSA 1978, as amended and supplemented.

“Additional Bonds and PPRF Secured Obligations” means any Bonds of the NMFA authorized and issued under the Indenture and any PPRF Secured Obligations secured by the lien of the Indenture in compliance therewith, except for the Initial 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 PPRF Secured Obligations and other amounts due under the Indenture. No such loans or securities will be deemed to be Additional Pledged Loans unless such loan or security is identified as an Additional Pledged Loan in a Supplemental Indenture or Pledge Notification or the Trustee has received written notice from the NMFA that a specific loan or security will be included under the Indenture. Additional Pledged Loans do not include loans identified as Additional Senior Pledged Loans.

“Additional Pledged Revenues” means any additional revenues received by the NMFA and designated as part of the Trust Estate pursuant to the Indenture or pursuant to a Supplemental Indenture or Pledge Notification. Additional Pledged Revenues are not revenues attributable to Additional Pledged Loans.

“Additional Senior Pledged Loans” means additional pledged loans at any time pledged pursuant to the Senior Indenture.

“Aggregate Annual Debt Service” means, for any given Bond Fund Year, the sum of the Debt Service payable on all Bonds Outstanding or to be Outstanding (less capitalized interest and principal payable on any Subordinated Bond Anticipation Obligations), and any Security Instrument Repayment Obligations for such Bond Fund Year.

“Agreement” or “Agreements” means, as the case may be, one or more Loan 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 Indenture.

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

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

“Agreement Revenues” means amounts received or earned by the NMFA from or attributable to the Agreements. Agreement Revenues does not include amounts received from Additional Pledged Loans.

“Approval of Bond Counsel” means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the excludability, if any, from gross income for federal income tax purposes of interest on the Bonds.

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

<u>Category of Loans and Additional Pledged Loans</u>	<u>Applicable Percentage</u>
Category I Loans and Additional Pledged Loans	100%
Category II Loans and Additional Pledged Loans	80
Category III Loans and Additional Pledged Loans	50
Category IV Loans and Additional Pledged Loans	0

For purposes of calculating Assumed Repayments of Loans and Additional Pledged Loans for a Series of Bonds for which there are Uncommitted Proceeds, and for purposes of calculating Assumed Repayments of PPRF Secured Obligations, the Assumed Repayments of Loans and Additional Pledged Loans in the amount of the Uncommitted Proceeds and PPRF Secured Obligations will be treated as if they were Category IV Loans and Additional Pledged Loans.

“Authorized Amount” means, with respect to a Commercial Paper Program, the maximum principal amount of commercial paper which is then authorized by the NMFA to be outstanding at any one time pursuant to such Commercial Paper Program.

“Authorized Denominations” with respect to any Series of Bonds issued under the Indenture, has the meaning specified in the related Supplemental Indenture.

“Authorized Officer” means: (i) in the case of the NMFA, the Chairman, any Vice Chairman, Secretary, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, or the 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 document; (ii) in the case of a Governmental Unit, means the person or persons authorized by law, resolution or ordinance of the Governmental Unit to perform any act or sign 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.

“Balloon Bonds” means Bonds (and/or Security Instrument Repayment Obligations relating thereto) other than Bonds which mature within one year from the date of issuance thereof, 25% or more of the Principal Installments on which, during any period of twelve consecutive months (a) are due or (b) at the option of the Owner thereof may be redeemed.

“Bond Anticipation Obligations” means notes, lines of credit or other obligations issued or incurred by the NMFA pursuant to the Indenture in advance of the permanent financing of the NMFA for a Project or in connection with any other purposes of the NMFA.

“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 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 ending on June 15 of each year, except that the first Bond Year will commence on the date of initial delivery of the Initial Bonds and will end on June 15, 2007.

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

“Bonds” means all Bonds, Bond Anticipation Obligations, notes, commercial paper or other obligations (other than PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations) authorized by, issued under and secured by the Indenture, including the Initial Bonds and any Additional Bonds.

“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.

“Capital Appreciation Bonds” means Bonds, the interest on which (a) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such Bonds and designating them as Capital Appreciation Bonds, and (b) is payable upon maturity or redemption of such Bonds.

“Cash Flow Statement” means an NMFA certificate (a) setting forth, for the then current and each future Bond Fund Year during which Bonds will be Outstanding, and taking into account (i) any Bonds or PPRF Secured Obligations expected to be issued or redeemed or purchased for cancellation in each such Bond Fund Year or Interest Rate Swaps to be executed, upon or in connection with the filing of such certificate, (ii) the terms of any Loans or Additional Pledged Loans expected to be made or purchased by the NMFA or Loans or Additional Pledged Loans or Additional Pledged Revenues 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 Subordinate Lien PPRF Revenues and Additional Pledged Revenues 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;

(C) the earnings on the Bond Fund and the Debt Service Reserve Fund for each such Bond Fund Year; and

(D) the Aggregate Annual Debt Service for each such Bond Fund Year on all Bonds, PPRF Secured Obligations and Security Instrument Repayment Obligations reasonably expected to be Outstanding;

and (b) showing that in each such Bond Fund Year, the aggregate of the amounts set forth in clauses (A), (B) and (C), exceeds 100% of the aggregate of the amount set forth in clause (D) of this definition.

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

(i) the Subordinate Lien PPRF Revenues and Additional Pledged Revenues 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 a year in which a Cash Flow Statement is prepared, the Aggregate Annual Debt Service and Assumed Repayments of Loans and Additional Pledged Loans will be included in calculating the ratio described above;

(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; and

(iv) earnings on the Bond Fund will be assumed to equal the greatest amounts from any consecutive 12 months of the immediately preceding 24 months.

“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 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 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 PPRF Secured Obligations, Nonperforming Loans and Additional Pledged Loans, Loans for which moneys have been drawn on the related Agreement Reserve Account to make payments due under the related Agreement and such moneys have not been fully replenished in accordance with the related Agreement and Loans or Additional Pledged Loans otherwise designated as Category IV by the NMFA or the Rating Agencies.

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

“Commercial Paper Program” means commercial paper obligations with maturities of not more than two hundred seventy (270) days from the dates of issuance thereof which are issued and reissued by the NMFA from time to time pursuant to the Indenture and are outstanding up to an Authorized Amount.

“Covenant Default” with respect to any Loan Agreement, Securities or Additional Pledged Loan means any default or event of default under the Indenture other than (i) a default in payment of principal or interest under the Indenture; (ii) a rendering of the obligor, unable to perform its obligations under the Indenture; or (iii) a bankruptcy, insolvency or similar proceeding with respect to the obligor under the Indenture.

“Cross-over Date” means with respect to Cross-over Refunding Bonds the date on which the Principal portion of the related Cross-over Refunded Bonds is to be paid or redeemed from the proceeds of such Cross-over Refunding Bonds.

“Cross-over Refunded Bonds” means Bonds or other obligations refunded by Cross-over Refunding Bonds.

“Cross-over Refunding Bonds” means Bonds issued for the purpose of refunding Bonds or other obligations if the proceeds of such Cross-over Refunding Bonds are irrevocably deposited in escrow to secure the payment on an applicable redemption date or maturity date of the Cross-over Refunded Bonds (subject to possible

use to pay Principal of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds until the Cross-over Date.

“Current Interest Bonds” means Bonds not constituting Capital Appreciation Bonds. Interest on Current Interest Bonds will be payable periodically on the Interest Payment Dates provided therefor in a Supplemental Indenture.

“Debt Service” means, for any particular Bond Fund Year and for any Series of Bonds, any PPRF Secured Obligations, and any Security Instrument Repayment Obligations, an amount equal to the sum of (a) all interest payable during such Bond Fund Year on such Series of Bonds, any PPRF Secured Obligations and any Security Instrument Repayment Obligations plus (b) the Principal Installments, if any, payable during such Bond Fund Years on such Series of Bonds (other than Subordinated Bond Anticipation Obligations) any PPRF Secured Obligations and any Security Instrument Repayment Obligations; provided, however for purposes of the Indenture and for purposes of preparing a Cash Flow Statement,

(1) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds (for which there is no Interest Rate Swap) or Security Instrument Repayment Obligations or any PPRF Secured Obligations bearing interest at a variable rate which cannot be ascertained for any particular Bond Fund Year, it will be assumed that such Series of Variable Rate Bonds or related Security Instrument Repayment Obligations or any PPRF Secured Obligations will bear interest at such market rate of interest applicable to such Series of Variable Rate Bonds or related Security Instrument Repayment Obligations or any PPRF Secured Obligations as are established for this purpose in the opinion of the NMFA’s financial advisor, underwriters or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise, so long as such estimates are based upon the then-current market conditions);

(2) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds for which an Interest Rate Swap will be in effect, pursuant to which, the NMFA has agreed to pay a fixed rate of interest and the SWAP Counterparty has agreed to pay a variable rate of interest, which rate an Authorized Officer of the NMFA has certified in a written certificate of the NMFA approximates or is intended to approximate the variable rate payable on such Series of Variable Rate Bonds, such Series of Variable Rate Bonds will be deemed to bear interest at the fixed rate provided in such Interest Rate Swap; provided that such fixed rate may be utilized only so long as such Interest Rate Swap is contracted to remain in full force and effect;

(3) when calculating interest payable during such Bond Fund Year for any Series of Bonds which are issued with a fixed interest rate and with respect to which an Interest Rate Swap is in effect pursuant to which the NMFA has agreed to pay a variable rate of interest and the SWAP Counterparty has agreed to pay a fixed rate of interest, which rate an Authorized Officer of the NMFA has certified in a written certificate of the NMFA approximates or is intended to approximate the fixed rate payable on such Series of Bonds, such Series of Bonds will be deemed to bear interest at such market rate as will be established for this purpose, in the opinion of the NMFA’s financial advisor, underwriters or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise, so long as such estimates are based upon the then-current market conditions); provided that such variable rate will be utilized only so long as such Interest Rate Swap is contracted to remain in full force and effect;

(4) when calculating the Principal Installments payable during such Bond Fund Year on any Series of Balloon Bonds, there will be treated as payable in such Bond Fund Year the amount of Principal Installments which would have been payable during such Bond Fund Year had the Principal of each Series of Balloon Bonds Outstanding and the related Security Instrument Repayment Obligations then Outstanding (or arising therefrom) been amortized, from their date of issuance over a period of 25 years, on a level debt service basis at an interest rate equal to the rate borne by such Balloon Bonds on the date of calculation, provided that if the date of calculation is within 12 months before the actual maturity of such

Balloon Bonds or Security Instrument Repayment Obligations, the full amount of Principal payable at maturity will be included in such calculation;

(5) when calculating principal and interest payable during such Bond Fund Year with respect to any Commercial Paper Program, “Debt Service” means an amount equal to the sum of all principal and interest payments that would be payable during such Bond Fund Year assuming that the Authorized Amount of such Commercial Paper Program is amortized on a level debt service basis over a period of 25 years beginning on the date of calculation or, if later, the last day of the period during which obligations can be issued under such Commercial Paper Program, and bearing interest at the maximum interest rate applicable to such Commercial Paper Program;

provided, however, that there will be excluded from Debt Service (x) interest on Bonds (including Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest or capitalized interest is available to pay such interest, (y) Principal on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow, and such proceeds or the earnings thereon are required to be applied to pay such Principal (subject to the possible use to pay the Principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such Principal, and (z) Security Instrument Repayment Obligations to the extent that payments on Pledged Bonds relating to such Security Instrument Repayment Obligations satisfy the NMFA’s obligation to pay such Security Instrument Repayment Obligations.

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

“Debt Service Reserve Fund” means the fund by that name created in the Indenture to be held by the Trustee and administered pursuant to the Indenture and each Account created therein.

“Debt Service Reserve Requirement” means with respect to each Series of Bonds issued pursuant to the Indenture, unless otherwise provided in the related Supplemental Indenture, an amount equal to the least of (i) 10% of the proceeds of such Series of Bonds determined on the basis of original principal amount (unless original issue premium or original issue discount exceeds 2% of original principal, then determined on the basis of initial purchase price to the public), (ii) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds, and (iii) 125% of the average annual Debt Service for such Series of Bonds; provided, however, that in the event any Series of Additional Bonds is issued to refund only a portion and not all of the then Outstanding Bonds of any other Series of Bonds issued pursuant to the Indenture (the “Prior Bonds”), then the portion of such Series of Prior Bonds that remain Outstanding immediately after the issuance of such Additional Bonds and the portion of such Additional Bonds that is allocable to the refunding of such Series of Prior Bonds may be combined and treated as a single Series for the purpose of determining the Debt Service Reserve Requirement relating to such combined Series and the resulting requirement will be allocated among the two Series pro rata based upon the total principal amount remaining Outstanding for each Series. The Debt Service Reserve Requirement may be funded entirely or in part by one or more Reserve Instruments as provided in the Indenture or, if provided in the related Supplemental Indenture, may be accumulated over time. Each Account of the Debt Service Reserve Fund will only be used with respect to the related Series of Bonds.

“Escrowed Interest” means amounts irrevocably deposited in escrow in connection with the issuance of Additional Bonds for refunding purposes or Cross-over Refunding Bonds secured by such amounts or earnings on such amounts which are required to be applied to pay interest on such Cross-over Refunding Bonds or the related Cross-over Refunded Bonds.

“Event of Default” means with respect to any default or event of default under the Indenture any occurrence or event specified in and defined by the Indenture.

“Expense Fund” means the Fund by that name established by the Indenture to be held by the Trustee.

“Fitch” means Fitch Ratings.

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

“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 the NMFA and any “qualified entity” under the Act which has executed and delivered to the NMFA a Loan Agreement or Securities for the purpose of financing all or a portion of a Project under the Indenture.

“Indenture” means the Subordinated General Indenture of Trust and Pledge and all Supplemental Indentures thereto.

“Initial Bonds” means the NMFA’s \$50,395,000 Subordinate Lien Public Project Revolving Fund Refunding Revenue Bonds, Series 2005C and \$8,660,000 Taxable Subordinate Lien Public Project Revolving Fund Refunding Revenue Bonds, Series 2005D.

“Interest Component” has the meaning given in the Indenture.

“Interest Payment Date,” with respect to each Series of Bonds and PPRF Secured Obligations, has the meaning set forth in the related Supplemental Indenture.

“Interest Rate Swap” means an agreement between the NMFA or the Trustee (at the written direction of the NMFA) and a SWAP Counterparty providing for an interest rate cap, floor or swap with respect to any Bonds.

“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.

“Moody’s” means Moody’s Investors Service, Inc.

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

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

“Outstanding” or “Bonds outstanding” means 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 is 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 has been given in accordance with the Indenture or provided for in a manner satisfactory to the Trustee;

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

(d) Bonds in lieu of which others have been authenticated under the Indenture.

“Outstanding” includes all Bonds the principal and/or interest on which have been paid by any bond insurer pursuant to municipal bond insurance policy.

“PPRF Revenues” means collectively, the NMFA Portion of the Governmental Gross Receipts Tax and the revenues from the Additional Senior Pledged Loans, which amounts are to be deposited to the revenue fund created under the Senior Indenture.

“PPRF Secured Obligations” means any bond, note or other obligation identified in a Supplemental Indenture or Pledge Notification as a PPRF Secured Obligation under the Indenture and secured in accordance with the provisions of the Indenture. PPRF Secured Obligations are not “Bonds” as defined in the Indenture.

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

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

(a) Governmental Obligations;

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

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

(ii) Federal Housing Administration (FHA) Debentures;

(iii) General Services Administration Participation certificates;

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

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

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

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

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

(ii) Federal Home Loan Mortgage Corporation. (FHLMC or “Freddie Mac”) 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”) rated AAA by Standard & Poor’s and Aaa by Moody’s Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

(iv) Student Loan Market Association. (SLMA or “Sallie Mae”) Senior debt obligations;

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

(vi) Farm Credit System. Consolidated systemwide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAAm” or “AAm” or by Moody’s of “Aaa” including funds from which the Trustee or its affiliates receive fees for investment advisory or other services to such fund;

(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 and which matures not more than 270 days after the date of purchase;

(h) Bonds or notes issued by any state or municipality which are rated by Moody’s in the highest long-term rating category 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” 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 and, if the amounts to be invested are in the Revenue Fund, such agreement must be approved in writing prior to its acquisition by each bond insurer then insuring any Series of Bonds; provided further, if the amounts to be invested are in the Bond Fund and relate to a Series of Bonds that have been or are then being insured by a bond insurer, such agreement must be approved in writing prior to its acquisition by the bond insurer then insuring such Series of Bonds;

(k) Investment contracts with providers the long term, unsecured debt obligations of which are rated at least “Aaa” by the Rating Agencies and, if the amounts to be invested are in the Revenue Fund, such agreement must be approved in writing prior to its acquisition by each bond insurer then insuring any Series of Bonds; provided further, if the amounts to be invested are in the Bond Fund and relate to a Series of Bonds that have been or are then being insured by a bond insurer, such agreement must be approved in writing prior to its acquisition by the bond insurer then insuring such Series of Bonds; and

(l) The State Treasurer’s short-term investment fund created pursuant to Section 6-10-10.1, NMSA 1978, maintained and invested by the State Treasurer.

“Pledge Notification” means a written notice, executed by an Authorized Officer and delivered to the Trustee, (i) (a) pledging one or more Additional Pledged Loans or (b) identifying loans or securities or obligations to be funded from Uncommitted Proceeds and designating such loans or securities as “Loans” under the Indenture, (ii) describing the Project financed or to be financed with the Additional Pledged Loan or the loan or security to be funded from Uncommitted Proceeds, as appropriate, and (iii) authorizing the Trustee to create Accounts designated in the Loan Agreements or other instruments to be executed and delivered in connection with Additional Pledged Loans or the loan or security to be funded from Uncommitted Proceeds, as appropriate.

“Pledged Bonds” means any Bonds that have been (i) pledged or in which any interest has otherwise been granted to a Security Instrument Issuer as collateral security for Security Instrument Repayment Obligations or (ii) purchased and held by a Security Instrument Issuer pursuant to a Security Instrument.

“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” means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payment of Bonds after an Event of Default, in which case “Principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest), and (b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

“Principal Component” has the meaning given in the Indenture.

“Principal Installment” means, as of any date of calculation, (a) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, the Principal amount of Bonds of such Series due on a certain future date, and (b) with respect to any Security Instrument Repayment Obligations, the principal amount of such Security Interest Repayment Obligations due on a certain future date.

“Program” means the NMFA’s public project revolving fund program.

“Program Costs” means the fees and expenses payable to the Trustee, any Paying Agent, any Remarketing Agent, any Broker-Dealer, any Auction Agent and any other agent consultant engaged to carry out the purposes of the NMFA and the NMFA and Security Instrument Costs.

“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 or refinancing by the NMFA from the Public Project Revolving Fund (to the extent required by law) and (ii) described in a Supplemental Indenture or a Pledge Notification.

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

“Put Bond” means any Bond that is part of a Series of Bonds subject to purchase by the NMFA, its agent or a third party from the Owner of the Bond pursuant to provisions of the Supplemental Indenture authorizing the issuance of the Bond.

“Rating Agencies” means Moody’s, Fitch and S&P, or any of their successors and assigns and any other nationally recognized rating service designated by the NMFA and then maintaining a rating on the Bonds or PPRF Secured Obligations. For purposes of the Cash Flow Statement, however, “Rating Agencies” means Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services and Fitch Ratings or their successors and assigns; provided that, if more than one such Rating Agency shall be categorizing Loans and Additional Pledged Loans, for purposes of assigning a category, “Rating Agencies” shall refer to the Rating Agency assigning the lower of the categorizations.

“Rebate Calculation Date” means, with respect to each Series of Bonds (other than Taxable 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.

“Regular Record Date” means, unless otherwise provided in a Supplemental Indenture, with respect to the Bonds, the fifteenth (15th) day immediately preceding each Interest Payment Date (or the Business Day immediately preceding such fifteenth (15th) day, if such fifteenth (15th) day is not a Business Day).

“Registered Owner” or “Owner” or “Bond holder” or “holder” means (i) when used with respect to the Bonds the person or persons in whose name or names a Bond is registered on the books of the Trustee kept for that purpose in accordance with provisions of the Indenture and (ii) when used with respect to the PPRF Secured Obligations the registered owners or other holders thereof (if not registered).

“Reimbursement Bonds” means Bonds issued for the purpose of reimbursing the NMFA for Projects financed with cash advanced from the Public Project Revolving Fund.

“Remarketing Agent” means a remarketing agent or commercial paper dealer appointed by the NMFA pursuant to a Supplemental Indenture.

“Reserve Instrument” means a device or instrument issued by a Reserve Instrument Provider to satisfy all or any portion of the Debt Service Reserve Requirement applicable to a Series of Bonds. The term “Reserve Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit and other devices.

“Reserve Instrument Agreement” means any agreement entered into by the NMFA and a Reserve Instrument Provider pursuant to a Supplemental Indenture (including the applicable portions of a Supplemental Indenture) and providing for the issuance by such Reserve Instrument Provider of a Reserve Instrument.

“Reserve Instrument Costs” means all fees, premiums, expenses and similar costs, other than Reserve Instrument Repayment Obligations, required to be paid to a Reserve Instrument Provider pursuant to a Reserve Instrument Agreement. Each Reserve Instrument Agreement will specify the fees, premiums, expenses and costs constituting Reserve Instrument Costs.

“Reserve Instrument Coverage” means, as of any date of calculation, the aggregate amount available to be paid to the Trustee pursuant to the Indenture under all Reserve Instruments.

“Reserve Instrument Fund” means the fund by that name created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Reserve Instrument Limit” means, as of any date of calculation and with respect to any Reserve Instrument, the maximum aggregate amount available to be paid under such Reserve Instrument into the Debt Service Reserve Fund assuming for purposes of such calculation that the amount initially available under each Reserve Instrument has not been reduced or that the amount initially available under each Reserve Instrument has only been reduced as a result of the payment of principal of the applicable Series of Bonds.

“Reserve Instrument Provider” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other institution issuing a Reserve Instrument.

“Reserve Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Reserve Instrument Agreement, those outstanding amounts payable by the NMFA under such Reserve Instrument Agreement to repay the Reserve Instrument Provider for payments previously made by it pursuant to a Reserve Instrument. There will not be included in the calculation of Reserve Instrument Repayment Obligations any Reserve Instrument Costs.

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

“S&P” means Standard & Poor’s Ratings Services.

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

“Security Documents” means the intercept agreements or other security documents, if any, delivered by Governmental Units to provide additional security for a Loan Agreement or Securities.

“Security Instrument” means an instrument or other device issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds. The term “Security Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit and other security instruments and credit enhancement or liquidity devices; provided, however, that no such device or instrument is a “Security Instrument” for purposes of the Indenture unless specifically so designated in a Supplemental Indenture authorizing the use of such device or instrument.

“Security Instrument Agreement” means any agreement entered into by the NMFA and a Security Instrument Issuer pursuant to a Supplemental Indenture and/or the applicable portions of a Supplemental Indenture providing for the issuance by such Security Instrument Issuer of a Security Instrument.

“Security Instrument Costs” means, with respect to any Security Instrument, all fees, premiums, expenses and similar costs, other than Security Instrument Repayment Obligations, required to be paid to a Security Instrument Issuer pursuant to a Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument. Such Security Instrument Agreement or Supplemental Indenture will specify any fees, premiums, expenses and costs constituting Security Instrument Costs.

“Security Instrument Issuer” means any bank or other financial institution, insurance company, surety company or other institution issuing a Security Instrument.

“Security Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Security Instrument Agreement, any outstanding amounts payable by the NMFA under the Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument to repay the Security Instrument Issuer for payments previously or concurrently made by the Security Instrument Issuer pursuant to a Security Instrument. There will not be included in the calculation of the amount of Security Instrument Repayment Obligations any Security Instrument Costs. Each Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument will specify any amounts payable under it which, when outstanding, will constitute Security Instrument Repayment Obligations and will specify the portions of any such amounts that are allocable as principal of and as interest on such Security Instrument Repayment Obligations.

“Senior Bonds” means the bonds from time to time issued under the Senior Indenture.

“Senior Indenture” means the General Indenture of Trust and Pledge dated as of June 1, 1995 (as amended and supplemented from time to time), between the Finance Authority and BOKF, N.A., as trustee.

“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.

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

“State” means the State of New Mexico.

“Subordinate Lien PPRF Revenues” means (i) the PPRF Revenues less the portion of the PPRF Revenues which are used during any applicable period to satisfy the obligations of the Finance Authority under the Senior Indenture (or required by the terms of the Senior Indenture to be retained by the Trustee under the Indenture) plus (ii) all revenues received or earned by the Finance Authority from or attributable to Additional Pledged Loans, if any.

“Subordinated Bond Anticipation Obligations” means Bond Anticipation Obligations, the Principal Installments on which have been subordinated pursuant to the 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.

“SWAP Counterparty” means a member of the International Swap and Derivatives Association, Inc. which is (a) rated in one of the three top rating categories by at least one of the Rating Agencies and (b) meeting the requirements (including the rating requirements, if any) of applicable laws of the State. The documentation with respect to each Interest Rate Swap will require the SWAP Counterparty to (i) maintain its rating in one of the three top rating categories by at least one of the Rating Agencies (or to collateralize its obligations to the satisfaction of the Rating Agencies rating the related Bonds) and (ii) meet the requirements of State law (including the rating requirements, if any).

“SWAP Payments” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the SWAP Counterparty by the Trustee on behalf of the NMFA. SWAP Payments do not include any Termination Payments.

“SWAP Receipts” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Trustee for the account of the NMFA by the SWAP Counterparty. SWAP Receipts do not include amounts received with respect to the early termination or modification of an Interest Rate Swap.

“Taxable Bonds” means all Bonds designated in the related Supplemental Indenture as bearing or accruing interest intended to be subject to Federal income taxation.

“Tax-Exempt Bonds” means all Bonds other than the Taxable Bonds.

“Termination Payments” means the amount payable to the SWAP Counterparty by the Trustee on behalf of the NMFA with respect to the early termination or modification of an Interest Rate Swap. Termination Payments will be payable from and secured by Subordinate Lien PPRF Revenues after payment of amounts then due pursuant to the Indenture.

“Trust Estate” means the property held in trust by or pledged to the Trustee pursuant to the Granting Clauses of the Indenture.

“Trustee” means BOKF, N.A., Albuquerque, New Mexico, and its successors and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Indenture.

“Uncommitted Proceeds” means that portion of the proceeds of a Series of Bonds for which no Loans have been made at the time of issuance of such Series of Bonds.

“Variable Rate Bonds” means, as of any date of calculation, Bonds the terms of which on such date of calculation are such that interest thereon for any future period of time is expressed to be calculated at a rate which is not susceptible to a precise determination.

The Bonds and PPRF Secured Obligations

Execution; Limited Obligation. The Bonds will be executed on behalf of the NMFA with the manual or official facsimile signature of an Authorized Officer, countersigned with the manual or official facsimile signature of its Secretary and impressed or imprinted thereon the official seal or facsimile thereof of the NMFA. In case any officer, the facsimile of whose signature appears on the Bonds, ceases to be such officer before the delivery of such Bonds, such facsimile will nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery. The Bonds, together with interest thereon, will be limited obligations of the NMFA payable, on a parity with the PPRF Secured Obligations (as to the amounts deposited to the Revenue Fund), the Security Instrument Repayment Obligations and the SWAP Payments solely from the Trust Estate.

The Bonds will be a valid claim of the respective Registered Owners thereof only against the Trust Estate and the NMFA pledges and assigns the same, FIRST, for the equal and ratable payment of the Bonds, the PPRF Secured Obligations (as to amounts deposited to the Revenue Fund), the Security Instrument Repayment Obligations and the SWAP Payments, and, SECOND, for the equal and ratable payment of the Reserve Instrument Repayment Obligations. The Trust Estate will be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, PPRF Secured Obligations as to the amounts deposited to the Revenue Fund, the Security Instrument Repayment Obligations, the SWAP Payments and the Reserve Instrument Repayment Obligations, except as may be otherwise expressly authorized in the Indenture (including the release of Subordinate Lien PPRF Revenues free and clear of the lien of the Indenture upon satisfaction of the payments then due and payable, as provided in the Indenture and the release of Loans, Additional Pledged Loans and Additional Pledged Revenues as provided in the Indenture). The lien and pledge of the Subordinate Lien PPRF Revenues is subject to the prior lien of the Senior Indenture on the PPRF Revenues in that the PPRF Revenues will first be used to satisfy the requirements of the Senior Indenture and upon the release from the lien of the Senior Indenture the PPRF Revenues will immediately be subject to the lien of the Indenture. The Subordinate Lien PPRF Revenues (including the PPRF Revenues following the release thereof each year from the lien of the Senior Indenture) and the other amounts pledged under the Indenture are not subject to the lien of the Senior Indenture.

The Bonds, the Security Instrument Repayment Obligations and SWAP Payments are special limited obligations of the NMFA payable solely from the Trust Estate and will be a valid claim of the respective Owners thereof only against the Revenue Fund, the Bond Fund, the Debt Service Reserve Fund, the Debt Service Fund, the

Agreement Reserve Fund (except as limited by the Indenture) and other moneys held by the Trustee under the Indenture (except the Rebate Fund), and the Bonds, the Security Instrument Repayment Obligations and SWAP Payments will not constitute or create a general obligation or other indebtedness 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. The obligation of the NMFA under the Indenture with respect to the PPRF Secured Obligations is a special limited obligation of the NMFA payable solely from the amounts deposited or to be deposited to the Revenue Fund and will be a valid claim of the respective owners of and fiduciaries for the PPRF Secured Obligations only against the Revenue Fund, and the PPRF Secured Obligations will not constitute nor create a general obligation or other indebtedness of the State or any Governmental Unit within the meaning of any constitutional or statutory debt limitation.

The obligation of the NMFA under the Indenture with respect to the Reserve Instrument Repayment Obligations is a special limited obligation of the NMFA payable solely from the Trust Estate after payment of the Bonds, PPRF Secured Obligations (as to the amounts deposited in the Revenue Fund), Security Instrument Repayment Obligations and SWAP Payments and will be a valid claim of the Reserve Instrument Providers against the Trust Estate and will not constitute or give rise to a general obligation or other indebtedness of the State, the NMFA or any other Governmental Unit within the meaning of any constitutional or statutory debt limitation.

No provision of the Bonds, the PPRF Secured Obligations, the Security Instrument Repayment Obligations, the SWAP Payments or Reserve Instrument Repayment Obligation, will be construed or interpreted as creating a delegation of governmental powers or as a donation by or lending of the credit of the NMFA, the State or any Governmental Unit within the meaning of the Constitution of the State. THE NMFA HAS NO TAXING POWERS. The obligation to pay the Principal of and interest and premium, if any, on the Bonds, the PPRF Secured Obligations, the Security Instrument Repayment Obligations, the SWAP Payments and the Reserve Instrument Repayment Obligations will not constitute or give rise to a pecuniary 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 or taxing power of the State or any political subdivision of the State.

The provisions of the Indenture relating to the execution of Bonds may be changed as they apply to the Bonds of any Series by the Supplemental Indenture authorizing such Series of Bonds.

Registration and Exchange of Bonds; Persons Treated as Owners. Books for the registration and for the transfer of the Bonds as provided in the Indenture will be kept by the Trustee which is constituted and appointed by the Indenture as the Bond Registrar with respect to the Bonds, provided, however, that the NMFA may by Supplemental Indenture select a party other than the Trustee to act as Bond Registrar with respect to the Series of Bonds issued under said Supplemental Indenture. Upon the occurrence of an Event of Default, which would require any Security Instrument Issuer to make a payment under a Security Instrument Agreement, the Bond Registrar will make such registration books available to the Security Instrument Issuer. 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 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, 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 provided in the Indenture. 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.

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

Nonpresentment of Bonds. In the event that any Bond is not presented for payment when the principal thereof becomes due at maturity, or otherwise, if funds sufficient to pay any such Bond has been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the NMFA to the holder thereof for the payment of such Bond ceases, determines and is completely discharged, and it is 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 thereafter is 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. The obligation of the Trustee under the Indenture to pay any such amounts to the NMFA will be subject to any provisions of law applicable to the Trustee providing other requirements for disposition of unclaimed property.

PPRF Secured Obligations. The NMFA may secure PPRF Secured Obligations pursuant to a Supplemental Indenture entered into with the Trustee pursuant to the terms of the Indenture. No bond or other obligations will be considered a PPRF Secured Obligation under the Indenture for any purpose or entitled to any security or benefit under the Indenture, unless specifically identified as such in a Supplemental Indenture. Each PPRF Secured Obligation will contain a provision substantially as follows:

"This Bond is secured by the New Mexico Finance Authority (the "NMFA") as a PPRF Secured Obligation (as defined in the referenced Indenture) under the Subordinated General Indenture of Trust and Pledge (the "Indenture") between the NMFA and Bank of Albuquerque N.A. (the "Trustee"), as trustee dated as of March 1, 2005 and as provided in the _____ Supplemental Indenture dated as of _____, _____ (the "Supplemental Indenture") and is entitled to the benefits and is subject to all of the terms and conditions of the Indenture and Supplemental Indenture (as the same may be amended or modified from time to time). The obligations of the NMFA under the Indenture are special limited obligations payable solely from and to the extent of the sources set forth in the Indenture."

Prior to the execution by the Trustee of a Supplemental Indenture relating to any PPRF Secured Obligation or Obligations, there will have been filed with the Trustee:

- (a) a copy of the Indenture (to the extent not theretofore so filed) and the related Supplemental Indenture;
- (b) a copy, certified by an Authorized Officer of the NMFA, of the proceedings of the NMFA approving the execution and delivery of the PPRF Secured Obligations and the related Supplemental Indenture, together with a certificate, dated as of the date of execution of such Supplemental

Indenture, of an Authorized Officer of the NMFA that such proceedings are still in force and effect without amendments except as shown in such proceedings; and

(c) a certificate of the NMFA to the effect that the Legislature of the State has, to the extent required by law, approved each Project designated for financing under such Supplemental Indenture.

The paying agent for each PPRF Secured Obligation will use its best efforts to notify the Trustee, at least five business days prior to each Interest Payment Date or principal payment date for the PPRF Secured Obligations, if such paying agent has determined that it will not have sufficient moneys available for the payment of amounts due with respect to the PPRF Secured Obligations.

Issuance of Additional Bonds and PPRF Secured Obligations and Additional Senior Bonds.

(a) No additional indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of the Trust Estate for the payment of the Bonds, PPRF Secured Obligations, the Security Instrument Agreements and Interest Rate Swaps authorized in the Indenture, may be created or incurred without the prior written consent of 100% of the Owners of the Outstanding Bonds, owners of PPRF Secured Obligations and Security Instrument Issuers and SWAP Counterparties; provided however, that additional Senior Bonds or other indebtedness, bonds or notes of the NMFA payable on a priority senior to the pledge of PPRF Revenues under the Indenture may be issued in accordance with the requirements of the Senior Indenture.

(b) In addition, except for the Initial Bonds, no Additional Bonds, PPRF Secured Obligations, Security Instrument Repayment Obligations and SWAP Payments or other indebtedness, bonds or notes of the NMFA payable on a parity with the Bonds, the PPRF Secured Obligations, Securities Instrument Repayment Obligations and SWAP Payments authorized in the Indenture out of the Trust Estate may be issued, created or incurred, unless the following requirements have been met:

(i) the NMFA delivers to the Trustee a Cash Flow Statement taking into account the issuance of the Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes and taking into account the execution and delivery of any related Security Instrument Agreement and Interest Rate Swap;

(ii) all payments required by the Indenture to be made into the Bond Fund must have been made in full;

(iii) the proceeds of the Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes must be used (x) 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), (y) to make Loans or to purchase Securities (including the funding of necessary reserves and the payment of costs of issuance) or (z) to finance other projects approved by the NMFA; and

(iv) no Event of Default has occurred and is continuing under the Indenture. The foregoing provisions of this paragraph (iv) will not preclude the issuance of Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes if (x) the issuance of such Additional Bonds and PPRF Secured Obligations or other indebtedness, bonds or notes otherwise complies with the provisions of the Indenture and (y) such Event of Default will cease to continue upon the issuance of the Additional Bonds, PPRF Secured Obligations or other indebtedness, bonds or notes and the application of the proceeds thereof.

(c) There must be on deposit in each Account of the Debt Service Reserve Fund (taking into account any Reserve Instrument coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds.

The requirements above 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 and outstanding PPRF Secured Obligations being lowered.

Covenant Against Creating or Permitting Liens. Except for (A) the pledge of the PPRF Revenues pursuant to the Senior Indenture and (B) the pledge of the Trust Estate to secure payment of the Bonds, PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments, and Reserve Instrument Repayment Obligations under the Indenture, 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, the PPRF Secured Obligations, Security Instrument Repayment Obligations and SWAP Payments and (ii) Subordinate Lien PPRF Revenues not needed for payments under the Indenture in any Bond Fund Year may be released to the NMFA free and clear of the lien of the Indenture as provided in the Indenture.

Open Market Purchases of Bonds

Purchases of Outstanding Bonds on the open market may be made by the NMFA at public or private sale as, when and at such prices as the NMFA may in its discretion determine. Any accrued interest payable upon the purchase of Bonds may be paid from the amount reserved in the Bond Fund for the payment of interest on such Bonds on the next following Interest Payment Date. Any Bonds so purchased will be cancelled by the Trustee and surrendered to the NMFA or destroyed and will not be reissued.

Covenants of the NMFA

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, PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations and the performance of the NMFA's obligations under the Indenture.

No Transfer of Loan Agreements, Additional Pledged Loans, Security Documents and Securities; Exceptions; Further Assurance. The NMFA and the Trustee will not transfer any of the Loan Agreements, Additional Pledged Loans, Security Documents and Securities, except as specifically authorized in the Indenture in furtherance of the security for the Bonds, PPRF Secured Obligations, the Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations; provided that, (i) once the Governmental Unit has repaid all amounts, if any, owing under its Loan 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 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 and in the Senior Indenture, the NMFA will not enter into any contract or take any action by which the rights of the Trustee or the Bond Owners, the owners of PPRF Secured Obligations, Security Instrument Issuers, SWAP Counterparties and Reserve Instrument Providers 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 will cause a financing statement to be filed with the Secretary of State of the State, and in such other manner and at such places as may be required by law fully to protect the security interest of the Owners of the Bonds, the owners of PPRF Secured Obligations, Security Instrument Issuers, SWAP Counterparties and Reserve Instrument Providers 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 are reasonably requested by the Trustee for the protection of the interests of the Bond Owners, the owners of PPRF Secured Obligations, Security Instrument Issuers, SWAP

Counterparties and Reserve Instrument Providers 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 upon the Trust Estate created by the Indenture until the principal of and interest on the Bonds, the PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations executed and delivered under the Indenture have been paid. The Trustee will execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel may be necessary to preserve the lien of the Indenture upon the Trust Estate created by the Indenture or any part thereof until the principal of and interest on the Bonds, the PPRF Secured Obligations, Security Instrument Repayment Obligations, SWAP Payments and Reserve Instrument Repayment Obligations have been paid.

Rights Under Loan Agreements, Security Documents and Securities. The Loan Agreements, Security Documents and Securities set forth the covenants and obligations of the Governmental Units, including provisions that, subsequent to the issuance of a related Series of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions in the Indenture, the Loan 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 under the Indenture.

Tax-Exempt Bonds. The NMFA covenants and agrees to and for the benefit of the Owners of the Tax-Exempt Bonds that the NMFA (i) will not take any action that would cause interest on the Tax-Exempt 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 Tax-Exempt Bonds in order to preserve the exemption from federal income taxation of interest on the Tax-Exempt Bonds.

State Pledge of Non-Impairment. The State has pledged to and agreed with the holders of the Bonds and the owners of PPRF Secured Obligations (as obligations 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 Bond holders and the owners of PPRF Secured Obligations or in any way impair the rights and remedies of those holders until the Bonds and the PPRF Secured Obligations 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.

Financing Loan Agreements and Securities

Restrictions. The following restrictions will apply to Loans made by the NMFA under the Indenture:

- (a) The aggregate principal amount of each Loan Agreement and Security will be in whole multiples of Authorized Denomination.
- (b) Each Governmental Unit will agree not to take or permit any action which would cause the respective Agreement or the related Series of Bonds to be “arbitrage bonds” under Sections 103 and 148 of the Code.
- (c) Amounts disbursed from each Governmental Units’ Account within the Program Fund will be used to finance the costs of the related Project and related expenditures on behalf of the Governmental Unit. All funds on deposit in a Governmental Unit’s Program Account may be disbursed to fund a capital projects account held by or on behalf of the Governmental Unit, provided that the Governmental Unit establishes an account for such moneys separate from its other funds, and expressly acknowledges and agrees that its use of such moneys is subject to the requirements and restrictions set forth in the Indenture.

(d) Each Governmental Unit agrees to pay the Rebutable Arbitrage relating to its Accounts in the Program Fund, the Agreement Reserve Fund and the Debt Service Fund.

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

The provisions of Subsections (b), (d) and (e) above will not apply to Agreements financed with proceeds of Taxable Bonds.

Waiver of Compliance With Program Requirements. With the Approval of Bond Counsel, any of the requirements of the Indenture may be waived or modified by the Trustee and the NMFA

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 on the related Loan (the “Interest Component”) 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”) with respect to the related Loan, all as set forth in the related Agreement. Amounts due as the Principal, Program Costs, and Interest Components of Loan Payments due under each Loan Agreement or Securities will be paid on or before each Loan Payment Date. The Interest Component of Loan Payments for each 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 or Pledge Notification. The Program Cost Component may be included in the interest rate applicable to a Loan.

(b) Agreement and Term. The “Term” of an Agreement will be defined in the Agreement.

(c) Agreement Payment. Agreements will provide that the related Governmental Unit will pay Loan Payments to the NMFA for remittance to Trustee. 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 the NMFA for remittance to and to be held by the Trustee.

(d) Prepayments. Agreements may contain a provision permitting the Governmental Unit to prepay the Principal Component of Loan Payments, in accordance with the provisions of the Agreement subject to any conditions set forth in the related Supplemental Indenture or Agreement. Partial prepayments of the Principal Component of Loan Payments will be made in multiples of the minimum Authorized Denomination.

(e) Use of Reserve at Final Payment. At the time of payment in full under 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 Agreement.

Establishment and Use of Funds

Establishment of Funds; Accounts Within Funds. There are established 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 or Project;

- (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 (other than Agreements related to Taxable Bonds);
- (g) a Subordinate Lien PPRF Revenue Fund (in the Indenture the “Revenue Fund”) established as an account of the Public Project Revolving Fund;
- (h) a Debt Service Reserve Fund and within such fund a separate Account for each Series of Bonds for which a Debt Service Reserve Requirement is established; and
- (i) a Reserve Instrument Fund.

In addition to the foregoing, the NMFA may establish subaccounts within the Program Fund, the Agreement Reserve Fund, the Debt Service Reserve Fund, the Reserve Instrument Fund or the Debt Service Fund.

Program Fund. Except with respect to Reimbursement Bonds, proceeds of which may be deposited directly to the Public Project Revolving Fund, upon the issuance of a Series of Bonds, the Trustee will deposit the amount specified in the related Supplemental Indenture in the Program Fund and except in the case of Uncommitted Proceeds, will allocate such amount to the respective Accounts within the Program Fund as provided in each Agreement, Supplemental Indenture or Pledge Notification. Upon the issuance of a Series of Bonds for which there are Uncommitted Proceeds, the Trustee should deposit such Uncommitted Proceeds in the Program Fund until such time that the Trustee receives a Pledge Notification that identifies the Agreement or Project to which Uncommitted Proceeds are to be allocated and at such time, the Trustee will allocate such Uncommitted Proceeds to the respective Accounts within the Program Fund as provided in each Agreement, Supplemental Indenture or Pledge Notification. Disbursements from each Account within the Program Fund will be made as provided below and may be made in stages or in a single disbursement for the purpose of funding a Governmental Unit’s capital projects account.

Application of Loan Payments. Pursuant to the Loan Agreements and Securities and except as otherwise provided in a Supplemental Indenture, the Loan Payments payable under the Indenture will be paid directly to the NMFA for remittance to the Trustee. Any moneys received by the Trustee directly from a Governmental Unit will be remitted to the NMFA for deposit in the NMFA debt service account or other appropriate account for the Governmental Unit or other borrower from which the Trustee received such moneys.

The Trustee will deposit all Loan Payments from the Loan Agreements and Securities immediately upon receipt thereof from the NMFA, as follows:

First: to the related Account in the Debt Service Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due or to next become due with respect to the Loan (it being anticipated that each Governmental Unit will deposit an amount at least equal to the Loan Payments falling due under the related Loan Agreement or Securities with the NMFA, which will remit that amount to the Trustee for allocation to the related Account in the Debt Service Fund).

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

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

All income earned from the investment of moneys in the respective Accounts (i) held by the NMFA and (ii) of the Debt Service Fund and the Agreement Reserve Fund (but only to the extent that the amount on deposit therein exceeds the related Agreement Reserve Requirement), will 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, provided, however, that all earnings received on the Governmental Unit's Accounts will be allocated solely to the benefit of such Governmental Unit. The NMFA 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.

At least once each year, and more frequently if required pursuant to the provisions of a Supplemental Indenture, the Trustee will determine the amount necessary (i) to be transferred to the Bond Fund from each Debt Service Account 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, as provided in the Agreement and subject to the following:

(i) Any excess attributable to earnings on funds and accounts for the Governmental Unit will be returned to the Governmental Unit or will credit such excess to the Loan Payments next coming due under the Governmental Unit's Agreement; and

(ii) Any other excess will be deposited into the Revenue Fund.

Debt Service Fund. When required pursuant to the provisions of a Supplemental Indenture, the Trustee will transfer moneys in the respective Accounts of the Debt Service Fund to the Bond Fund to pay principal of, and premium, if any, and interest on the Bonds, any Security Instrument Repayment Obligations, SWAP Payments (less any SWAP Receipts) and Reserve Instrument Repayment Obligations becoming due, to the extent amounts are on deposit therein for such purpose. When any Bond is called for redemption because a Governmental Unit has made a Prepayment under its Loan Agreement or Securities, the Trustee will, on the redemption date for such Bond, transfer the amount necessary for such redemption from the related Account in the Debt Service Fund to the Bond Fund.

The Trustee will keep the Debt Service Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

In the event that a subaccount of a Governmental Unit's Account within the Debt Service Fund is created for an Additional Pledged Loan, amounts representing principal of and interest on such Additional Pledged Loan will be deposited to the subaccount within the Debt Service Account and will be transferred on each payment date for such Additional Pledged Loan from the Debt Service Fund to the Revenue Fund. Amounts paid under an Additional Pledged Loan for replenishment of a related subaccount of the Agreement Reserve Fund will be deposited therein upon receipt.

Agreement Reserve Fund. The Trustee will deposit the amount, if any, set forth in a Supplemental Indenture or Pledge Notification to the Agreement Reserve Fund and from the source specified in such Supplemental Indenture or Pledge Notification and will allocate such amount to the respective Accounts as provided in each Agreement.

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

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 Account of the Debt Service Fund and credited against payments next coming due under the related Agreement.

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 Agreement.

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 instruments in lieu of a cash deposit to the Agreement Reserve Fund, as more fully described in the Supplemental Indenture and the Agreement.

The Trustee will keep the Agreement Reserve Fund and each Governmental Unit's Account therein separate and apart from all other Funds and Accounts held by it.

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

In the event that a subaccount of a Governmental Unit's Account within the Agreement Reserve Fund is created for an Additional Pledged Loan, such amounts will be used, in a manner similar to that described above, to secure payment of principal of and interest on such Additional Pledged Loan. In the event that amounts paid by the related Governmental Unit for the payment of principal of and interest on such Additional Pledged Loan are insufficient to make such payments on the fifth day preceding the payment date for such Additional Pledged Loan, amounts on deposit in the related subaccount of the Agreement Reserve Fund will be transferred to the subaccount within the Debt Service Fund and used toward payments on such Additional Pledged Loan on such payment date. Amounts paid under an Additional Pledged Loan for replenishment of the related subaccount of the Agreement Reserve Fund will be deposited therein upon receipt.

Bond Fund. 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 due. 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. There will also be deposited to the Bond Fund from the Debt Service Fund the amounts described in the Indenture and from the Revenue Fund the amounts described in the Indenture. 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.

The Trustee will pay out of the Bond Fund to the Security Instrument Issuers and to the SWAP Counterparties, if any, that have issued Security Instruments or Interest Rate Swaps, respectively, with respect to such Series of Bonds, an amount equal to any Security Instrument Repayment Obligations and SWAP Payments (net of SWAP Receipts) as the case may be, then due and payable to such Security Instrument Issuers or SWAP Counterparties, as applicable. Except as otherwise specified in a related Supplemental Indenture, all such Security Instrument Repayment Obligations and SWAP Payments will be paid on a parity with the payments to be made with respect to principal of and interest on the Bonds; provided that amounts paid under a Security Instrument will be applied only to pay the related Series of Bonds. If payment is so made on Pledged Bonds held for the benefit of the Security Instrument Issuer, a corresponding payment on the Security Instrument Repayment Obligation will be deemed to have been made (without requiring an additional payment by the NMFA) and the Trustee will keep its records accordingly.

The NMFA authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay Debt Service on the Bonds and Security Instrument Repayment Obligations and to pay the SWAP Payments as the same become due and payable and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying said Debt Service. In the event that Debt Service on a Series of Bonds is due more frequently than Loan Payments and amounts on deposit in the Bond Fund are insufficient therefor, amounts on deposit in the Revenue Fund will be used to pay Debt Service on such Series of Bonds, and upon receipt of the Loan Payments, the Revenue Fund will be reimbursed for such payments, as directed by the NMFA. Amounts remaining on deposit in the Bond Fund at the end of the Bond Fund Year after the payment of amounts due, as described above for such Bond Fund Year, will be transferred to the Revenue Fund.

The Trustee will deposit to the Bond Fund all moneys transferred from the Debt Service Reserve Fund or from a Reserve Instrument or Instruments then in effect as provided in the Indenture.

Use of Debt Service Reserve Fund. Except as otherwise provided in the Indenture and subject to the immediately following sentence, moneys in each account in the Debt Service Reserve Fund will at all times be maintained in an amount not less than the applicable Debt Service Reserve Requirement, if any. In calculating the amount on deposit in each account in the Debt Service Reserve Fund, the amount of any Reserve Instrument Coverage will be treated as an amount on deposit in such account in the Debt Service Reserve Fund. Each Supplemental Indenture authorizing the issuance of a Series of Bonds will specify the Debt Service Reserve Requirement, if any, applicable to such Series, which amount will either be (i) deposited immediately upon the issuance and delivery of such Series from (a) proceeds from the sale thereof or from any other legally available source, or (b) by a Reserve Instrument or Instruments, or (c) any combination thereof, (ii) deposited from legally available moneys over the period of time specified therein, or (iii) deposited from any combination of (i) and (ii) above; provided however, the foregoing provisions will be subject to the requirements of any Security Instrument Issuer set forth in any Supplemental Indenture. If at any time the amount on deposit in any account of the Debt Service Reserve Fund is less than the minimum amount to be maintained therein under the Indenture, the NMFA is required, pursuant to the Indenture and the provisions of any Supplemental Indenture, to make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund.

In the event of a deficiency in the Bond Fund for a Series of Bonds, the Trustee will transfer moneys on deposit in the related Account of the Debt Service Reserve Fund to the Bond Fund to make up such deficiency.

In the event funds on deposit in an account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund as aforementioned, and there is insufficient cash available in such account of the Debt Service Reserve Fund to make up such deficiency and Reserve Instruments applicable to such Series are in effect, the Trustee will immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund. Thereafter, the NMFA will be obligated to reinstate the Reserve Instrument as provided in the Indenture.

No Reserve Instrument will be allowed to expire or terminate while the related Series of Bonds are Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required to be maintained in the related account of the Debt Service Reserve Fund.

Moneys at any time on deposit in any Account of the Debt Service Reserve Fund in excess of the amount required to be maintained therein (taking into account the amount of related Reserve Instrument Coverage) will be transferred by the Trustee to the Bond Fund at least once each year.

Moneys on deposit in any Account of the Debt Service Reserve Fund will be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by said account and any Reserve Instrument will only be drawn upon with respect to the Series of Bonds for which such Reserve Instrument was obtained.

The NMFA may, upon obtaining approving opinion of bond counsel to the effect that such transaction will not adversely affect the tax-exempt status of any outstanding Bonds, replace any amounts required to be on deposit in the Debt Service Reserve Fund with a Reserve Instrument.

Use of Reserve Instrument Fund. There will be paid into the Reserve Instrument Fund the amounts required by the Indenture and by a Supplemental Indenture to be so paid. The amounts in the Reserve Instrument Fund will, from time to time, be applied by the Trustee on behalf of the NMFA to pay the Reserve Instrument Repayment Obligations which are due and payable to any Reserve Instrument Provider under any applicable Reserve Instrument Agreement.

Use of Revenue Fund. Pursuant to the Senior Indenture, the PPRF Revenues which are not used to satisfy obligations of the NMFA under the Indenture or required by the terms thereof to be retained by the trustee under the Indenture, are to be released from the lien and pledge of the Senior Indenture on June 1 of each year (being the last day of each bond fund year under the Indenture) and the NMFA covenants and agrees that such amounts are and will be subject to the lien of the Indenture. During each Bond Fund Year, (i) all PPRF Revenues released from the lien of the Senior Indenture will be paid to the Trustee immediately upon the release thereof on June 1 of each year, (ii) all amounts received as Additional Pledged Revenues will be immediately deposited with the Trustee and (iii) all payments representing principal and interest from Additional Pledged Loans will be paid immediately upon receipt thereof by the NMFA to the Trustee, and all of the same will be accounted for and maintained by the Trustee in the Revenue Fund, which fund will be kept separate and apart from all other accounts of the Trustee and which, prior to transfer of any excess therefrom pursuant to the Indenture, will be expended and used by the Trustee only in the manner and order of priority specified below.

(a) (i) If the amounts on deposit in the Bond Fund are insufficient for payments of principal of and interest on the Bonds due on such date or if a deficiency has occurred in the Bond Fund that has not otherwise been rectified, the Trustee will immediately transfer from the Revenue Fund to the Bond Fund, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the principal of and interest on the Bonds due on such date and to rectify any such deficiency then still existing;

(ii) if the Trustee receives notice from the paying agent for any PPRF Secured Obligation that the amounts available for payment of principal and interest with respect to such PPRF Secured Obligation then due on such date will be insufficient or if a deficiency in the payment of any PPRF Secured Obligation has occurred that has not otherwise been rectified, the Trustee will immediately transfer from the Revenue Fund to such paying agent an amount sufficient, together with amounts otherwise available for such purpose, to pay the principal and interest then due with respect to the PPRF Secured Obligations on such date and to rectify any such deficiency then still existing; and

(iii) if the amounts on deposit in the Bond Fund are insufficient for payments then coming due on such date with respect to any Security Instrument Repayment Obligations or SWAP Payments (net of SWAP Receipts) then due pursuant to any Security Instrument Agreements or Interest Rate Swaps or if there has been a deficiency in the payment of any Security Instrument Repayment Obligations or SWAP Payments that has not been rectified, the Trustee will immediately transfer from the Revenue Fund to the Bond Fund, an amount sufficient, together with amounts transferred from the Debt Service Fund, to pay the amounts due on the Security Instrument Repayment Obligations and the SWAP Payments (net of SWAP Receipts) then due on such date and to rectify any such deficiency then still existing.

The transfers required by (i), (ii) and (iii) above are to be made on a parity basis. In the event that the amounts available for transfer pursuant to (i), (ii) and (iii) above are insufficient therefor the Trustee will make such transfers ratably according to the amounts due.

(b) Subject to making the transfers set forth in Subsection (a) above, the NMFA will make the following transfers to the Trustee:

(i) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (A) to the Accounts in the Debt Service Reserve Fund any amounts required by the Indenture and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided in the Indenture and in any Supplemental Indenture and (B) if funds have been withdrawn from an Account in the Debt Service Reserve Fund or any Account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the NMFA will transfer from the Revenue Fund in such Account(s) in the Debt Service Reserve Fund in an amount sufficient to restore such Account(s) within one year with twelve (12) substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement);

or a ratable portion (based on the amount to be transferred pursuant to the Indenture) of remaining amounts if less than the amount necessary; and

(ii) Equally and ratably to the Accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of such month, such amount from the Revenue Fund, or a ratable portion (based on the amount to be transferred pursuant to the Indenture) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such transfer or deposit from the Revenue Fund into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

(c) In the event that funds are withdrawn from an Account in the Agreement Reserve Fund, or any Account in the Agreement Reserve Fund is at any time funded in an amount less than the applicable Agreement Reserve Requirement, the NMFA will transfer for deposit in such Account(s) in the Agreement Reserve Fund sufficient Subordinate Lien PPRF Revenues, Agreement Revenues, Additional Pledged Revenues and revenues from Additional Pledged Loans in amount to restore such Account(s) within one year with twelve (12) substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Agreement Reserve Requirement); or a ratable portion of remaining Subordinate Lien PPRF Revenues, Agreement Revenues, Additional Pledged Revenues and revenues from Additional Pledged Loans if less than the amount necessary.

(d) Subject to making the foregoing transfers to the Bond Fund and to the paying agent for the PPRF Secured Obligations and to the Security Instrument Issuers and to the SWAP Providers and to the Reserve Instrument Providers, on June 16 of each year, the NMFA will be entitled to direct the Trustee in writing to release to the NMFA the balance on deposit in the Revenue Fund and the Trustee will transfer the such amount to the NMFA and the NMFA may use such balance for:

- (i) deposit to the Public Project Revolving Fund as required by the Act;
- (ii) redemption of Bonds prior to maturity by depositing the same into the Bond Fund;
- (iii) refinancing, refunding, repurchase or advance refunding of any Bonds; or
- (iv) for any other lawful purpose, including (A) payment of Program Costs for Bonds issued under the Indenture and similar costs for PPRF Secured Obligations, (B) replacement of reserves for Bonds issued under the Indenture or PPRF Secured Obligations, and (C) payment of Termination Payments;.

provided, however, that notwithstanding the foregoing there will be retained in the Revenue Fund an amount, after giving credit for available amounts in all accounts in the Debt Service Reserve Fund and the Agreement Reserve Fund, sufficient to make payments of all Debt Service requirements on all Bonds, all Security Instrument Repayment Obligations, all SWAP Payments and all Reserve Instrument Repayment Obligations coming due in the then current Bond Fund Year; provided further, that once additional moneys are deposited into the Bond Fund to make all of the foregoing payments, the amounts retained in the Revenue Fund may be released from the lien of this Indenture but only to the extent of additional moneys deposited into the Bond Fund. For purposes of calculating the Debt Service on Variable Rate Bonds for purposes of the Indenture, the provisions of clauses (1), (2) and (3) of the definition of "Debt Service" in the Indenture will apply.

(e) The NMFA may, but is not obligated to, use any PPRF Revenues of the NMFA to satisfy its obligations under the Indenture.

Subordinate Lien PPRF Revenues, Additional Pledged Revenues, Revenues from Additional Pledged Loans and Agreement Revenues to be Held for All Bond Owners and Owners of PPRF Secured Obligations. All of the Subordinate Lien PPRF Revenues, Additional Pledged Revenues, revenues from Additional Pledged Loans and the Agreement Revenues will, until applied as provided in the Indenture, be held by the Trustee or the NMFA, as applicable, only for the benefit of the Owners of Bonds, Owners of PPRF Secured Obligations (as to Subordinate Lien PPRF Revenues only), Security Instrument Issuers, SWAP Counterparties and Reserve Instrument Providers.

Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee or the NMFA for account to any fund referred to in any provision of the Indenture will be held by the Trustee and the NMFA, as the case may be, in trust. Moneys held by the NMFA as servicer of the Agreements and the Additional Pledged Loans until paid to the Trustee will be kept separate and apart from all other accounts of the NMFA, who will hold and administer such moneys as agent for the Trustee and such moneys will at all times be subject to the lien and trust imposed by the Indenture.

Repayment to Governmental Units from Debt Service Fund. Any amounts remaining in any Governmental Unit's Debt Service Account or Agreement Reserve Account after payment in full of the principal of and premium, if any, and interest on the related Agreement, the fees, charges, and expenses of Trustee, all other amounts required to be paid under the Indenture will be paid immediately to the Governmental Unit as an overpayment of Loan Payments.

Trustee under the Indenture. The Trustee under the Indenture and the trustee under the Senior Indenture will at all times be one and the same entity.

Investment of Moneys

Any moneys held (i) as part of a Governmental Unit's Account in any of the Funds established by the Indenture or (ii) by the NMFA as agent for the Trustee, will be invested by the Trustee or the NMFA, as the case may be, in Permitted Investments in accordance with the Indenture. 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 Agreement when due.

Any moneys on deposit in the Revenue Fund, the Expense Fund, the Rebate Fund, the Debt Service Reserve 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 by Article VI of 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);

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

(iii) whenever any other transfer or payment is required to be made from any particular Fund or Account, such transfer or payment will be made from such combination of maturing principal, redemption, or repurchase prices, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as future transfers or payments from the Fund or Account in question, the reinvestment opportunities for maturing principal, the current yield on any permitted investments to be redeemed, withdrawn, or sold, and any penalties, gains, or losses to be realized upon any such redemption, withdrawal, or sale.

Neither the NMFA nor the Trustee will 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 and PPRF Secured Obligations, the principal of and premium, if any, and interest due or to become due on the Bonds and PPRF Secured Obligations 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 Indenture, and if the NMFA has paid or has caused to be paid to (i) all Security Instrument Issuers all Security Instrument Repayment Obligations due and payable under all Security Instruments, (ii) all SWAP Counterparties all SWAP Payments due and payable under all Interest Rate Swaps, and (iii) all Reserve Instrument Providers all Reserve Instrument Repayment Obligations due and payable under all Reserve Instrument Agreements, then the estate and rights granted by the Indenture will cease, terminate 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 for all purposes of the Indenture when (a) payment of the principal of and the applicable premium, if any, on such Bond, whether at maturity or prior redemption plus interest thereon to the due date thereof either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided by irrevocably depositing with the Trustee or other escrow agent, in trust, and the Trustee or other escrow agent has irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) noncallable Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made will have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond is deemed to be paid under the Indenture, as aforesaid, it will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or noncallable Governmental Obligations.

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

Notwithstanding anything in the Indenture to the contrary, all moneys or noncallable Governmental Obligations set aside and held in trust pursuant to the 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 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 Indenture for the payment of Bonds and such Bonds have not in fact been actually paid in full, no amendment to the 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 municipal bond 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 Issuers 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 Issuers 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 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 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 under the Indenture or otherwise; or
- (c) if the NMFA for any reason is 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 Trust Estate, 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 is not 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 enacted after the effective date of the

Indenture, if the claims of such creditors are or may be under any circumstances payable from the Trust Estate; 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 are 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 will not be 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 in the Indenture or any Supplemental Indenture thereto on the part of the NMFA to be performed, other than as set forth in the Indenture, 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 25% in aggregate principal amount of the Bonds then Outstanding under the Indenture.

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, Additional Pledged Loans and Security Documents and the provisions of the Indenture for the benefit of the Owners of the Bonds and, as provided in the Indenture, the owners of the PPRF Secured Obligations 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 or Additional Pledged Loans (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 PPRF Secured Obligations, the Agreements, the Additional Pledged Revenues, the Additional Pledged Loans 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 Subordinate Lien PPRF Revenues, Additional Pledged Revenues, Agreement Revenues and revenues attributable to Additional Pledged Loans pledged under the Indenture or pursuant to the Agreements and any Security Documents; or

(f) terminate the provisions of the Indenture providing for NMFA collection, deposit and loan administration functions in connection with Loans and Additional Pledged Loans and cause such payments to be made directly to the Trustee.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners of the Bonds or PPRF Secured Obligations 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 of the Bonds or PPRF Secured Obligations 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 is 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 of the Bonds or PPRF Secured Obligations in the Indenture is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be 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 NMFA for Payments of Governmental Units. Other than in its capacity as servicer of Loans and Additional Pledged Loans, the NMFA will not have any obligation or liability to the Trustee or the Owners of the Bonds or PPRF Secured Obligations with respect to the payment when due of the Loan Payments by the Governmental Units, or with respect to the performance by the Governmental Units of the other agreements and covenants required to be performed by them contained in the Loan Agreements, Additional Pledged Loans and Securities, the related Security Documents, or in the Indenture, or with respect to the performance by the Trustee or any right or obligation required to be performed by them contained in the Indenture.

No Liability by the Governmental Units to the Owners. Except for the payment when due of the Loan Payments and Additional Pledged Loans and the performance of the other agreements and covenants required to be performed by it contained in the Agreements, Additional Pledged Loans and Security Documents, the Governmental Units will not have any obligation or liability to the Owners of Bonds and PPRF Secured Obligations 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, Additional Pledged Loans or Security Documents.

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

(a) such Owner has previously given written notice to the Trustee of a continuing Event of Default (in the case of the Bonds) or of the payment default or other default pursuant to the Indenture (in the case of PPRF Secured Obligations);

(b) the Owners of Bonds and PPRF Secured Obligations of not less than a majority of the aggregate principal amount of the Bonds Outstanding and PPRF Secured Obligations then outstanding have made written request to the Trustee to institute proceedings in respect of such Event of Default (in the case of the Bonds) or of the payment default or other default pursuant to the Indenture (in the case of PPRF Secured Obligations) 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 of Bonds and PPRF Secured Obligations 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 and Owners of PPRF Secured Obligations. Notwithstanding the foregoing, the Owner of any Bond and the Owners of PPRF Secured Obligations has the right, which is absolute and unconditional, to receive payment of interest on such Bond or PPRF Secured Obligation when due in accordance with the terms thereof and of the Indenture and the principal of such Bond or PPRF Secured Obligation at the stated maturity thereof 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 and PPRF Secured Obligations outstanding have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, 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 or PPRF Secured Obligations.

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 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, and after giving effect to the parity claim of PPRF Secured Obligations to amounts on deposit in the Revenue Fund, 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, and after giving effect to the parity claim of PPRF Secured Obligations to amounts on deposit in the Revenue Fund, will be applied as follows:

(a) To the payment of the Principal of, premium, if any, and interest then due and payable on the bonds as follows:

(i) Unless the principal of all Bonds has become due and payable, all such moneys will be applied:

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 is not sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons or entity entitled thereto without any discrimination or privilege;

SECOND: To the payment to the persons or entity entitled thereto of the unpaid principal of any of the Bonds which 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;

THIRD: To be held for the payment to the persons entitled thereto as the same becomes 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.

(ii) If the principal of all the Bonds has become due 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.

(b) To the payment of all obligations then due and payable to any Security Instrument Issuers under any applicable Security Instrument Agreement.

Whenever moneys are to be applied pursuant to the provisions of the Indenture, such moneys will be applied at such times, and from time to time, as the Trustee determines, 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 will deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal to be paid on such date 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 is not 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 under the Indenture 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 have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default has been discontinued or abandoned or determined adversely, then and in every such case the NMFA, the Trustee, the Security Instrument Issuers 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.

Defaults Relating to PPRF Secured Obligations. A default with respect to the PPRF Secured Obligations is not (in and of itself) an Event of Default under the Indenture and the Owners of the PPRF Secured Obligations will be limited to their right to payment from Subordinate Lien PPRF Revenues and performance by the NMFA of its covenants and agreements under the Indenture on their behalf. In the event that NMFA fails to make payment on any PPRF Secured Obligation or defaults in the due and punctual performance of any other covenant, condition or provision of the Indenture relating thereto, the Trustee may and upon the written request of the Owners of a majority of the PPRF Secured Obligations (or any fiduciary therefore) and upon receipt of indemnity to its satisfaction, will in its own name exercise any of the rights and remedies provided in the Indenture to the extent applicable to the collection and application of Subordinate Lien PPRF Revenues.

The Owners of PPRF Secured Obligations will be secured by and entitled to a parity claim on all Subordinate Lien PPRF Revenues deposited to or required to be deposited to the Revenue Fund. In the exercise of remedies under the Indenture relating to the collection and application of Subordinate Lien PPRF Revenues, the

Trustee will act for the benefit of the Owners of the PPRF Secured Obligations on the same basis as for Owners of Bonds.

The Trustee

Fees, Charges and Expenses of the Trustee. The Trustee will be entitled to payment and reimbursement for reasonable fees for its services rendered under the Indenture and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee will be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent and Registrar for the Bonds as provided in the Indenture. 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 foregoing advances, fees, costs and expenses incurred.

Notice to Owners if Event of Default Occurs. Except as otherwise required by the Indenture, the Trustee will give to the Owners of Bonds and PPRF Secured Obligations notice of each default under the Indenture known to the Trustee within ninety days after the occurrence thereof, unless such default has been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of principal of or premium, if any, or interest on any of the Bonds or PPRF Secured Obligations, the Trustee will be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Owners. Each such notice of default will be given by the Trustee by mailing written notice thereof to all holders of Bonds and PPRF Secured Obligations then outstanding whose names appear on the list of Owners as provided in the Indenture and, if required by the Trustee, such Owners have offered the Security or indemnity required by the Indenture.

Intervention by the Trustee. In any judicial proceeding to which the NMFA or a Governmental Unit is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interest of Owners of the Bonds, the Trustee may intervene on behalf of Owners and will do so if requested in writing by the Owners of a majority in the aggregate principal amount of Bonds then outstanding and, if required by the Trustee, such Owners have offered the Security or indemnity required by the Indenture.

Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, will be and become successor to the Trustee under the Indenture and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

Resignation by the Trustee. The Trustee and any successor to the Trustee may at any time resign from the trusts created in the Indenture by giving thirty days' written notice by registered or certified mail to the NMFA and to the owner of each Bond as shown by the list of Owners required by the Indenture to be kept by the Trustee, and such resignation will take effect only upon the appointment of a successor Trustee by the Owners or by the NMFA.

Removal of the Trustee. The Trustee may be removed at any time, by the NMFA (except during the continuance of an Event of Default) by written notice signed by the NMFA or by an instrument or concurrent instruments in writing delivered to the Trustee and to the NMFA and signed by the Owners of a majority in aggregate principal amount of Bonds then outstanding. Any removal will take effect upon the appointment of a successor Trustee.

Appointment of Successor Trustee. In case the Trustee under the Indenture resigns or is removed, or is dissolved, or is in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it is taken under the control of any public officer or officers, or of a receiver appointed by a court, the NMFA covenants and agrees to appoint a successor Trustee. If in a proper case no appointment of a successor Trustee is made by the NMFA pursuant to the Indenture within 45 days after the Trustee gives NMFA written notice

of resignation or after a vacancy in the office of the Trustee has occurred by reason of its inability to act or its removal, the Trustee, or any Bondholder may apply to any court of competent jurisdiction to appoint a successor to itself as Trustee. Said court, after such notice, if any, as such court may deem proper, thereupon may appoint a successor Trustee. Every such Trustee appointed pursuant to the Indenture will be a trust company or bank in good standing having a reported capital and surplus of not less than \$50,000,000 if there be such an institution willing, qualified and able to accept the trust upon customary terms.

Concerning Any Successor Trustee. Every successor Trustee appointed under the Indenture will execute, acknowledge and deliver to its predecessor and also to the NMFA an instrument in writing accepting such appointment under the Indenture, and thereupon such successor, without any further act, deed or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor will, nevertheless, on the written request of the NMFA, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor under the Indenture; and every predecessor Trustee will deliver all securities and moneys held by it as Trustee under the Indenture to its successor. Should any instrument in writing from the NMFA be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties vested by the Indenture or intended to be vested in the predecessor, any and all such instruments in writing will, on request, be executed, acknowledged and delivered by the NMFA. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor under the Indenture, together with all other instruments provided for in the Indenture, will be filed or recorded by the successor Trustee in each recording office where the Indenture has been filed or recorded.

Supplemental Indentures, Amendments to Agreements, Amendments and Supplements to Senior Indenture

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 the Initial Obligations or Additional Bonds and PPRF Secured Obligations in accordance with the Indenture;
- (b) To cure any ambiguity or formal defect or omission in the Indenture;
- (c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee;
- (d) To subject to the Indenture additional revenues, properties or collateral;
- (e) To evidence the appointment of a separate Trustee or paying agent or the succession of a new Trustee or paying agent under the Indenture;
- (f) To make any other change which in the 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 the Rating Agencies that such amendments will not result in the rating on the Bonds and PPRF Secured or any Governmental Unit or to grant additional powers or rights to the Trustee;
- (h) To add additional covenants of the NMFA or any Governmental Unit or to surrender any right or power conferred in the Indenture upon the NMFA 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 Indenture and subject to the terms and provisions contained in the Indenture, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds and PPRF Secured Obligations then outstanding

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 is 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 the Indenture permits, or is construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond issued under the Indenture, 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 or PPRF Secured Obligations over any other Bond or Bonds or PPRF Secured Obligations, or (iv) a reduction in the aggregate principal amount of the Bonds or PPRF Secured Obligations required for consent to such supplemental indentures, or (v) permit the creation of any lien ranking prior to the lien of the Indenture on the Trust Estate or any part thereof, or (vi) deprive the Owner of any Bond then outstanding of the lien created by the Indenture on the Trust Estate without the prior consent of 100% of the holders of the Bonds and PPRF Secured Obligations 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.

Amendment of Agreements and Security Documents. The NMFA has the right to amend an Agreement, Additional Pledged Loan documents 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 in the Indenture 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 and PPRF Secured Obligations following such amendment being lower than the rating on the Bonds and PPRF Secured Obligations 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 owners of any PPRF Secured Obligations; or
- (iv) to make any other change or amendment upon delivery to the Trustee of a Cash Flow Statement and an Approval of Bond Counsel.

If the NMFA or a Governmental Unit proposes 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.

Amendments and Supplements to Senior Indenture. The NMFA will be permitted to amend and supplement the provisions of the Senior Indenture as provided therein including amendments and supplements permitting the issuance of additional Senior Bonds under the Indenture, provided that without the prior written consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture and the owners of PPRF Secured Obligations, the NMFA and the Trustee will not amend or supplement the Senior Indenture to change the time for release of the PPRF Revenues from the lien of the Senior Indenture or to preclude such release as contemplated under the Indenture.

Miscellaneous

Consents, etc. of Owners. Any consent, request, direction, approval, objection or other instrument required by the Indenture to be signed and executed by the Owners may be in any number of concurrent documents and may be executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, will be sufficient for any of the purposes of the Indenture, and will be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same, will be proved by the registration books of the Trustee maintained by the Trustee pursuant to the Indenture.

(c) The fact of ownership of PPRF Secured Obligations and the amount or amounts, numbers and other identification of such PPRF Secured Obligations, and the date of holding the same, will be proved by the registration books of the registrar for such obligations or otherwise as the NMFA may determine.

For all purposes of the Indenture and of the proceedings for the enforcement thereof, such person will be deemed to continue to be the Owner of such Bond or owner of PPRF Secured Obligations until the Trustee receives notice in writing to the contrary.

Limitation of Rights. With the exception of any rights expressly conferred in the Indenture, nothing expressed or mentioned in or to be implied from the Indenture or the Bonds or PPRF Secured Obligations is intended or is to be construed to give to any person or company other than the parties thereto, the Governmental Units and the Owners of the Bonds or owners of any PPRF Secured Obligations, any legal or equitable right, remedy or claim under or with respect to the Indenture or any covenants, conditions and provisions therein contained; the Indenture and all of the covenants, conditions and provisions thereof being intended to be and being for the sole and exclusive benefit of the parties thereto, the Governmental Units and the holders of the Bonds and PPRF Secured Obligations as provided in the Indenture.

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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 2015D 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 2015D 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 2014 population of the State was 2,085,572. 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 4, 2014.

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, 2014 was 2,085,572.

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 2003-2014

<u>Year</u>	<u>Population</u>		<u>Annual Percentage Change</u>	
	<u>New Mexico</u>	<u>United States</u>	<u>New Mexico</u>	<u>United States</u>
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)	2,059,179	308,745,538	2.6	0.7
2011 (est.)	2,078,407	311,721,632	0.9	1.0
2012 (est.)	2,084,594	314,112,078	0.3	0.8
2013 (est.)	2,086,895	316,497,531	0.1	0.8
2014 (est.)	2,085,572	318,857,056	(0.1)	0.7

(Source: U.S. Census Bureau, Population Division. Last revised March 2015.)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Growth 2012-2013	Growth 2004-2013
Total employment	1,025,878	1,049,6539	1,079,061	1,104,526	1,107,0002	1,074,126	1,059,188	1,062,869	1,067,241	1,079,067	1.1%	5.2%
Wage and salary employment	830,075	845,476	868,518	878,592	881,856	849,122	837,320	837,281	842,188	849,701	0.9	2.4
Proprietors employment	195,803	204,163	201,543	225,934	225,146	225,004	221,868	225,588	225,053	229,366	1.9	17.1
Farm proprietors employment	15,632	15,588	15,255	18,193	17,745	17,752	18,664	19,791	20,332	20,424	0.5	30.7
Nonfarm proprietors employment	180,171	188,575	195,288	207,741	207,401	207,252	203,204	205,797	204,721	208,942	2.1	16.0
Farm employment	22,618	23,262	22,829	25,804	24,406	24,710	25,211	26,399	27,461	28,310	3.1	25.2
Nonfarm employment	1,003,260	1,026,377	1,056,232	1,078,722	1,082,596	1,049,416	1,033,977	1,036,470	1,039,780	1,050,757	1.1	4.7
Private employment	785,654	807,678	841,900	868,783	869,301	833,198	816,542	822,659	827,901	839,397	1.4	6.8
Forestry, fishing, related activities and other ⁽¹⁾	5,171	5,229	5,135	5,172	5,311	5,307	5,215	5,237	5,156	5,219	1.2	0.9
Mining ⁽²⁾	19,059	21,116	23,528	24,891	28,295	24,432	27,022	28,356	34,188	36,824	7.7	93.2
Utilities	4,042	4,074	4,122	4,451	4,564	4,801	4,565	4,508	4,542	4,612	1.5	14.1
Construction ⁽³⁾	68,299	73,895	79,675	80,478	77,887	67,177	61,238	59,293	58,116	59,519	2.4	(12.9)
Manufacturing	40,611	41,175	42,745	42,810	40,595	36,422	34,537	35,613	35,670	35,431	(0.7)	(12.8)
Durable goods manufacturing ⁽⁴⁾	27,903	28,502	29,863	29,772	28,038	24,371	23,033	23,610	23,108	22,401	(3.1)	(19.7)
Nondurable goods manufacturing ⁽⁵⁾	12,708	12,673	12,882	13,038	12,557	12,051	11,504	12,003	12,562	13,030	3.7	2.5
Wholesale trade	26,800	27,878	28,863	28,749	28,606	26,582	26,801	26,373	26,100	26,392	1.1	(1.5)
Retail trade ⁽⁶⁾	113,899	115,813	116,478	118,682	117,897	113,809	110,226	111,331	111,781	113,064	1.1	(0.7)
Transportation and warehousing ⁽⁷⁾	24,888	25,271	25,875	27,380	26,629	24,279	23,351	24,281	25,336	25,419	0.3	2.1
Information ⁽⁸⁾	17,151	17,289	18,424	18,805	18,942	17,457	17,114	16,469	16,477	16,035	(2.7)	(6.5)
Finance and insurance ⁽⁹⁾	31,532	31,907	32,185	33,693	34,628	35,848	34,550	35,451	35,053	35,651	1.7	13.1
Real estate and rental and leasing ⁽¹⁰⁾	34,836	38,266	40,436	42,998	42,557	40,380	39,916	39,833	38,407	39,024	1.6	12.0
Professional and technical services	65,996	66,766	74,267	81,912	82,032	80,366	78,331	77,473	76,106	75,906	(0.3)	15.0
Management of companies and enterprises	5,347	6,349	6,428	6,073	5,906	5,587	5,406	5,504	5,456	5,553	1.8	3.9
Administrative and waste services ⁽¹¹⁾	54,534	55,159	58,410	60,352	60,260	55,817	54,266	54,742	53,420	54,433	1.9	(0.2)
Educational services	14,862	15,349	15,869	15,714	15,908	16,263	16,734	16,208	16,101	16,002	(0.6)	7.7
Health care and social assistance ⁽¹²⁾	103,494	104,958	107,797	111,692	114,683	118,041	119,378	121,489	123,288	124,570	1.0	20.4
Arts, entertainment and recreation ⁽¹³⁾	20,933	21,404	21,792	22,840	23,229	23,212	22,981	23,007	23,592	24,247	2.8	15.8
Accommodation and food services ⁽¹⁴⁾	80,463	81,317	84,409	85,075	83,953	81,660	81,122	82,309	83,203	85,309	2.5	6.0
Other services, except public administration ⁽¹⁵⁾	53,737	54,463	55,462	57,016	57,419	55,758	53,789	55,182	55,909	56,187	0.5	4.6
Government and government enterprises ⁽¹⁶⁾	217,606	218,699	214,332	209,939	213,295	216,218	217,435	213,811	211,879	211,360	(0.2)	(2.9)

(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; and employment in private households.

(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 November 2014, including revised estimates for 2004-2012.)

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
2005-2014

<u>Year</u>	<u>Civilian Labor Force</u> <u>(Thousands)</u>		<u>Number of Employed</u> <u>(Thousands)</u>		<u>Unemployment Rate</u>		N.M. as % of U.S. <u>Rate</u>
	<u>New Mexico</u> ⁽¹⁾	<u>United States</u> ⁽¹⁾	<u>New Mexico</u> ⁽¹⁾	<u>United States</u> ⁽¹⁾	<u>New Mexico</u>	<u>United States</u>	
2005	918	149,320	871	141,730	5.1%	5.1%	100%
2006	928	151,428	889	144,427	4.2	4.6	91
2007	934	153,124	899	146,047	3.8	4.6	83
2008	945	154,287	902	145,362	4.5	5.8	78
2009	940	154,142	869	139,877	7.5	9.3	81
2010 ⁽²⁾	936	153,889	860	139,064	8.1	9.6	84
2011 ⁽²⁾	930	153,617	860	139,869	7.6	8.9	85
2012 ⁽²⁾	928	154,975	862	142,469	7.1	8.1	88
2013 ⁽²⁾	923	155,389	859	143,929	6.9	7.4	93
2014 ⁽²⁾	918	155,922	858	146,305	6.5	6.2	105

(1) Figures rounded to nearest thousand.

(2) Estimates for 2010-2014 are subject to revision. All figures were benchmarked January 2014 and revised April 2015.

(Source: U.S. Department of Commerce, Bureau of Business & Economic Research, April 2015.)

PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2005-2014

<u>Year</u>	<u>Personal Income (000)</u>		<u>Annual</u> <u>Percentage Change</u>	
	<u>New Mexico</u>	<u>United States</u>	<u>New Mexico</u>	<u>United States</u>
2005	\$56,233,308	\$10,605,595,000	n/a	n/a
2006	60,090,836	11,376,405,000	6.9%	7.3%
2007	63,643,408	11,990,104,000	5.9	5.4
2008	67,188,091	12,429,234,000	5.6	3.7
2009	66,241,297	12,080,223,000	(1.4)	(2.8)
2010	68,505,892	12,417,659,000	3.4	2.8
2011	72,234,158	13,189,935,000	5.4	6.2
2012	74,601,613	13,873,161,000	3.3	5.2
2013	74,996,363	14,151,427,000	0.5	2.0
2014	78,428,001	14,708,582,165	4.6	3.9

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last revised: March 2015.)

PER CAPITA PERSONAL INCOME
NEW MEXICO AND THE UNITED STATES
2005-2014

<u>Year</u>	<u>Per Capita Income</u>		N.M. as a % <u>of U.S.</u>	<u>Annual Percentage Change</u>	
	<u>New Mexico</u>	<u>United States</u>		<u>New Mexico</u>	<u>United States</u>
2005	\$29,102	\$35,888	81%	n/a	n/a
2006	30,625	38,127	80	5.2%	6.2%
2007	31,980	39,804	80	4.4	4.4
2008	33,416	40,873	82	4.5	2.7
2009	32,522	39,379	83	(2.7)	(3.7)
2010	33,175	40,144	83	2.0	1.9
2011	34,763	42,332	82	4.8	5.5
2012	35,805	44,200	81	3.0	4.4
2013	35,965	44,765	80	0.4	1.3
2014	37,605	46,129	82	4.6	3.0

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last revised: March 2015.)

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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	<u>34,865,280</u>	<u>24,128,541</u>	<u>6,897,283</u>	<u>4,975,028</u>	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.]

August 12, 2015

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

New Mexico Finance Authority

\$29,355,000 Subordinate Lien Public Project Revolving Fund Revenue Bonds Series 2015D

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 Subordinate Lien Public Project Revolving Fund Revenue Bonds, Series 2015D in the aggregate principal amount of \$29,355,000 (the “Bonds”). The Bonds are authorized to be issued under and secured by a Subordinated General Indenture of Trust and Pledge dated as of March 1, 2005, as previously amended and supplemented (the “General Indenture”), and as further amended and supplemented by the Twelfth Supplemental Indenture of Trust dated as of August 1, 2015 (together with the General Indenture, the “Indenture”) between the Finance Authority and BOKF, NA, Albuquerque, New Mexico (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The Bonds are being issued for the purpose of providing funds to (i) originate a Loan to a governmental entity of the State of New Mexico (“Governmental Unit”), the proceeds of which will be used to refinance a Project for such Governmental Unit and (ii) pay costs incurred in connection with the issuance of the Bonds.

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 of New Mexico (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 and to execute and deliver the Indenture.

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 the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

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 continued accuracy of the 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 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 2015D Bonds, payment of principal, premium, if any, interest on the Series 2015D Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2015D 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 2015D Bonds. The Series 2015D 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 2015D Bond certificate will be issued for each maturity of the Series 2015D Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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 Exchange Act. 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 2015D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015D Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015D 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 2015D 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 2015D Bonds, except in the event that use of the book-entry system for the Series 2015D Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015D 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 2015D 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 2015D Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015D 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 2015D 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 2015D 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 2015D 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 2015D 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 2015D 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 2015D Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2015D 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 2015D Bonds.

APPENDIX F

2015D GOVERNMENTAL UNIT; LARGEST REPAYMENT OBLIGATIONS

2015D Governmental Unit

As previously stated, a portion of the proceeds of the Series 2015D Bonds is being used to originate a Loan to be made to the 2015D Governmental Unit. The 2015D Governmental Unit, the amount of its respective Loan and the maturity date of the same are listed in the following table:

<u>Governmental Unit</u>	<u>Original Loan/Security Amount</u>	<u>Agreement Reserve Amount</u>	<u>Maturity Date</u>
Jicarilla Apache Nation	\$29,355,000	\$2,935,500	05/01/27

(Source: Finance Authority.)

Outstanding Agreements Generating Largest Amount of Agreement Revenues

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

Bernalillo County—Metropolitan Court Bonds. The Finance Authority has entered into various obligations with the Bernalillo County Metropolitan Court (the “Metro Court Obligations”) in which certain court facilities revenues as described below are used to secure the debt obligations. The proceeds of the Metro Court Obligations provided funds for the refunding of bonds issued by the Finance Authority to finance the design, construction, furnishing and equipping of a new court building for the Bernalillo County Metropolitan Court.

The Metro Court Obligations are payable solely from the Pledged Court Facilities Revenues, which consist of a portion of certain court fees and penalty assessments deposited to the Court Facilities Fund and distributed monthly by the State Treasurer, at the direction of the Director of the Administrative Office of the Courts, to the Finance Authority for deposit to the Pledged Court Facilities Revenue Fund and certain parking fees, rents and other charges collected by the Bernalillo County Metropolitan Court from tenants and users of the Parking Facility Project after deduction of certain related costs. Certain funds and accounts created and maintained by the Finance Authority pursuant to the resolution authorizing the issuance of the Metro Court Bonds are also pledged to secure repayment of the Metro Court Bonds. As of July 1, 2015, these obligations have a current outstanding principal amount of \$47,345,000, with a final scheduled maturity of May 1, 2025.

Jicarilla Apache Nation—Refunding Loan. At or about the time of issuance of the Series 2015D Bonds, the Finance Authority will enter into a loan agreement in the amount of \$29,355,000 with the Jicarilla Apache Nation (the “Jicarilla Apache Nation Agreement”) secured by a pledge to the Finance Authority of all revenues available to the Jicarilla Apache Nation, a portion of which consists of investment and oil and gas revenues. Proceeds from the Jicarilla Apache Nation Agreement will be used to refinance certain outstanding obligations of the Jicarilla Apache Nation. The Jicarilla Apache Nation Agreement has an outstanding aggregate principal amount of \$29,355,000 as of the date of issuance of the Series 2015D Bonds, with a final scheduled maturity on May 1, 2027.

City of Santa Fe—Convention and Civic Center Loan. The Finance Authority has previously entered into a loan agreement in the amount of \$42,220,000 with the City of Santa Fe (the “Santa Fe Agreement”) secured by a pledge to the Finance Authority of the City of Santa Fe’s Lodgers’ Tax. Proceeds from the Santa Fe Agreement were used to finance the construction of a new Convention and Civic Center in the City of Santa Fe. The Santa Fe Agreement has an outstanding aggregate principal amount of \$34,280,000 as of July 1, 2015, with a final scheduled maturity on June 15, 2035.

Eastern New Mexico University—Residence Hall Construction and General Improvements Loan. The Finance Authority has previously entered into a loan agreement in the amount of \$28,050,000 with Eastern New Mexico University (the “ENMU Agreement”) secured by a pledge to the Finance Authority of ENMU gross system revenues. Proceeds from the ENMU Agreement were used to finance a new residence hall and make general improvements to the campus. The ENMU Agreement has an outstanding aggregate principal amount of \$25,650,000 as of July 1, 2015, with a final scheduled maturity on April 1, 2036.

Santa Ana Pueblo – Wastewater Treatment Facility Expansion and Refunding Loan. The Finance Authority has previously entered into a loan agreement with Santa Ana Pueblo (the “Santa Ana Pueblo Agreement”) secured by a pledge to the Finance Authority of gross system revenues and certain local tax revenues. Proceeds from the Santa Ana Pueblo Agreement were used to finance an expansion to the Santa Ana Pueblo wastewater treatment facility and refinance an existing loan. The Santa Ana Pueblo Agreement has an outstanding aggregate principal amount of \$28,970,000 as of July 1, 2015, with a final scheduled maturity on May 1, 2033.

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