

In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain covenants and the accuracy of certain representations by the Issuer and the Academy, interest on the Series 2010 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. For the purposes of computing alternative minimum tax on corporations, interest on the Series 2010 Bonds is taken into account in determining adjusted current earnings. Bond Counsel is also of the opinion that interest on the Series 2010 Bonds is exempt from State of New Mexico personal income taxes as described herein. See “TAX MATTERS” regarding certain other tax considerations.

\$36,000,000

**VILLAGE OF LOS RANCHOS DE ALBUQUERQUE, NEW MEXICO
EDUCATIONAL FACILITIES REFUNDING AND IMPROVEMENT REVENUE BONDS
(ALBUQUERQUE ACADEMY PROJECT), SERIES 2010**

• ALBUQUERQUE ACADEMY •

Dated: Date of Delivery

Due: September 1, as shown on the inside cover

The Village of Los Ranchos de Albuquerque, New Mexico Educational Facilities Refunding and Improvement Revenue Bonds (Albuquerque Academy Project), Series 2010 (the “Series 2010 Bonds”) in the aggregate principal amount of \$36,000,000 are special limited obligations of the Village of Los Ranchos de Albuquerque, New Mexico (the “Issuer”) payable solely from the Trust Estate as defined in the Indenture (defined below), including certain amounts payable by the Albuquerque Academy (the “Academy”) under the Agreement (defined below) and certain funds and accounts held by the Trustee, on a parity with any additional bonds which may be issued from time to time under the Indenture. The Series 2010 Bonds, together with any additional bonds which may be issued from time to time under the Indenture, are herein referred to collectively as the “Bonds.” **No part of the Academy’s campus or any other assets of the Academy will be pledged as security for the Series 2010 Bonds.** The Issuer will enter into an Installment Sale Agreement with the Academy dated as of September 1, 2010 (the “Agreement”). The obligation of the Academy to make installment sale payments under the Agreement is an absolute and unconditional obligation of the Academy. The Academy has guaranteed the payment of principal of and interest on the Bonds, including the Series 2010 Bonds, pursuant to a Guaranty (defined herein) delivered to the Trustee. **The Bond Ordinance adopted by the Issuer in connection with the Series 2010 Bonds and the Indenture provide that the Series 2010 Bonds shall never constitute the debt or indebtedness of the Issuer or the State of New Mexico (the “State”) or any political subdivision thereof within the meaning of any provision or limitation of the State Constitution or statutes and shall not constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers.**

The Depository Trust Company initially will act as securities depository for all of the Series 2010 Bonds through its nominee, Cede & Co. Fully registered bonds in authorized denominations equal to the principal amount of the Series 2010 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2010 Bonds will be made in book-entry form only and beneficial owners of the Series 2010 Bonds will not receive physical delivery of bond certificates except as described herein. Upon its receipt of principal and interest, DTC will remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2010 Bonds.

Principal of and interest on the Series 2010 Bonds will be payable to DTC, or its nominee, as owner of the Series 2010 Bonds, by Wells Fargo Bank, N.A. (the “Trustee”), under a Trust Indenture dated as of September 1, 2010, between the Issuer and the Trustee (the “Indenture”).

The Series 2010 Bonds will be subject to optional, mandatory sinking fund and mandatory redemption prior to their stated maturity as described herein.

The Series 2010 Bonds are special, limited obligations of the Issuer, payable solely from and secured by (i) the rights and interests of the Issuer in the Agreement and (ii) all right, title and interest of the Issuer in and to certain Revenues.

The Series 2010 Bonds are being issued in full compliance with Sections 3-32-1 NMSA 1978 et seq., as amended. Proceeds of the Series 2010 Bonds will be used to refund the outstanding portion of the City of Albuquerque, New Mexico Educational Facilities Refunding Revenue Bonds (Albuquerque Academy Project) Series 1999 (the “Series 1999 Bonds”) and the City of Albuquerque, New Mexico Educational Facilities Revenue Bonds (Albuquerque Academy Project), Series 2002 (the “Series 2002 Bonds”), to pay the termination payment in connection with the swap agreement entered into by the Academy in connection with the Series 2002 Bonds (the “Refunding”) and to pay costs incidental to the issuance of the Series 2010 Bonds. Additional proceeds of the Series 2010 Bonds will be used to finance the cost of acquiring, constructing, remodeling and installing certain facilities located on real property (the “Premises”) in the City of Albuquerque, New Mexico to expand the Academy’s private educational and related facilities (the “Project”).

This cover page contains only a brief description of the Academy, the Series 2010 Bonds and the security therefor. It is not intended to be a summary of all material information with respect to the Series 2010 Bonds. Potential investors should read this entire Official Statement to obtain information necessary to make an informed investment decision.

The Series 2010 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approving opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Issuer by Hughes Law, LLC, for the Academy by Brownstein Hyatt Farber Schreck, LLP, and for the Underwriter by Hawkins Delafield & Wood LLP. It is expected that the Series 2010 Bonds will be delivered to DTC in New York, New York on or about September 21, 2010.

BofA Merrill Lynch

MATURITY SCHEDULE AND INTEREST RATES

\$36,000,000

**Village of Los Ranchos de Albuquerque, New Mexico
Educational Facilities Refunding and Improvement Revenue Bonds
(Albuquerque Academy Project)
Series 2010**

Base CUSIP[†] Number: 545610

\$12,600,000 Serial Bonds

Year (September 1)	Principal Amount	Interest Rate	Yield	CUSIP[†] Number	Year (September 1)	Principal Amount	Interest Rate	Yield	CUSIP[†] Number
2017	\$ 95,000	4.000%	2.200%	AA5	2024	\$ 945,000	5.000%	3.390%*	AH0
2018	200,000	4.000	2.400	AB3	2025	1,095,000	4.250	3.580*	AJ6
2019	310,000	4.000	2.620	AC1	2026	1,240,000	4.250	3.730*	AK3
2020	425,000	4.000	2.820	AD9	2027	1,400,000	4.250	3.830*	AL1
2021	545,000	4.000	3.010*	AE7	2028	1,560,000	4.250	3.930*	AP2
2022	665,000	4.000	3.180*	AF4	2029	1,625,000	4.000	4.030	AQ0
2023	800,000	5.000	3.300*	AG2	2030	1,695,000	4.500	4.130*	AR8

\$23,400,000 Term Bonds

\$7,000,000 5.375% Term Bonds due September 1, 2033, Yield 4.300%*, CUSIP[†] Number: AS6
\$3,500,000 5.375% Term Bonds due September 1, 2035, Yield 4.380%*, CUSIP[†] Number: AM9
\$12,900,000 4.500% Term Bonds due September 1, 2040, Yield 4.630%, CUSIP[†] Number: AN7

* Yield reflects pricing to first optional call date of September 1, 2020.

† Copyright, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc., and is set forth herein for convenience of reference only. The Issuer, the Academy and the Underwriter do not assume responsibility for the accuracy of such numbers.

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No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 2010 Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the Academy or the Underwriter. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2010 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein under the caption "THE VILLAGE OF LOS RANCHOS DE ALBUQUERQUE" has been furnished by the Issuer. All other information set forth herein has been obtained from the Academy and other sources (other than the Issuer) that are believed to be reliable, but the adequacy, accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation of, the Issuer or the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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 hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Academy since the date hereof.

THE PRICES AT WHICH THE SERIES 2010 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITER MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2010 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2010 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE BOND ORDINANCE OR THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION AND QUALIFICATION OF THE SERIES 2010 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2010 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE, MUNICIPAL OR OTHER GOVERNMENTAL ENTITY, NOR ANY AGENCY OR DEPARTMENT THEREOF, HAS PASSED UPON THE MERITS OF THE SERIES 2010 BONDS

OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

\$36,000,000

VILLAGE OF LOS RANCHOS DE ALBUQUERQUE, NEW MEXICO
Educational Facilities Refunding and Improvement Revenue Bonds
(Albuquerque Academy Project)
Series 2010

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, provides information in connection with the offer and sale of the Village of Los Ranchos de Albuquerque, New Mexico Educational Facilities Refunding and Improvement Revenue Bonds (Albuquerque Academy Project), Series 2010 (the “Series 2010 Bonds”), in the aggregate principal amount of \$36,000,000. The Series 2010 Bonds are being issued by the Village of Los Ranchos de Albuquerque, New Mexico (the “Issuer”), a body corporate and politic duly organized and existing as a municipal corporation of the State of New Mexico, for the benefit of Albuquerque Academy (the “Academy”), a private, non-profit educational institution. The Series 2010 Bonds are being issued pursuant to (i) an ordinance of the Issuer adopted on July 14, 2010 and a resolution of the Issuer adopted on September 8, 2010 (collectively, the “Bond Ordinance”), and (ii) a Trust Indenture dated as of September 1, 2010 (as amended and supplemented from time to time, the “Indenture”), between the Issuer and Wells Fargo Bank, N.A. (the “Trustee”), in full compliance with Sections 3-32-1 NMSA 1978 et seq., as amended. The Series 2010 Bonds, together with any additional bonds which may be issued from time to time under the Indenture, are herein referred to collectively as the “Bonds.”

Use of Series 2010 Bond Proceeds

The proceeds of the Series 2010 Bonds will be used to refund the outstanding portion of the Series 1999 Bonds and the outstanding portion of the Series 2002 Bonds, to pay the termination payment in connection with the swap agreement entered into by the Academy in connection with the Series 2002 Bonds (the “Refunding”) and to pay costs incidental to the issuance of the Series 2010 Bonds. See “PLAN OF CURRENT REFUNDING” herein. Additional proceeds of the Series 2010 Bonds will be used to finance the cost of acquiring, constructing, remodeling and installing certain facilities located on real property (as more particularly defined herein, the “Premises”) in the City of Albuquerque, New Mexico (the “City”) to expand the Academy’s private educational and related facilities (the “Project”). The educational and related facilities and the Premises, as more particularly defined herein, are collectively referred to herein as the “Campus.” See “THE PROJECT” herein.

Security

To further evidence its obligation to make installment sale payments in such amounts and at such times as required to provide for timely payments of the principal amount of, premium, if any, and interest on the Bonds, including the Series 2010 Bonds, the Academy will execute and deliver to the Trustee a Guaranty Agreement dated as of September 1, 2010 between the Academy and the Trustee (the “Guaranty”). Neither the Issuer nor any owner of Series 2010 Bonds shall have any interest in or lien on or security interest in any of the educational and related or other facilities or assets of the Academy for the payment of the Series 2010 Bonds, including the Campus or any other assets of the Academy. The Academy has certain other unconditional obligations in connection with outstanding indebtedness, payable by the Academy on the same basis as the obligations of the Academy under the Agreement, as described in “SECURITY FOR THE SERIES 2010 BONDS” and “FINANCIAL INFORMATION CONCERNING THE ACADEMY — Other Indebtedness of the Academy.” For more information

concerning the Academy and the installment sale payments which will be the principal source of repayment of the Series 2010 Bonds, see “ALBUQUERQUE ACADEMY” and “FINANCIAL INFORMATION CONCERNING THE ACADEMY.” In the Indenture, the Issuer has assigned and pledged to the Trustee all of the Issuer’s right, title and interest in and to the Trust Estate, as described below, as security for the repayment of the Bonds, including the Series 2010 Bonds. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS.”

Redemption Prior to Maturity

The Series 2010 Bonds are subject to optional and mandatory redemption in the amounts, at the times and at the prices described under “THE SERIES 2010 BONDS.”

Book-Entry System

Individual purchases will be made in book-entry form only and purchasers of the Series 2010 Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of, interest on, and redemption premium, if any, on the Series 2010 Bonds will be made directly to The Depository Trust Company (“DTC”) or its nominee, Cede & Co., by the Paying Agent (as defined below), so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2010 Bonds, all as more fully described herein. See “THE SERIES 2010 BONDS – Book-Entry Form.” *In reading this Official Statement, it should be understood that while the Series 2010 Bonds are in book-entry form, all rights of ownership must be exercised through DTC and the book-entry only system as described more fully herein, and notices that are to be given to Owners by the Issuer or the Paying Agent will be given only to DTC and DTC will be responsible for giving notice to Owners.*

For a more complete description of the Series 2010 Bonds, the Ordinance, the Indenture and other documents pursuant to which the Series 2010 Bonds are issued, see “THE SERIES 2010 BONDS.”

Special, Limited Obligations

The Series 2010 Bonds will be special, limited obligations of the Issuer payable solely from the Trust Estate, on a parity with any additional bonds which may be issued from time to time under the Indenture. “Trust Estate” is defined by the Indenture as all of the Issuer’s right, title, and interest in and to (A) the Agreement and the rights of the Issuer in the Agreement, and all payments, revenues and receipts receivable by the Issuer thereunder (except amounts payable to the Issuer as indemnification and certain fees and expenses of the Trustee and the Issuer) including without limitation any payment or prepayment under the Agreement of the Purchase Price of the Project or upon the occurrence of an event which gives rise to any mandatory redemption specified in the Indenture or in connection with an optional redemption of the Bonds (other than payments to the Rebate Fund); and (B) all other Revenues to the extent not included in paragraph (A) above, and the Funds and accounts maintained under the Indenture, other than the Rebate Fund. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — Certain Definitions — Revenues” and — “The Installment Sale Agreement.”

Pursuant to the Indenture, the Issuer’s interest in the Agreement and all amounts payable by the Academy to the Issuer under the Agreement, including all payments, revenues and receipts receivable by the Issuer under the Agreement (other than certain indemnification rights and certain fees and expenses of the Trustee and the Issuer), and the funds and accounts maintained under the Indenture, other than the

Rebate Fund, are assigned to the Trustee by the Issuer to secure the payment of the principal of and interest on the Bonds, including the Series 2010 Bonds.

The Bond Ordinance and the Indenture provide that the Series 2010 Bonds shall never constitute the debt or indebtedness of the Issuer or the State or any other political subdivision thereof within the meaning of any provision or limitation of the State Constitution or statutes and will not constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing power. See “SECURITY FOR THE SERIES 2010 BONDS.”

The Academy is committing to provide reports, notice of certain material events or other information on an ongoing basis in connection with the Series 2010 Bonds through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System.

This Official Statement includes financial and other information about the Academy. All financial and other data included herein relating to the Academy have been provided by the Academy, except that which is attributed to other sources. The Issuer has not participated in the preparation of this Official Statement nor has it independently verified any of the information herein, except information contained under the caption “THE VILLAGE OF LOS RANCHOS DE ALBUQUERQUE, NEW MEXICO.” This Official Statement contains brief descriptions of the Series 2010 Bonds, the Agreement, the Guaranty and the Indenture which descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents. Words and terms defined in other documents which are not defined herein shall have the meanings set forth in such other documents. Copies of the Indenture, the Guaranty and the Agreement may be obtained from the Trustee.

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Annual Debt Service Requirements

The following schedule shows the total debt service payable for the Series 2010 Bonds for each calendar year through their respective final maturity dates.

Debt Service Requirements for the Series 2010 Bonds

Year (September 1)	Principal	Interest	Total Debt Service
2011	\$ -	\$ 1,594,257.64	\$ 1,594,257.64
2012	-	1,688,037.50	1,688,037.50
2013	-	1,688,037.50	1,688,037.50
2014	-	1,688,037.50	1,688,037.50
2015	-	1,688,037.50	1,688,037.50
2016	-	1,688,037.50	1,688,037.50
2017	95,000.00	1,688,037.50	1,783,037.50
2018	200,000.00	1,684,237.50	1,884,237.50
2019	310,000.00	1,676,237.50	1,986,237.50
2020	425,000.00	1,663,837.50	2,088,837.50
2021	545,000.00	1,646,837.50	2,191,837.50
2022	665,000.00	1,625,037.50	2,290,037.50
2023	800,000.00	1,598,437.50	2,398,437.50
2024	945,000.00	1,558,437.50	2,503,437.50
2025	1,095,000.00	1,511,187.50	2,606,187.50
2026	1,240,000.00	1,464,650.00	2,704,650.00
2027	1,400,000.00	1,411,950.00	2,811,950.00
2028	1,560,000.00	1,352,450.00	2,912,450.00
2029	1,625,000.00	1,286,150.00	2,911,150.00
2030	1,695,000.00	1,221,150.00	2,916,150.00
2031	2,210,000.00	1,144,875.00	3,354,875.00
2032	2,330,000.00	1,026,087.50	3,356,087.50
2033	2,460,000.00	900,850.00	3,360,850.00
2034	1,700,000.00	768,625.00	2,468,625.00
2035	1,800,000.00	677,250.00	2,477,250.00
2036	2,355,000.00	580,500.00	2,935,500.00
2037	2,460,000.00	474,525.00	2,934,525.00
2038	2,575,000.00	363,825.00	2,938,825.00
2039	2,695,000.00	247,950.00	2,942,950.00
2040	<u>2,815,000.00</u>	<u>126,675.00</u>	<u>2,941,675.00</u>
	\$ <u>36,000,000.00</u>	\$ <u>37,734,245.14</u>	\$ <u>73,734,245.14</u>

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ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Series 2010 Bonds.

Sources:

Principal Amount of Series 2010 Bonds.....	\$	36,000,000.00
Net Original Issue Premium		<u>1,303,573.75</u>
	\$	<u>37,303,573.75</u>

Uses:

Construction Fund Deposit		6,043,077.92
Refunding.....		29,735,000.00
Swap Termination Cost		1,098,000.00
Costs of Issuance ⁽¹⁾		<u>427,495.83</u>
	\$	<u>37,303,573.75</u>

⁽¹⁾ Includes Underwriter's discount, legal, printing, rating agency, Trustee and Issuer fees and other miscellaneous costs of delivery. Proceeds to pay the Costs of Issuance (as defined in the Indenture) will be deposited in and paid out of the Series 2010 Bonds Costs of Issuance Fund in accordance with the Indenture and the Agreement. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS." For information regarding the underwriting arrangements and the net original issue premium relating to the Series 2010 Bonds, see "UNDERWRITING" and "TAX MATTERS."

PLAN OF REFUNDING

Certain proceeds of the Series 2010 Bonds will be used to refund the outstanding Series 1999 Bonds and the outstanding Series 2002 Bonds and to pay the termination payment in connection with the swap agreement entered into by the Academy in connection with the Series 2002 Bonds.

Series 1999 Bonds

Pursuant to a Trust Indenture between the City of Albuquerque, New Mexico (the "City") and the Trustee (as successor in interest to Sunwest Bank of Albuquerque, N.A. and BNY Western Trust Company) dated as of May 1, 1995, as amended by a First Supplemental Indenture dated as of February 1, 1999 (as so amended, the "1999 Indenture"), the City issued its Educational Facilities Refunding Revenue Bonds (Albuquerque Academy Project) Series 1999 (the "Series 1999 Bonds"), which Series 1999 Bonds were used to refund a portion of the City's Educational Facilities Revenue Bonds (Albuquerque Academy Project) Series 1995 (the "Series 1995 Bonds"). The proceeds of the Series 1995 Bonds were used to defray the costs of financing the acquisition, construction, renovation and installation of certain educational facilities at the Academy (the "Original 1999 Project").

The City entered into a First Amendment to Installment Sale Agreement with the Academy dated as of February 1, 1999, amending an Installment Sale Agreement with the Academy dated as of May 1, 1995 (as so amended, the "1999 Agreement"), pursuant to which the City used proceeds of the Series 1999 Bonds to refinance the Original 1999 Project. The 1999 Agreement requires the Academy to make installment sale payments sufficient to pay the principal of and interest on the Series 1999 Bonds, when due, along with certain administrative expenses of the City and the Trustee. The 1999 Agreement permits the financing of other projects at a future date at the discretion of the City and in accordance with the terms and conditions of the 1999 Indenture and the 1999 Agreement. The obligations of the Academy under the 1999 Agreement, including its obligations to make payments thereunder, are unconditional obligations of the Academy.

Upon the refunding of the outstanding Series 1999 Bonds, the 1999 Indenture and the 1999 Agreement with respect to the Series 1999 Bonds, will terminate.

Series 2002 Bonds

Pursuant to the 1999 Indenture, as amended by a Second Supplemental Indenture dated as of October 1, 2002 (as so amended, the “2002 Indenture”), the City issued its Educational Facilities Revenue Bonds (Albuquerque Academy Project) Series 2002 (the “Series 2002 Bonds”), which Series 2002 Bonds were used to refund the outstanding portion of the City’s Educational Facilities Revenue Bonds (Albuquerque Academy Project) Series 1992 (the “Series 1992 Bonds”). The proceeds of the Series 1992 Bonds were used to refund the outstanding portion of the City’s Educational Facilities Refunding and Improvement Revenue Bonds (Albuquerque Academy Project) Series 1989 (the “Series 1989 Bonds”). The proceeds of the Series 1989 Bonds were used to finance the costs of acquiring, constructing, renovating and installing certain educational facilities at the Academy (the “Original 2002 Project”).

The City entered into a Second Amendment to Installment Sale Agreement with the Academy dated as of October 1, 2002, amending the 1999 Agreement (as so amended, the “2002 Agreement”), pursuant to which the City used proceeds of the Series 2002 Bonds to refinance the Original 2002 Project. The 2002 Agreement requires the Academy to make installment sale payments sufficient to pay the principal of and interest on the Series 2002 Bonds, when due, along with certain administrative expenses of the City and the Trustee. The 2002 Agreement permits the financing of other projects at a future date at the discretion of the City and in accordance with the terms and conditions of the 2002 Indenture and the 2002 Agreement. The obligations of the Academy under the 2002 Agreement, including its obligations to make payments thereunder, are unconditional obligations of the Academy.

Upon the refunding of the outstanding Series 2002 Bonds, the 2002 Indenture and the 2002 Agreement with respect to the Series 2002 Bonds, will terminate.

Swap Termination

In connection with the Series 2002 Bonds, the Academy entered into certain agreements (including an ISDA Master Agreement, Schedule and Credit Support Annex each dated as of August 3, 2001 and Confirmations dated August 7, 2001, September 7, 2001 and October 22, 2002) relating to that certain interest rate swap transaction with an original trade date of August 6, 2001 between the Academy and The Chase Manhattan Bank, predecessor to JPMorgan Chase Bank, as amended by that certain Amendment, dated as of July 14, 2003 between the Academy and JPMorgan Chase Bank, and as the same may be further amended or supplemented from time to time.

Upon the payment of such termination payment, such agreements relating to that certain interest rate swap transaction described above will terminate.

THE PROJECT

The Project to be funded with the proceeds of the sale of the Series 2010 Bonds will provide updates to the Academy’s fire alarm and smoke detection systems and replacement of electrical load centers and motor control centers in original campus buildings, replacement of buried hot water and chilled water loop lines on the central and east campus, replacement of buried hot water loop lines on the west campus and replacement of existing west campus rooftop HVAC units with rooftop air handling units with chilled water coils and an air cooled chiller system, and renovation of classroom buildings and fixtures, including classroom technology upgrades. The Academy anticipates the Project will result in substantial operational savings over the next ten years.

THE SERIES 2010 BONDS

General Terms

General information describing the Series 2010 Bonds appears elsewhere in this Official Statement. That information should be read in conjunction with this summary, which is qualified in its entirety by reference to the Indenture and the form of Series 2010 Bonds included therein. The Series 2010 Bonds are being issued pursuant to the Indenture and in full compliance with Sections 3-32-1 NMSA 1978 et seq., as amended. For a description of certain provisions of the Indenture, see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — The Indenture.”

The Series 2010 Bonds will be delivered in fully registered form and are initially to be registered in the name of “Cede & Co.,” as nominee for The Depository Trust Company, securities depository for the Series 2010 Bonds. Purchases by beneficial owners of the Series 2010 Bonds (the “Beneficial Owners”) are to be made in book-entry form only. See “Book-Entry Only System” under this caption. The proceeds of the Series 2010 Bonds are to be applied as more particularly described herein in “ESTIMATED SOURCES AND USES OF FUNDS.”

The Series 2010 Bonds will be delivered as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof, not exceeding the aggregate amount maturing in any particular year, and will be dated the date of issuance thereof.

The Series 2010 Bonds will bear interest at the rates set forth on the inside cover of this Official Statement. Interest payable on the Series 2010 Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest thereon will be payable semiannually on September 1 and March 1 of each year, commencing March 1, 2011 (each, an “Interest Payment Date”). The Series 2010 Bonds will bear interest from and including the most recent Interest Payment Date to which interest has been paid or provided for or, if no interest has been paid or provided for, from the date of issuance thereof until payment of the principal of the Series 2010 Bonds has been made or provided for.

Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Bond is registered at the close of business on the Regular Record Date for such interest, which shall be the first day (whether or not a Business Day) of the calendar month of each Interest Payment Date.

Any interest on any Series 2010 Bond which is payable, but is not punctually paid or provided for, on any Interest Payment Date (herein called “Defaulted Interest”) shall forthwith cease to be payable to the Owner on the relevant Regular Record Date, and such Defaulted Interest shall be paid to the Owner in whose name the Series 2010 Bond is registered at the close of business on a Special Record Date to be fixed by the Trustee, such Special Record Date for the payment of such Default Interest to be not more than 15 nor less than 10 days prior to the date of proposed payment. The Trustee shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Registered Owner, at his address as it appears in the Bond Register, not less than 10 days prior to such Special Record Date.

Subject to the foregoing provisions, each Series 2010 Bond delivered under the Indenture upon transfer of or exchange for or in lieu of any other Series 2010 Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Series 2010 Bond.

The Series 2010 Bonds shall mature on the dates and in the amounts shown on the inside cover page of this Official Statement, subject to prior redemption and purchase upon the terms and conditions set forth in the Indenture.

The principal and redemption price of any Bond shall be payable, upon surrender of such Bond, at the principal corporate trust office of Wells Fargo Bank, N.A., Denver, Colorado, or its successors in interest as paying agent (the “Paying Agent”). Interest on any Bond on each Interest Payment Date in respect thereof shall be payable by check or draft mailed to the address of the person entitled thereto as such address shall appear in the Bond Register or in such other manner as may be agreed to by the Paying Agent and any Owner. The Paying Agent shall make payments of interest on the Bonds by check or draft as provided immediately above.

The following provisions with respect to transfer and exchange of the Series 2010 Bonds will apply in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

Upon surrender for transfer of any Series 2010 Bond at the office of the Bond Registrar, the Trustee shall authenticate and deliver in the name of the transferee or transferees, one or more new fully registered Series 2010 Bonds of authorized denominations for the aggregate principal amount which the Owner is entitled to receive. For as long as the Depository Trust Company or its nominee (“DTC”) is the registered owner of the Series 2010 Bonds, the book-entry system will evidence ownership of the Series 2010 Bonds, and transfers of ownership will be reflected on the records of DTC and its participants.

At the option of the Owner, Series 2010 Bonds may be exchanged for other Series 2010 Bonds of any authorized denomination, of a like aggregate principal amount, upon surrender of the Series 2010 Bonds to be exchanged at the office of the Trustee. Whenever any Series 2010 Bonds are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Series 2010 Bonds which the Owner making the exchange is entitled to receive.

All Series 2010 Bonds presented for transfer, exchange, redemption or payment shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner or by his duly authorized attorney.

The Trustee may require payment of a service charge to cover its costs and expenses for any exchange or transfer of Series 2010 Bonds, together with a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

Neither the Issuer nor the Trustee nor any Bond Registrar on behalf of the Issuer shall be required (i) to issue, transfer or exchange any Series 2010 Bond during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of Series 2010 Bonds selected for redemption and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Series 2010 Bond so selected for redemption in whole or in part.

New Series 2010 Bonds delivered upon any transfer or exchange shall evidence the same debt as the Series 2010 Bonds surrendered, shall be secured by the Indenture and entitled to all of the security and benefits of the Indenture to the same extent as the Series 2010 Bonds surrendered.

Prior Redemption

Optional Redemption In Whole or In Part. The Series 2010 Bonds maturing on or after September 1, 2021, are subject to redemption prior to maturity by the Issuer at the option and request of

the Academy, in whole or in part on any date, on or after September 1, 2020, from the Bond Fund established under the Indenture and from moneys otherwise available for such purpose, and if in part, in such maturities as shall be directed by the Academy, upon payment of an Optional Redemption Price equal to the principal amount to be redeemed, plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2010 Bonds maturing on September 1, 2033 are subject to redemption prior to their stated maturity in part by lot from amounts transferred to the Series 2010 Sinking Account of the Bond Fund, as provided in the Indenture, on each September 1 in the years and in the amounts set forth below at a Mandatory Sinking Fund Redemption Price equal to 100% of the principal amount to be redeemed, plus interest accrued to the redemption date, as follows:

Mandatory Sinking Fund Payment Date <u>(September 1)</u>	Mandatory Sinking <u>Fund Amount</u>
2031	\$2,210,000
2032	2,330,000
2033*	2,460,000

*Maturity

The Academy may deliver Series 2010 Bonds maturing on September 1, 2033 purchased by it as a credit against future sinking fund payments in such years as shall be directed by the Academy, as provided in the Indenture.

The Series 2010 Bonds maturing on September 1, 2035 are subject to redemption prior to their stated maturity in part by lot from amounts transferred to the Series 2010 Sinking Account of the Bond Fund, as provided in the Indenture, on each September 1 in the years and in the amounts set forth below at a Mandatory Sinking Fund Redemption Price equal to 100% of the principal amount to be redeemed, plus interest accrued to the redemption date, as follows:

Mandatory Sinking Fund Payment Date <u>(September 1)</u>	Mandatory Sinking <u>Fund Amount</u>
2034	\$1,700,000
2035*	1,800,000

*Maturity

The Academy may deliver Series 2010 Bonds maturing on September 1, 2035 purchased by it as a credit against future sinking fund payments in such years as shall be directed by the Academy, as provided in the Indenture.

The Series 2010 Bonds maturing on September 1, 2040 are subject to redemption prior to their stated maturity in part by lot from amounts transferred to the Series 2010 Sinking Account of the Bond Fund, as provided in the Indenture, on each September 1 in the years and in the amounts set forth below at a Mandatory Sinking Fund Redemption Price equal to 100% of the principal amount to be redeemed, plus interest accrued to the redemption date, as follows:

Mandatory Sinking Fund Payment Date (September 1)	Mandatory Sinking Fund Amount
2036	\$2,355,000
2037	2,460,000
2038	2,575,000
2039	2,695,000
2040*	2,815,000

*Maturity

The Academy may deliver Series 2010 Bonds maturing on September 1, 2040 purchased by it as a credit against future sinking fund payments in such years as shall be directed by the Academy, as provided in the Indenture.

Mandatory Redemption Upon Invalidity or Determination of Taxability. The Series 2010 Bonds are subject to redemption prior to maturity from amounts which are required to be prepaid by the Academy under the Agreement, in whole (or in part if the Academy delivers a favorable opinion of nationally recognized bond counsel to the Trustee and the Issuer), at a redemption price of 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption, at any time within 60 days after the Agreement is determined to be invalid or a Determination of Taxability occurs. “Determination of Taxability” means a determination that, due to the untruth or inaccuracy of any representation or warranty made by the Academy in the Agreement or the breach of any covenant or warranty of the Academy contained in the Agreement, interest on the Series 2010 Bonds, or any of them, is determined not to be Tax-Exempt by (a) a final administrative determination of the Internal Revenue Service or a final judicial decision of a court of competent jurisdiction in a proceeding of which the Academy received notice and in which the Academy were afforded an opportunity to participate to the full extent permitted by law, or (b) a favorable opinion of nationally recognized bond counsel obtained by the Academy and delivered to the Trustee with a copy to be delivered to the Issuer. A determination or decision will not be considered final for purposes of the preceding sentence unless (a) the Issuer or the holder or holders of the Series 2010 Bonds involved in the proceeding in which the issue is raised (i) shall have given the Academy and the Trustee prompt written notice of the commencement thereof, and (ii) shall have offered the Academy the opportunity to control the proceeding; provided the Academy agrees to pay all expenses and costs in connection therewith and to indemnify the Issuer and such holder or holders against all liability for such expenses and costs (except that any such holder may engage separate counsel for the holder or holders of the Series 2010 Bonds, and the Academy shall not be liable for the fees or expenses of such counsel but shall be liable for the fees and expenses of counsel to the Issuer); and (b) such proceeding shall not be subject to a further right of appeal or shall not have been timely appealed. “Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Series 2010 Bonds, that such interest is excluded from gross income of the Holders or Beneficial Owners thereof for federal income tax purposes (other than in the case of a Holder or Beneficial Owner of any Series 2010 Bonds who is a substantial user of the Project or a related person within the meaning of Section 147(a) of the Code) whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

Selection of Series 2010 Bonds to be Redeemed

To the extent provided in the redemption provisions described above, the Academy shall direct the maturities to be redeemed prior to maturity. If the Academy does not direct the maturities to be redeemed, the Trustee shall select Series 2010 Bonds by lot in such manner as the Trustee deems fair and appropriate. If less than all the Series 2010 Bonds of a maturity are to be redeemed, the particular Series 2010 Bonds of such maturity to be called for redemption shall be selected by lot by the Trustee in any manner deemed reasonable by the Trustee. In the case of a Series 2010 Bond of a denomination greater than the lowest authorized denomination for such Series 2010 Bonds, the Trustee shall treat each such Series 2010 Bond as representing such number of separate Series 2010 Bonds each of the lowest authorized denomination as is obtained by dividing the actual principal amount of such Series 2010 Bond by the lowest authorized denomination for such Series 2010 Bonds.

For all purposes of the Indenture, unless the context otherwise requires, all provisions relating to the redemption of Series 2010 Bonds shall relate, in the case of any Series 2010 Bond redeemed or to be redeemed only in part, to the portion of the principal of such Series 2010 Bond which has been or is to be redeemed.

Notice of Redemption

When required to redeem Series 2010 Bonds under any provision of the Indenture, the Trustee shall cause notice of the redemption to be given by first-class mail, postage prepaid, mailed, or by facsimile transmission followed by written confirmation, to all Owners of Series 2010 Bonds to be redeemed at their registered addresses not more than 90 days nor less than 30 days prior to the redemption date. Any such notice shall identify the Series 2010 Bonds to be redeemed (and, in the case of partial redemption of any Series 2010 Bonds, the respective principal amounts thereof to be redeemed), shall specify the redemption date and the redemption price, shall specify the place where such Series 2010 Bonds are to be surrendered for payment, and shall state that on the redemption date the Series 2010 Bonds called for redemption will be payable and that from that date interest will cease to accrue. The Trustee shall also send a copy of the notice by certified mail or by overnight delivery to DTC and will file such notice on EMMA. Any notice of redemption shall state that such redemption is conditional upon there being on deposit with the Trustee by 2:00 p.m. on the date fixed for redemption an amount sufficient to pay the principal of, premium, if any, and interest on the Series 2010 Bonds to be redeemed. Failure to mail any notice or defect in the mailed notice or in the mailing thereof in respect of any Series 2010 Bond shall not affect the validity of the redemption of any other Series 2010 Bond.

The Trustee shall use “CUSIP” numbers (if printed on the Series 2010 Bonds) on notices of redemption as a convenience to Owners, provided that any such notice shall state that no representation is made as to the correctness of such numbers either as printed on the Series 2010 Bonds or as contained in any notice of redemption and that reliance may be placed only on the identification numbers printed on the face of the Series 2010 Bonds pursuant to the Indenture.

Payment of Redemption Price

If notice of redemption has been duly made or duly waived by the Owners of the Series 2010 Bonds called for redemption and redemption moneys have been duly deposited and are available with the Trustee or the Paying Agent, then the Series 2010 Bonds called for redemption shall be payable on the redemption date at the applicable redemption price and interest thereon shall cease to accrue on the redemption date. Payment of the redemption price together with the premium, if any, and accrued interest shall be made by the Trustee to or upon the order of the Owners of the Series 2010 Bonds called for redemption upon surrender of such Series 2010 Bonds. The redemption price and premium, if any, in

respect of Series 2010 Bonds shall be paid out of the Fund or account from which redemption is to be made or from other moneys which the Academy makes available for such purpose. Accrued interest shall be paid out of the Bond Account of the Bond Fund.

Bonds Redeemed in Part

Any Series 2010 Bond which is to be redeemed only in part (other than Series 2010 Bonds held by DTC) shall be surrendered at a place stated for the surrender of Series 2010 Bonds called for redemption in the redemption notice described above (with due endorsement by, or a written instrument of transfer in form satisfactory to the Trustee duly executed by, the Owner thereof or his attorney duly authorized in writing) and the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner of such Series 2010 Bond without service charge, a new Series 2010 Bond or Series 2010 Bonds, of any authorized denomination as requested by such Owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Series 2010 Bond so surrendered. If the Trustee complies with the instructions set forth in the DTC Letter of Representations, the Trustee shall conclusively be deemed to have followed the provisions of the Indenture.

Book-Entry Only System

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Series 2010 Bonds, payment of principal of and interest on the Series 2010 Bonds to Participants (defined below) and to purchasers of the Series 2010 Bonds (the “Beneficial Owners”), confirmation and transfer of beneficial ownership interests in the Series 2010 Bonds, and other bond-related transactions by and between DTC, Participants and Beneficial Owners, is based solely on information furnished by DTC and has not been independently verified by the Issuer, the Academy or the Underwriter or their respective counsel. The inclusion of this information is not, and should not be construed as, a representation by the Issuer, the Academy or the Underwriter or their respective counsel as to its accuracy or completeness or otherwise.

DTC is to act as securities depository for the Series 2010 Bonds. One fully registered bond for each maturity, in the aggregate principal amount of Series 2010 Bonds of such maturity, is to be registered in the name of Cede & Co., as nominee for DTC, and will be deposited with DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (the “Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which are to receive a credit for the Series 2010 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2010 Bond is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their

purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 Bonds are to be accomplished by entries made on the books of Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2010 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Participants are to remain responsible for keeping account of their holdings on behalf of their customers.

For every transfer and exchange of the Series 2010 Bonds or an interest therein, the Beneficial Owner may be charged a service charge together with a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Principal and interest payments on the Series 2010 Bonds are to be made by the Paying Agent to DTC. Payments by Participants to Beneficial Owners are 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 are the responsibility of such Participant and not of DTC, the Paying Agent, the Issuer or the Academy, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Academy or the Paying Agent and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

So long as Cede & Co. or its registered assign is the registered owner of the Series 2010 Bonds, the Issuer, the Academy, the Paying Agent and the Registrar will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Issuer, the Academy, the Paying Agent or the Trustee, and the Issuer, the Academy, the Paying Agent and the Trustee will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Series 2010 Bonds.

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

If (i) the Series 2010 Bonds are not eligible for the services of DTC, (ii) DTC determines to discontinue providing its services with respect to the Series 2010 Bonds or (iii) the Issuer or the Academy determines that a system of book-entry transfers, or the continuation thereof, through DTC is not in the best interest of the Beneficial Owners or the Issuer or the Academy, the Academy may either identify another qualified depository or direct or cause Series 2010 Bond certificates to be delivered to Beneficial Owners thereof or their nominees and, if certificates are delivered to the Beneficial Owners, the Beneficial Owners or their nominees, upon authentication of the Series 2010 Bonds and registration

thereof in the Beneficial Owners' or nominees' names, shall become the Owners of the Series 2010 Bonds for all purposes. In any such event, the Trustee is to mail an appropriate notice to the depository for notification to Participants and Beneficial Owners of the substitute depository or the issuance of Series 2010 Bond certificates to Beneficial Owners or their nominees, as applicable.

Additional Bonds

The Academy may not incur Indebtedness (as defined in the Agreement) except in accordance with the terms of the Agreement. See "SECURITY FOR THE SERIES 2010 BONDS — Covenants of the Academy" and "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS - The Trust Indenture - Issue of Additional Bonds" for a description of those terms. Assuming the terms of the Agreement are satisfied, such Indebtedness may include Additional Bonds. At the request of the Academy, the Issuer is permitted to issue Additional Bonds from time to time. However, such Additional Bonds may be issued under the Indenture only to (i) provide additional funds to finance completion of the project or to finance Additional Facilities, to the extent permitted by the terms of the Indenture, and (ii) pay the cost of refunding through payment at maturity or redemption on any prior redemption date of all or part of the Outstanding Bonds of any Series to the extent permitted by the terms thereof. In order to authenticate any such Additional Bonds, among other things, the Trustee must receive confirmation that the requirements of the Agreement have been satisfied, including, among other things, a certification from the Academy stating that the Academy will be in compliance with its covenant as to Indebtedness in the Agreement upon issuance of the Additional Bonds.

SECURITY FOR THE SERIES 2010 BONDS

Special Limited Obligations

The Series 2010 Bonds are special limited obligations of the Issuer payable only out of the Trust Estate, on a parity with any additional bonds which may be issued from time to time under the Indenture. The Trust Estate, including amounts payable under the Agreement, is pledged and assigned to the Trustee by the Issuer pursuant to the Indenture as security for the repayment of the Bonds, including the Series 2010 Bonds. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS." *No part of the Campus or any other assets of the Academy will be pledged as security for the Series 2010 Bonds.*

The Trust Estate, as defined by the Indenture, includes (A) the Agreement and the rights of the Issuer in the Agreement, and all payments, revenues and receipts receivable by the Issuer thereunder (except amounts payable to the Issuer as indemnification and certain fees and expenses of the Trustee and the Issuer) including without limitation any payment or prepayment under the Agreement of the Purchase Price of the Project or upon the occurrence of an event which gives rise to any mandatory redemption specified in the Indenture or in connection with an optional redemption of the Bonds (other than payments to the Rebate Fund); and (B) all other Revenues to the extent not included in paragraph (A) above, and the Funds and accounts maintained under the Indenture, other than the Rebate Fund. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS — Certain Definitions — Revenues" and "The Installment Sale Agreement."

Pursuant to the Indenture, the Trust Estate is assigned to the Trustee by the Issuer to secure the payment of the principal of and interest on the Bonds, including the Series 2010 Bonds.

The obligation of the Academy to make Installment Sale Payments under the Agreement is an unconditional obligation of the Academy payable from revenues of the Academy in accordance with the provisions of the Agreement, which payments are the principal source of repayment for the Series 2010

Bonds. For certain information concerning the Academy, see “ALBUQUERQUE ACADEMY” and “FINANCIAL INFORMATION CONCERNING THE ACADEMY.” The Academy has certain other unconditional obligations in connection with outstanding indebtedness, payable by the Academy on the same basis as the obligations of the Academy under the Agreement, as described in “FINANCIAL INFORMATION CONCERNING THE ACADEMY — Other Indebtedness of the Academy.”

The Bond Ordinance and the Indenture provide that the Series 2010 Bonds will never constitute the debt or indebtedness of the Issuer or the State or any political subdivision thereof within the meaning of any provision or limitation of the State Constitution or statutes, and will not constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers. Neither the Issuer nor the State will be required or are permitted to levy excise, property or any other taxes for the payment of amounts due on the Series 2010 Bonds.

No Reserve Account

Neither the Indenture nor the Bond Ordinance requires the Academy to establish a reserve account to secure the Series 2010 Bonds.

Covenants of the Academy

The Agreement includes certain covenants of the Academy, including covenants relating to the amount of the Academy’s Funded Debt, additional indebtedness of the Academy, permitted encumbrances on the assets of the Academy, and the maintenance of certain levels of Unrestricted Net Assets (as defined in the Agreement), as summarized below.

Permitted Indebtedness. The Academy has covenanted and agreed in the Agreement not to incur any Indebtedness (including without limitation any Indebtedness shown on the liability side of the balance sheet) except for: (a) the Series 2010 Bonds and all amounts payable to the Trustee and the Issuer under the provisions of the Agreement, the Guaranty and the Indenture; (b) Indebtedness the payment of principal and interest on which is made expressly subordinate to current payments of principal and interest on the Series 2010 Bonds, Current Debt and Funded Debt; (c) Current Debt; and (d) Funded Debt not exceeding the greater of (x) an amount, which, when added to the Academy’s then existing Funded Debt, would cause Funded Debt to exceed 40% of the value of the Academy’s recorded assets or (y) an amount which, when added to the Academy’s then existing Funded Debt, would cause total Indebtedness to exceed 40% of the value of the Academy’s appraised assets. For the purposes of this covenant, the Academy’s “recorded assets” are the sum of (i) the assets, including restricted funds but excluding amounts receivable by one Academy Fund from another Academy Fund, as reflected on the balance sheet of the Academy as of the end of its most recently ended fiscal year, as examined by the independent certified public accountants regularly retained by the Academy, plus (ii) 75% of the cost of new projects. For the purposes of this covenant, the Academy’s “appraised assets” shall be the sum of (w) the assets, including restricted funds but excluding amounts receivable by one Academy Fund from another Academy Fund, as reflected on the balance sheet of the Academy as of the end of its most recently ended fiscal year, as examined by the independent certified public accountants regularly retained by the Academy, (x) 75% of the cost of new projects, (y) the difference between the market value of investment securities not pledged to any other Indebtedness as determined by the independent certified public accountants regularly retained by the Academy at the time such Funded Debt is incurred and the book value of such investment securities, plus (z) the difference between the value of the Academy’s real property and improvements thereon, or such portion of the Academy’s real property and improvements thereon selected by the Academy, as appraised for the purpose of establishing loan value by a Master of the Appraisal Institute, for real property and improvements thereon which is properly the subject of appraisal by a Master of the Appraisal Institute and the book value of such real property and

improvements thereon. Finally, the Academy shall not incur Funded Debt if and to the extent that doing so would cause the Academy to fail to comply with the covenant set forth under “-Covenant to Maintain Unrestricted Net Assets.”

For purposes of this covenant, the Agreement has defined “Current Debt” to mean Indebtedness of the Academy on or in respect of money borrowed payable on demand or within one year from the date of the creation thereof; including any revolving credit agreement, except any such Indebtedness which is renewable or extendible at the option of the Academy to a date more than one year from the date of creation thereof, and excluding in any event (i) payments required to be made on account of the principal of or interest on Funded Debt within one year from the date of determination, (ii) Indebtedness of any Academy Fund to any other Academy Fund, and (iii) Funded Debt bearing interest at a variable interest rate subject to put agreements for which provisions have been made for third party liquidity with terms of payment extending for greater than one year. “Funded Debt” means all Indebtedness of the Academy which is not Current Debt. “Indebtedness” means (A) any liability of the Academy for borrowed money relating to principal or accreted value of principal evidenced by a note, bond, debenture or similar instrument (including purchase money obligations), unless given in connection with the acquisition of property or services acquired in the ordinary course of business, such as, but not limited to, inventory, equipment, furnishings or fixtures, or for the payment of money relating to obligations incurred under leases which are or may be capitalized under generally accepted accounting principles; (B) any liability described in the preceding clause (A) which the Academy has guaranteed or is otherwise its legal liability; and (C) any amendment, renewal, extension or refunding of any such liability, but excluding liabilities which have been defeased in accordance with their terms and further excluding obligations incurred in connection with self-insurance programs. The term “book value” shall have the meaning applied by generally accepted accounting principles with respect to non-profit entities.

The covenant of the Academy restricting the amount of additional Indebtedness (as defined in the Agreement) that it will incur relates to the Academy but not to any subsidiaries or affiliates of the Academy, such as High Desert (as defined below), Tiburon, MEC or MCC (each as defined below), described in “FINANCIAL INFORMATION CONCERNING THE ACADEMY — High Desert Investment Corporation” or the Endowment Foundation or the Student Support Foundation, described in “FINANCIAL INFORMATION CONCERNING THE ACADEMY - Corporate Structure.” Furthermore, the Academy’s covenant not to permit encumbrances upon its assets does not apply to real property and improvements thereon which are owned by the Academy (including substitutions therefor, the proceeds thereof and earnings thereon, or otherwise relating thereto) other than the Campus as defined by the Indenture and described in “ALBUQUERQUE ACADEMY — Physical Plant,” nor does it apply to the assets of any of its subsidiaries.

Permitted Encumbrances. The Academy has covenanted in the Agreement that, as long as any Bonds are Outstanding, it will not create, assume or suffer to exist any mortgage, deed of trust, pledge, security interest, encumbrances, lien or charge of any kind (including any charge upon property purchased under conditional sales or other title retention agreements), upon assets of the Academy, other than Permitted Encumbrances; provided that the creation, assumption or sufferance of any Permitted Encumbrances shall not be allowed if after giving effect thereto an Event of Default would occur. Notwithstanding the foregoing, the assets of the Academy for purposes of this covenant only, including the following definition of “Permitted Encumbrances”, shall not include, or be deemed to be a restriction on, the real property and improvements thereon which are owned at any time by the Academy, including substitutions therefor, the proceeds thereof and earnings thereon, or otherwise relating thereto, other than the Campus. “Permitted Encumbrances” means, as of any particular time, (i) liens for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished, which are not due and payable or which are not delinquent, or which, or the amount or validity

of which, are being contested in good faith and execution thereon is stayed or bonded; (ii) the Agreement, the Guaranty and the Indenture, and any other or additional indebtedness issued in accordance with the terms thereof, including any refunding of all or any portion thereof; (iii) utility, access and other easements and rights of way, restrictions and exceptions which an authorized representative of the Academy certifies will not interfere with or impair the operations of the Academy or its use of the Campus; (iv) any financing statements filed to perfect security interests pursuant to the Agreement, the Guaranty or the Indenture; (v) any encumbrance represented by financing statements filed to perfect purchase money security interests in any or all of the assets or property of the Academy or the Premises, including any encumbrances relating to the incurrence of Indebtedness permitted by the Agreement; (vi) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Premises or any other assets of the Academy and as do not, in the opinion of Independent Counsel, materially impair title to such Premises or assets; (vii) liens arising by reason of good faith deposits with the Academy in connection with tenders, leases of real estate, bids or contracts, deposits by the Academy to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; (viii) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Academy to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security, or to share in the privilege or benefits required for companies participating in such arrangements; (ix) minor encumbrances imposed from time to time on any property of the Academy that do not, in the written opinion of Independent Counsel, materially adversely affect the interest of the owners of Bonds; (x) any judgment lien against the Academy so long as the finality of such judgment is being contested and execution thereon is stayed or provision for payment of the judgment has been made in accordance with applicable law or by surety bond or deposit of cash or a letter of credit with a commercial bank or trust company acceptable to the Trustee; (xi) liens resulting from governmental regulations on the use of the Project; (xii) liens and encumbrances in existence on the date of the Agreement; (xiii) liens arising by reason of any escrow established to pay debt service with respect to Indebtedness; (xiv) liens on money deposited by or on behalf of students as security for or as prepayment for tuitions, fees or other costs related to the Academy; (xv) liens on property received by the Academy through gifts, grants or bequests resulting from restrictions on the use of such gifts, grants or bequests or the income thereon; and (xvi) liens arising solely as a result of reserves, margins or assessments relating to and required by investment agreements of the Academy.

Covenant to Maintain Unrestricted Net Assets. The Academy has covenanted to maintain, so long as any of the Bonds are Outstanding, Unrestricted Net Assets with a market value, as reported annually in the audited financial statements of the Academy, equal to or greater than the par amount of the Funded Debt. The market value of Unrestricted Net Assets will be equal to the carry value of all assets plus the unrealized gain on marketable securities as reported in the notes and schedules attached to the Academy's audited financial statements.

“Unrestricted Net Assets” as defined in the Agreement means, at any time, the Net Assets of the Academy, as historically applied by the Academy, as unrestricted and available for general use, any funds temporarily or permanently restricted or classified solely by designation of the Board of Trustees of the Academy as long-term investments and any funds temporarily or permanently restricted by the donor thereof to a specific purpose (and the income derived therefrom, to the extent required by such designation) not inconsistent with their use for the payment of principal or premium, if any, and interest on Indebtedness or for the payment of operating expenses of the Academy.

“Net Assets” as defined in the Agreement means, at any time, Total Assets less Total Liabilities, as determined in accordance with generally accepted accounting principles in a manner consistently applied.

“Total Assets” as defined in the Agreement means, at any in time, all assets of the Academy which would be classified as assets, computed in accordance with generally accepted accounting principles in a manner consistently applied.

“Total Liabilities” means, at any time, all liabilities of the Academy (including tax and other proper accounts and all subordinated debt) which would be classified as liabilities, computed in accordance with generally accepted accounting principles in a manner consistently applied.

INVESTMENT CONSIDERATIONS

This Official Statement discusses many matters, any one of which may have an impact on the security for the Series 2010 Bonds, the ability of the Academy to make timely payments under the Agreement, subsequent ratings on the Series 2010 Bonds, or the market value thereof. An investor must therefor read the entire Official Statement to judge the risks inherent in an investment in the Series 2010 Bonds. This section highlights certain risks inherent in this transaction, but is not intended to be, and does not purport to be, a complete list or discussion of the risks associated with this transaction. The following factors, along with all other information in this Official Statement in its entirety, should be considered by potential investors in evaluating the Series 2010 Bonds. Neither the Underwriter nor the Issuer has made any independent investigation of the extent to which any of these risk factors may have an adverse impact on the security for the Series 2010 Bonds, the ability of the Academy to make timely payments under the Agreement, subsequent ratings on the Series 2010 Bonds, or the market value thereof.

Special Limited Obligations

The Series 2010 Bonds are special, limited obligations of the Issuer payable only out of the Trust Estate, on a parity with any additional bonds which may be issued from time to time under the Indenture. The Trust Estate, including amounts payable under the Agreement, is pledged and assigned to the Trustee by the Issuer pursuant to the Indenture as security for the repayment of the Bonds, including the Series 2010 Bonds. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS.” ***No part of the Campus or any other assets of the Academy will be pledged as security for the Series 2010 Bonds.***

Revenues of the Academy

The Academy primarily relies upon student tuition and fees for its operating expenses and its debt service payments. No representation or assurance can be made or given that sufficient revenues will be generated in the future by the Academy to make timely payments under the Agreement necessary to pay the principal of, premium, if any, and interest on the Series 2010 Bonds. The Agreement allows the Academy to encumber its assets (other than the Campus) as collateral security for future borrowings. See “SECURITY FOR THE SERIES 2010 BONDS - Covenants of the Academy,” “FINANCIAL INFORMATION CONCERNING THE ACADEMY - Revenue Sources” and “- Tuition and Fees” and the Academy’s audited financial statements for its Fiscal Year ended June 30, 2009 attached hereto as Appendix B.

Future revenues and expenses of the Academy will be affected by events and conditions relating generally to, among other things: competition from other secondary schools in the City and surrounding areas, both public and independent; an economic downturn, locally or in the regions served by the

Academy, and the resulting decrease in enrollment in independent schools (see “DEMOGRAPHIC AND ECONOMIC INFORMATION” below); shortfalls in sources of Academy revenues other than tuition and fees, such as capital campaigns and other general donor contributions, grants or appropriations from governmental agencies (including changes in student financial aid programs); a decrease in student financial aid opportunities, as may impact enrollment; investment losses in endowment and other funds; increasing costs of compliance with governmental regulations, including accommodations for handicapped or special needs students, and costs of compliance with changes in such regulations; future legislative, regulatory, and judicial or administrative determinations affecting schools or nonprofit organizations and their exemptions from various taxes; and future economic and other conditions which are unpredictable. These factors, among others, may affect, in a positive or negative manner, the level of the Academy’s revenues and its financial condition. See “FINANCIAL INFORMATION CONCERNING THE ACADEMY” for a further discussion of the sources of revenues and funding of the Academy. There can be no assurance that the financial condition of the Academy will not be adversely affected, and there can be no guaranty that there will be sufficient revenues to make timely payments under the Agreement necessary to pay the principal of, premium, if any, and interest on the Series 2010 Bonds.

With respect to the financial condition of the Academy for its Fiscal Year ended June 30, 2009 and specific information about the effects of these factors upon the Academy’s recent financial performance, its financial condition and its debt portfolio, see the audited financial statements of the Academy attached hereto as Appendix B.

Other Risk Factors Relating to the Operations of the Academy

In the future, the following factors, among others, may adversely affect the operations of the Academy to an extent that cannot be determined at this time:

1. Changes in the demand for independent school education in general or for programs offered by the Academy in particular. See “DEMOGRAPHIC AND ECONOMIC INFORMATION” below.
2. Cost and availability of energy.
3. Future interest rates, which could prevent borrowing for needed capital expenditures.
4. A decrease in student financial aid funds or other aid that provides many students with the opportunity to attend an independent school. See “ALBUQUERQUE ACADEMY - Financial Assistance” below.
5. An increase in the costs of healthcare benefits, retirement plan or other benefit packages offered by the Academy to its employees and retirees. See “FINANCIAL INFORMATION CONCERNING THE ACADEMY - Employee Retirement Plan” below.
6. A significant decrease in the value of the Academy’s investments caused by market or other external factors. See “-Securities Investment Risks” and “-Real Estate Investment Risks” below.
7. Unknown litigation, regulatory actions or other similar claims regarding the Academy or any of its affiliates. See “MATERIAL LITIGATION” below.

8. A reduction in charitable pledges and other fundraising support of the Academy. See “FINANCIAL INFORMATION CONCERNING THE ACADEMY - Gifts to the Academy” for a description of fundraising activities at the Academy.

9. Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs.

10. Increased costs and decreased availability of public liability insurance.

11. The occurrence of natural disasters, including floods and tornadoes, which might damage the facilities of the Academy, interrupt service to the facilities or otherwise impair the operation and ability of the facilities to produce revenue.

With respect to the financial condition of the Academy for its Fiscal Year ended June 30, 2009, see the audited financial statements of the Academy attached hereto as Appendix B.

Construction Risks

Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, strikes, shortages of materials and adverse weather conditions. Such events could delay completion of the Project. Cost overruns may occur due to change orders, delays in the construction schedule, scarcity of building materials and other factors. Cost overruns could cause the costs to exceed available funds.

Risks Relating to Academy Subsidiaries and Auxiliary Enterprises

The Academy has one for-profit subsidiary, High Desert (as defined below), which in turn has three for-profit subsidiaries, Tiburon, MEC and MCC (each as defined below), each of which was formed for the purpose of acquiring and developing certain real property investments. See “FINANCIAL INFORMATION CONCERNING THE ACADEMY - High Desert Investment Corporation” for a description of the Academy’s interests in such for-profit subsidiaries. The activities of High Desert, Tiburon, MEC and MCC are not restricted in any way by the covenants of the Academy in the Agreement. High Desert is managed by its own board of directors and none of the employees of High Desert are associated with the Academy. The current members of the board of directors of High Desert are designated as the managers of Tiburon, MEC and MCC. Revenues generated from the Academy’s real estate investments accounted for none of the Academy’s revenues for the Fiscal Year of the Academy ended June 30, 2009. Future revenues and expenses of High Desert will be affected by real estate investment risks generally, as described in more detail below under “- Real Estate Investment Risks.” These factors, among others, may affect, in a positive or negative manner, the revenues generated from the Academy’s real estate investments and in part the Academy’s overall annual revenues.

The Academy operates two bookstores and a food service program, and also runs a summer program, as described below under “FINANCIAL INFORMATION CONCERNING THE ACADEMY - Student Support and Activities.” Revenues generated from the Academy’s auxiliary enterprises accounted for approximately 10% of the Academy’s revenues for the Fiscal Year of the Academy ended June 30, 2009. Currently such auxiliary enterprises are operated so that revenues generally cover associated expenses. Future revenues and expenses of the Academy with respect to such auxiliary enterprises will be affected by events and conditions relating generally to, among other things: increased costs and decreased availability of supplies, employee strikes and other adverse labor actions, and other unforeseen increases in expenses. These factors, among others, may affect, in a positive or negative

manner, the revenues generated from the Academy's auxiliary enterprises and in part the Academy's overall annual revenues.

Securities Investment Risks

The Academy has significant holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations historically have been at times material. The current domestic and international financial crisis has had, and is expected to continue to have, negative repercussions upon the national and global economies, including a scarcity of credit, lack of confidence in the financial sector, extreme volatility in the financial markets, increased interest rates, reduced business activity, increased unemployment rates, increased consumer and business bankruptcies and increased bank failures. The market disruption has exacerbated the market fluctuations and has negatively affected the investment performance of securities in the Academy's portfolio. Investment income (including both realized and unrealized gains on investments) has contributed significantly to the Academy's financial performance in the past. Recent market conditions have significantly reduced the Academy's investment income and had a material adverse effect on the Academy's financial results.

With respect to the financial condition of the Academy for its Fiscal Year ended June 30, 2009 and specific information about the effects of these factors upon the Academy's financial condition and its debt portfolio, see the audited financial statements of the Academy attached hereto as Appendix B.

Real Estate Investment Risks

Approximately 50% of the Academy Assets (as defined below) consist of real estate investments, including real estate assets owned directly by the Academy as well as the Academy's interests in certain partnerships and funds investing in real estate. See "FINANCIAL INFORMATION CONCERNING THE ACADEMY - High Desert Investment Corporation" and "- Tiburon Investments, LLC" for a description of the Academy's interests in such for-profit subsidiaries. The market value for the Academy's real estate investments has been estimated by the Academy based on a variety of factors.

The market value for the Academy's real estate investments will be affected by events and conditions relating generally to, among other things: a decline in the neighborhood and local or general economic conditions, leading to increases in foreclosures, increasing numbers of properties for sale at lower sale prices and the resulting reduction in the fair market value of properties; uncertainties in land development, including local opposition, unfavorable economic conditions, lack of financing, fluctuations in the local real estate market, fluctuations in interest rates, unexpected increases in development costs, changes in federal, state or local governmental policies relating to the ownership and development real estate, the appearance of previously unknown environmental considerations or material changes in known environmental considerations, future growth control initiatives and unexpected failures to receive approvals from public agencies regarding land use, health and safety requirements and other matters; possible adverse use of adjoining land; fire or other casualty; condemnation; geologic conditions (such as earthquakes), topographic conditions (such as earth movements) and climatic conditions (such as tornadoes, droughts, fire hazard and floods); claims regarding the presence of, release or threatened release of hazardous substances; and the presence of any plant or animal species currently listed as threatened or endangered. These factors, among others, may affect, in a positive or negative manner, the market value for the Academy's real estate investments and the financial condition of the Academy as a result thereof. Real estate investments are largely illiquid and the Academy could have difficulty liquidating or otherwise reallocating its real estate investments in a timely manner. There can be no assurance that the financial condition of the Academy will not be adversely affected, and there can be no guaranty that there will be sufficient revenues to make timely payments under the Agreement necessary to pay the principal of, premium, if any, and interest on the Series 2010 Bonds.

With respect to the financial condition of the Academy for its Fiscal Year ended June 30, 2009 and specific information about the effects of these factors upon the Academy's financial condition and its debt portfolio, see the audited financial statements of the Academy attached hereto as Appendix B.

Insurance

The Academy purchases insurance for employee medical benefits and workers' compensation benefits from commercial insurers licensed to sell insurance in the State. The Academy also purchases insurance covering liability and physical damage to the Academy's facilities subject to customary deductibles. See APPENDIX A – "INFORMATION CONCERNING THE CORPORATION – OTHER MATTERS – Insurance" for a discussion of the Academy's current insurance coverage. There can be no assurance that any insurance proceeds will be sufficient to provide for the complete repair or replacement of damaged property or to cover any other associated losses or that any current insurance will continue to be available on commercially reasonable terms.

Maintenance of Tax-Exempt Status

Federal Income Tax Exemption. The tax-exempt status of the Series 2010 Bonds presently depends upon the Academy's maintenance of its status as an organization described in the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including its operation for charitable purposes and its avoidance of transactions which may cause its assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities which do not conduct large-scale technical operations and business activities, they often do not directly address the myriad of operations and transactions entered into by a modern research organization. Although specific activities of such organizations have been the subject of interpretations by the Internal Revenue Service ("IRS") in the form of Private Letter Rulings, many activities or categories of activities have not been addressed in any official opinion, interpretation, or policy of the IRS.

In recent years, the IRS has increased the frequency and scope of its audit of tax-exempt organizations. The primary penalty available to the IRS under the Code is revocation of tax-exempt status. Following suggestions from the United States Treasury, Congress adopted sanctions which are less onerous than full revocation of tax-exempt status. While the IRS has not frequently revoked the Section 501(c)(3) tax-exempt status of nonprofit corporations in the past, there can be no assurance that it will not do so in the future or that it will not direct enforcement activities at the Academy. It is possible that loss of tax-exempt status by the Academy could result in loss of tax exemption of the Series 2010 Bonds and of other tax-exempt debt of the Academy, and defaults in covenants regarding the Series 2010 Bonds and other related tax-exempt debt would likely be triggered. Such an event could have material adverse consequences on the financial condition of the Academy taken as a whole.

The IRS has additional powers to use against nonprofit organizations that violate federal tax laws. The additional authority for dealing with 501(c)(3) organizations comes in the form of an "intermediate sanction," which will allow the IRS to impose penalties on 501(c)(3) corporations without resorting to the revocation of the tax exempt status of the nonprofit entity and thus its bonds or certificates of participation. Under this law, the IRS can impose an excise tax to recover any "excess profits" 501(c)(3) corporations earn from the transfer of its assets to other, noncharitable parties.

State Income Tax Exemption and Local Property Tax Exemption. In the event of the loss by the Academy of federal tax exemption, such a loss might trigger a challenge to the State tax exemption of the Academy. Depending on circumstances, such an event could be adverse and material.

In recent years, state, county, and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their real property tax exemptions. The Campus is exempt from real property taxation. Although the real property tax exemption with respect to the facilities of the Academy (including the proposed capital projects) is not, to the knowledge of management of the Academy, under challenge by such authorities, an investigation or audit could lead to a challenge that, if successful, could adversely affect the real property tax exemption with respect to the facilities of the Academy.

Unrelated Business Income. In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to its exempt activities and the generation of unrelated taxable business income (“UBI”). In some cases, the tax-exempt status of the organizations has been questioned. The Academy participates in activities which may generate UBI. The Academy has historically not received any UBI, and management believes it has properly accounted for its revenues; nevertheless, an investigation or audit could lead to a challenge which could ultimately affect the tax-exempt status of the Academy as well as the exclusion from gross income for federal income tax purposes of the interest payable with respect to the Series 2010 Bonds.

Factors That Could Affect the Enforceability of the Agreement

The legal right and practical ability of the Trustee to enforce its rights and remedies against the Academy under the Agreement and related documents may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors’ rights. In addition, the Trustee’s ability to enforce such terms will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or may be limited.

Bankruptcy

The various legal opinions to be delivered concurrently with the delivery of the Series 2010 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors’ rights, including equitable principles.

In the event of bankruptcy of the Academy, the rights and remedies of the Series 2010 Bondholders are subject to various provisions of the federal Bankruptcy Code. If the Academy were to file a petition in bankruptcy, payments made by the Academy during the 90-day (or possibly one-year if related to an insider, as provided as in the Bankruptcy Code) period immediately preceding the filing of such petition may be avoidable as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of the Academy’s liquidation. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Academy and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property as well as various other actions to enforce, maintain or enhance the rights of the Trustee. If a bankruptcy court so ordered, the property of the Academy could be used for financial rehabilitation of the Academy rather than payment of the Series 2010 Bonds. The rights of the Trustee to enforce its right to payment could be delayed during the pendency of the rehabilitation hearing. The Trustee will not have a security interest in property of the Academy and would be an unsecured creditor of the Academy.

Further, the Academy could file a plan for the adjustment of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of

them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan.

Investment of Funds Risk

All funds and accounts held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS” attached hereto for a summary of the definition of “Permitted Investments.” See the financial statements of the Academy attached hereto as Appendix B for a summary of the investments of the Academy as of the date of such financial statements. All investments, including the Permitted Investments and other investments made by the Academy, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or by the Academy could have a material adverse effect on the security of the Series 2010 Bonds.

Secondary Market and Prices

The Underwriter will not be obligated to engage in secondary market trading or to repurchase any of the Series 2010 Bonds, and no representation is made concerning the existence of any secondary market for the Series 2010 Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Series 2010 Bonds, and no assurance can be given that the Series 2010 Bonds can be resold at their initial offering price for any period of time.

Early Redemption of Series 2010 Bonds

Prospective investors should consider carefully all possible factors which may cause the Series 2010 Bonds to be redeemed prior to maturity. The Academy may elect to prepay its obligations under the Agreement and cause the Series 2010 Bonds to be redeemed early in accordance with the optional redemption provisions of the Indenture. In addition, the occurrence of certain events giving rise to a mandatory redemption of the Series 2010 Bonds could cause the Series 2010 Bonds to be redeemed prior to maturity.

No Premium from Early Redemption

Any investor who purchases a Series 2010 Bond should consider the fact that, under certain circumstances as described in the Indenture, the Series 2010 Bonds are subject to redemption prior to maturity and that, in such event the redemption price will be equal to 100% of the principal amount of the Series 2010 Bonds plus accrued interest to the redemption date, and without premium, which redemption price may be more or less than the market price of the Series 2010 Bonds at such time.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Series 2010 Bonds. In order to allow potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement and the appendices hereto and should have assessed whatever additional financial and other information if they have deemed necessary to make a decision to invest in the Series 2010 Bonds.

THE VILLAGE OF LOS RANCHOS DE ALBUQUERQUE

The Issuer is a municipal corporation of the State. The Issuer is governed by a Board of Trustees-Mayor form of government. The Issuer's population in 2009 as estimated by the U.S. Bureau of Census was approximately 5,664. The Issuer is located in Bernalillo County, New Mexico and is bordered on all sides by the City of Albuquerque. The Albuquerque Metropolitan Statistical Area had an estimated population of approximately 729,649 as of the 2000 Census.

The Agreement and the Bond Ordinance provide that, in the event of any default by the Issuer under the Indenture, the liability of the Issuer to the Trustee or the Academy will be enforceable only out of the Issuer's interest under the Agreement, and there will be no other recourse by the Trustee or the Academy against the Issuer, its officers, officials, members, agents and employees, or any of the property now or hereafter owned by it or them.

ALBUQUERQUE ACADEMY

Generally

Albuquerque Academy is an independent, nonprofit, tax-exempt, coeducational, privately-endowed college preparatory day school currently enrolling approximately 1,096 students in grades 6 through 12. The Academy is located in the northeast quadrant of the City in the heart of the City's largest residential area. The 134-acre Campus is situated on a larger tract of 312 acres owned by the Academy and situated between the Rio Grande and the Sandia Mountains.

Albuquerque Academy was founded as The Academy for Boys in 1955 by William B. S. Wilburn, the school's first Headmaster, to provide the Albuquerque area with a boys' school emphasizing academic training. The name of the Academy was changed to Albuquerque Academy in 1964 and girls were admitted to grades 9-12 in 1973 and to grades 6-8 in 1984. The Academy's endowment and quasi-endowment were made possible largely by the generosity of Albert G. Simms, a New Mexico financier and rancher, who donated various assets to the school during the 1960s. Sale by the Academy of much of the undeveloped real estate donated by Mr. Simms has enabled the Academy to expand its facilities and enrollment. The Academy's principal objective is the academic, creative, moral and physical development of each student. Special emphasis is placed on the relationship that exists between the faculty and the students. Faculty members interact with students in class, at lunch, during free periods to provide extra help, and for extra-curricular activities. Students are encouraged to develop sound scholarship, independence of thought, cooperative self-reliance, and discriminating judgment in addition to mastering the fundamentals on which higher learning is based.

Albuquerque Academy Mission Statement

We believe that children's lives change when their natural passion for learning is nurtured and transformed into habits of life-long learning and reflection. We believe that the world changes as these children learn to serve country and community with wisdom, conviction, and compassion.

In light of these beliefs,

- We serve students of talent and character, offering them an education that broadens their perspectives, sharpens their minds, strengthens their bodies, and engages their hearts.
- We commit to creating a caring, inclusive, and just community, using the geography and culture of our home in the Southwest to enrich our educational programs and to foster creativity, personal balance, and a connection to the natural world.

- We devote our resources to ensure economic accessibility to our students and to support the wider community through outreach and community service.
- We entrust this mission to our graduates and successors as we preserve our resources and serve the generations of children to come.

The Board of Trustees

Governance of the Academy is vested by its Articles of Incorporation in the Board of Trustees, a body corporate (the “Board”), currently comprised of 20 voting members and three honorary trustees. The Board makes all major Academy policy decisions. Bylaws provide for three classes of Trustees: Charter Trustees (at least five and no more than nine persons with three year terms, who may be re-elected for consecutive three year terms up to a total consecutive service of fifteen years); General Trustees (at least 10 and no more than 22 persons with three year terms, who may be re-elected to serve additional terms up to a total of eight years of service years, except that three of these shall be *ex officio* Trustees comprised of the president and immediate past-president of the Parents’ Association and president of the Alumni Association); and Honorary Trustees (non-voting). The total combined years of service as a Charter Trustee and a General Trustee (including *ex officio*) may not exceed 15 years.

The current members of the Board and their terms of office and class are, respectively, as follows:

2010-2011 Board of Trustees of Albuquerque Academy

<u>Name of Trustees</u>	<u>First Elected</u>	<u>Term Ends</u>	<u>Class of Trustee</u>
Walter Stern, Chair	2003	2013	General
Sarah Kotchian, Vice Chair	1999	2013	Charter
Carl Alongi, Asst. Treasurer	1998	2011	Charter
Heidi Heard, Secretary	1997	2012	Charter
Pam Garrett, Asst. Secretary	2005	2011	General
Dr. Albert G. Simms II			Honorary
Barbara Simms			Honorary
Cynthia Brown Steiner			Honorary
Thomas J. Baca	2001	2012	Charter
Thomas F. Blueher	1999	2011	General
Theresa A. Carson	2005	2011	General
Naomi Findley	2010	2012	<i>Ex officio</i>
Thomas D. Growney	2008	2011	General
Jennifer Davis Hall	1999	2011	Charter
Heidi Frost Heard	1997	2012	Charter
Kenneth E. Holley	2008	2011	General
Adam Honegger	2009	2011	<i>Ex officio</i>
Valerie Romero Leggott	2010	2013	General
Sally Machacek	2009	2011	<i>Ex officio</i>
Ian McKinnon	2009	2012	General
JoLynn Muraida	2004	2012	General
Gary Slack	2006	2012	General
Hope Mead Wynn	2009	2012	General

Administrative Officers

The Chair of the Board presides over all meetings of the Board and confers with the Head of School and the Treasurer on matters relating to the administration of the Academy. The bylaws provide for annual election of a Board Chair, Vice Chair, Assistant Treasurer, Secretary and Assistant Secretary.

The day-to-day management of the school is delegated to the Head of School and the Treasurer. The Head of School is charged by the bylaws of the Academy with enforcement of all policies and regulations for the day-to-day operations of the Academy. The Head of School is appointed by the Board and is responsible to the Board for all matters relating to the administration of the Academy. The Treasurer is appointed by the Board and is charged with the responsibility for the management of the financial and real estate assets of the Academy. The principal administrative officers of the Academy who are most directly involved in the financial operation and general administration of the Academy are as follows:

Andrew T. Watson, Head of School. Born in Ohio, Mr. Watson studied mathematics at The Ohio State University (B.S.) and then Yale University (M.S.) before embarking on his teaching, coaching, and administrative career. Mr. Watson was appointed the sixth head of Albuquerque Academy in 2001 after ten years as division head at the Potomac School, in McLean, Va., ten years as teacher, administrator, and coach at Fountain Valley School in Colorado Springs, CO., and two years as teacher and coach in the Wayne School District in Dayton, Ohio. Professional activities beyond the schools he has served include membership on the editorial board of *Inside Private School Management* from Aspen Press, consulting and evaluation work with other independent schools, and participation in numerous professional activities with industry related organizations including the National Association of Independent Schools, the Independent Schools Association of the Southwest and other such organizations. Academic honors include membership in Phi Beta Kappa and the Cum Laude Society.

Gary L. Gordon, Treasurer. A fourth generation New Mexican, Mr. Gordon graduated from Albuquerque Academy in 1979. He then attended the University of New Mexico and graduated *summa cum laude* in general honors, earning his degree in business management with distinction. He was elected to membership in both *Phi Beta Kappa* and *Phi Kappa Phi*. Mr. Gordon continued his education at the University of New Mexico School of Law, graduating in 1986. He practiced law with Miller Stratvert P.A. in Albuquerque for 23 years. He was elected to the American Board of Trial Advocates and chosen by his peers for listing in *Best Lawyers in America*. In 2004, Mr. Gordon concluded fifteen years as a trustee of Albuquerque Academy. He also served for seven years on the board of High Desert Investment Corporation and, in 2004, he began service as a trustee of the University of New Mexico Foundation, and serves as chair of its investment committee and vice chair and chair-elect of that board. The Academy Board of Trustees appointed him Treasurer in December 2008.

Faculty and Other Employees

The Academy currently employs 169 full-time equivalent faculty and administrators and approximately 132 full- and part-time staff employees.

All faculty appointments are made by the Head of School, and a letter of appointment from the Head of School sets forth the contractual arrangement with the Academy concerning level, salary, collateral benefits, and any qualifying conditions or special provisions. Reappointments, if any, must be made by a letter of reappointment from the Head of School setting forth the contractual arrangements. The length of appointment and reappointment for all faculty members is one year or less. As a result of resignations, retirements and non-appointments, faculty attrition has occurred at an annual rate of

approximately 5% or less over the past five years. That attrition is consistent with an administrative plan to decrease personnel expense in the operational budget.

Approximately 74% of the present faculty holds a masters (or higher) degree.

The median salary for full-time faculty members is currently \$62,992 and salaries for faculty members range from \$44,650 to \$92,026, depending on experience and education level.

Employee Retirement Plan

The Academy participates in a defined contribution retirement plan administered by the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, and Fidelity Investments, which covers substantially all of its employees. Plan contributions are made by both eligible employees (ranging from 2.5% to 5% of eligible compensation) and the Academy (ranging from 2.5% to 10% of eligible compensation). Participation is mandatory upon attainment of age 36. The Academy’s contributions to the plan for the Fiscal Years of the Academy ended June 30, 2009 and 2008 were \$1,304,236 and \$1,216,739, respectively.

Enrollment and Admission

The following table shows the total number of students enrolled at the Academy during the past eight academic years:

**Albuquerque Academy
Total Enrollments**

<u>Academic Year</u>	<u>Number of Students</u>	<u>Academic Year</u>	<u>Number of Students</u>
2002-03	1053	2006-07	1085
2003-04	1057	2007-08	1089
2004-05	1061	2008-09	1095
2005-06	1080	2009-10	1096

The Academy’s significant expansion of its facilities in 1985, 1989 and 1992 allowed for the current size of the student body and faculty. The present facilities of the Academy would accommodate a student body of approximately 1200 students. Approximately 40% of the cost of providing education to each student at the Academy is funded by amounts transferred from the endowment funds. The attrition rate of Academy students for the last three years has been approximately 1.9%.

The table below sets forth the total applications, the total acceptances and acceptance ratio by the Academy, and the total enrollments and yield of new students enrolling at the Academy during the past six academic years:

**Albuquerque Academy
Admission Statistics**

Application Year	Applications	Acceptances	Acceptance Ratio	Enrollments	Yield
2004-05	736	225	31%	182	81%
2005-06	665	228	29%	196	85%
2006-07	643	228	34%	190	82%
2007-08	676	231	35%	194	85%
2008-09	609	225	37%	204	91%
2009-10	662	262	40%	210	80%

Of the 662 students who applied to the Academy for the 2009-10 school year, 262 students (or 40%) were accepted. Admission to the Academy is based on results of a math test, a creative writing exercise, an application, a transcript, a personal interview and recommendations from English and math teachers.

**Albuquerque Academy
Student/Faculty Ratio**

	Academic Year				
	2005-06	2006-07	2007-08	2008-09	2009-10
Number of full-time faculty*	131	139	140	145	142
Student/faculty ratio	7:1	8:1	8:1	8:1	8:1

*Calculation on a full-time equivalent basis.

Financial Assistance

Financial assistance is offered by the Academy on the basis of need. The Academy does not award any “merit” scholarships. The following table sets forth the amount of financial assistance and the percentage of students receiving such assistance for the past six academic years:

**Albuquerque Academy
Student Financial Assistance**

Academic Year	Amount	Number of Students Receiving Aid	Percentage of Students Receiving Aid	Average Grant*
2004-05	\$2,596,000	286	27%	\$ 9,167
2005-06	2,922,000	288	26%	10,146
2006-07	3,186,000	292	27%	10,911
2007-08	3,502,000	308	28%	11,370
2008-09	3,727,000	302	28%	12,342
2009-10	4,536,000	348	32%	13,034

*The level of the average grant generally has risen concurrently with the increase in the tuition level over the past five years.

Approximately 348 students, representing 32% of the students at the Academy, received financial assistance during academic year 2009-10. Financial aid expenditures are budgeted at \$4,800,000 for the 2010-11 academic year. The Academy is not required to provide financial assistance, and no assurance can be given that the level of assistance provided in the past will be available in the future.

Academic Program

The Academy offers a college preparatory program which emphasizes six disciplines: English, history, mathematics, modern language, science and the arts.

In the Middle School (Grades 6-8), all students are required to take English, mathematics, history, science, a foreign language, fine arts, and physical education. Upper School (Grades 9-12) students are required to take four years of English and history; three years of mathematics (through algebra and trigonometry); three years of a foreign language; two years of a laboratory science; two years of experiential education; one year of visual or performing arts; and nine seasons of physical education in the form of either team sports or physical education classes.

The Upper School curriculum includes creative writing; French, German, Spanish and Chinese; physics; biology; chemistry; astronomy; human anatomy; and introductory courses in economics, philosophy, psychology and electronics. In addition, studio art, printmaking, ceramics, crafts, vocal and chamber music, band, drama, stagecraft, photography and typing are offered. Advanced Placement courses are available in English, Spanish, French, German, American history, European history, calculus, computer science, chemistry, comparative government, biology, economics, physics and studio art.

Students in Grades 6-9 are required to participate each year in an experiential education program based on the Outward Bound philosophy. In addition, various exchange programs provide opportunities for students to study in other parts of the country and abroad.

Student Body

During the academic year 2009-10, the Academy enrolled the following numbers of students in the designated grades:

Albuquerque Academy	
Student Body	
Academic Year 2009-10	
Grade	Number of Students
6	148
7	149
8	149
9	172
10	165
11	155
12	158

With only a few exceptions, students come from the Albuquerque area. The following table sets forth certain academic performance statistics for the graduating classes at the Academy during the past six academic years:

**Albuquerque Academy
Academic Performance Statistics**

Year of Graduating Class	Graduates	National Merit Semifinalists	National Merit Finalists	SAT V/M*
2005	152	30	29	600-700/600-690
2006	154	23	20	590-700/600-700
2007	156	16	14	600-720/580-710
2008	162	33	31	610-720/610-690
2009	164	31	30	600-720/610-690

*The range of scores presented reflect the scores achieved by the middle 50% of the graduating class.

In May 2009, a total of 574 advance placement examinations (for purposes of earning college credit based on certain scores) were written by 299 students. Of those who took the AP examinations 64% received scores of 4 or 5; 90% received scores of 3 or above (based on a scale of 1 to 5).

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100 percent of the Academy's 2008-09 graduates have been accepted by/matriculated to the following colleges or universities:

Agnes Scott College 1/0	Eastman School of Music of the U of Rochester 1/1	Northeastern University 2/0
The American Musical and Dramatic Academy 1/1	Emory University 4/0	Northern Arizona University 17/1
American University 2/0	Fordham University 3/1	University of Northern Colorado 1/0
Arizona State University 16/5	Fort Lewis College 1/0	Northwestern University 6/0
The University of Arizona 11/1	Frank Lloyd Wright School of Architecture 1/0	University of Notre Dame 6/4
Academy of Art College 1/0	George Mason University 1/0	Oberlin College 7/1
The University of the Arts 1/0	The George Washington University 7/2	Oberlin Conservatory of Music 1/0
Auburn University 2/1	Georgia Institute of Technology 2/2	Occidental College 13/1
Austin College 1/0	Gettysburg College 2/0	Oglethorpe University 1/0
Bard College 1/0	Gonzaga University 6/0	The Ohio State University 3/0
Barnard College 2/1	Goucher College 2/0	Ohio University 1/1
Bates College 3/0	Grinnell College 3/0	Oklahoma State University 2/1
Baylor University 5/0	Harvard University 2/1	University of Oklahoma 1/0
Beloit College 1/0	Harvey Mudd College 1/0	University of Oregon 6/1
Bethany College 1/0	Haverford College 2/2	Oxford College of Emory University 1/0
Boston College 4/0	University of Hawaii at Hilo 1/0	University of the Pacific 2/0
Boston University 12/1	University of Hawaii at Manoa 3/0	Pennsylvania State University, University Park 1/0
Bowdoin College 1/1	Hobart and William Smith Colleges 1/0	University of Pennsylvania 2/2
Brandeis University 2/0	Howard University 1/1	Pepperdine University 7/0
Brigham Young University 1/1	University of Illinois at Urbana-Champaign 2/0	University of Pittsburgh 3/0
Brown University 3/1	Illinois Institute of Technology 2/0	Pitzer College 3/0
Bryn Mawr College 1/0	Indiana University at Bloomington 1/0	Point Loma Nazarene University 1/0
University of California at Davis 4/1	International Christian University 1/0	Pomona College 1/1
University of California at Los Angeles 1/0	Iowa State University 3/1	Portland State University 3/1
University of California at San Diego 2/0	Ithaca College 1/0	University of Portland 7/0
University of California at Santa Barbara 5/0	Jamestown College 1/0	Princeton University 2/1
University of California at Santa Cruz 4/0	Kansas State University 2/0	University of Puget Sound 16/1
California College of the Arts 1/1	University of Kansas 2/0	Purdue University 6/1
California Lutheran University 2/0	Kenyon College 2/0	University of Redlands 6/0
California Polytechnic State University, San Luis Obispo 1/0	Knox College 1/0	Reed College 1/1
Calvin College 1/0	Lewis & Clark College 7/0	Regis University 1/0
Carleton College 2/0	Loyola Marymount University 11/1	Rensselaer Polytechnic Institute 3/0
Carnegie Mellon University 8/1	Loyola University New Orleans 2/0	Rhodes College 1/0
Case Western Reserve University 5/1	Macalester College 4/0	Rice University 7/3
Cedar Crest College 1/0	Manhattan School of Music 1/0	University of Richmond 1/0
Central Washington University 1/0	Maryland Institute College of Art 1/0	Ringling College of Art and Design 1/0
Chapman University 6/1	University of Maryland, College Park 1/0	Rochester Institute of Technology 3/0
College of Charleston 1/0	Massachusetts Institute of Technology 2/1	University of Rochester 3/0
University of Chicago 3/0	McMurry University 1/0	Rockhurst University 1/1
University of Cincinnati 1/0	Meredith College 1/0	Rutgers, The State University of New Jersey at New Brunswick 1/0
Claremont McKenna College 1/0	University of Miami 5/2	Saint Louis University 2/0
Clark University 2/0	Michigan State University 1/0	Saint Mary's College of California 1/0
Coe College 4/0	University of Michigan 5/0	University of San Diego 9/2
Colby College 1/0	Middlebury College 2/1	San Francisco Conservatory of Music 1/1
Colgate University 1/0	University of Missouri Columbia 1/0	University of San Francisco 6/1
University of Colorado at Boulder 18/3	Mount Holyoke College 1/1	Santa Clara University 17/3
Colorado College 12/1	University of Nebraska at Lincoln 2/1	Sarah Lawrence College 1/0
Colorado School of Mines 6/1	University of Nevada, Las Vegas 2/1	Savannah College of Art and Design 1/1
Colorado State University 21/4	New England Conservatory of Music 1/0	School of the Museum of Fine Arts 1/0
Columbia University 1/0	University of New Haven 1/0	Scripps College 3/2
Concordia College 1/0	New Mexico Highlands University 1/0	Seattle University 13/3
Cornell College 2/1	New Mexico Institute of Mining and Technology 8/1	Smith College 1/1
Cornell University 1/0	University of New Mexico 135/31	University of South Carolina 1/0
Creighton University 1/0	New York University 9/3	University of Southern California 11/0
University of Dallas 3/0	North Carolina A&T State University 1/0	Southern Methodist University 5/1
Dartmouth College 1/0	The University of North Carolina at Chapel Hill 1/0	Southwestern University 6/2
Davidson College 1/0	University of North Carolina at Greensboro 1/1	St. Edwards University 1/0
Denison University 2/0	North Carolina State University 1/0	St. John's University - Queens Campus 1/0
University of Denver 25/1		St. Olaf College 1/0
DePaul University 2/0		Stanford University 4/3
Dickinson College 1/0		SUNY College at Potsdam 1/0
Duke University 2/2		Syracuse University 1/0
Earlham College 1/0		Texas A&M University 12/3

Texas Christian University 8/3
Texas Tech University 8/2
The University of Texas, Arlington 1/0
The University of Texas, Austin 15/9
The University of Texas, Dallas 2/1
The University of Texas, San Antonio 1/0
Trinity University 14/4
Tufts University 4/0
Tulane University 9/0
University of Tulsa 3/1
University of Colorado, Denver 3/0
Utah Valley University 1/0
Wake Forest University 1/0
Washington University in St. Louis 10/3
University of Washington 7/2
Weber State University 1/0
Webster University 1/0
Wellesley College 2/0
Wesleyan University 2/0
West Texas A&M University 1/0
Western Washington University 5/0
University of Utah 3/0
Vanderbilt University 1/0
Vassar College 2/1
Virginia Polytechnic Institute and State
University 1/1
University of Virginia 3/1
Westminster College 2/0
Westmont College 2/0
Whitman College 2/0
Whittier College 4/0
Willamette University 3/1
College of William and Mary 1/1
University of Wisconsin, Madison 5/2
Yale University 2/1

Source: Office of the Treasurer, Albuquerque Academy

Students of color comprised approximately 45% of the student body in academic year 2009-10, and approximately 45% in academic year 2008-09. The Academy expects to continue to attract students of color through its parent support committees and school visitations.

Competition

The Academy competes with other secondary schools in the City and surrounding areas for qualified applicants. The Academy believes that decisions of students to apply and enroll at the Academy are based primarily on the perceived quality of the academic programs offered, the reputation of the Academy, and the availability of financial assistance, balanced against the related costs.

The following table reflects the tuition charges, fees and enrollment at the Academy and independent schools in the area for the 2009-10 academic year:

**Tuition, Fees and Enrollment of the Academy
and Other Independent Schools in New Mexico
2009-10 Academic Year**

Institution	Tuition per Student	Fees per Student	Total 2009-10 Enrollment ⁽¹⁾
Albuquerque Academy	\$16,588	\$880	1096
Bosque School	\$17,140	\$700	545
Manzano Day School ⁽¹⁾	\$12,655	\$60	464
Menaul School	\$13,100 ⁽²⁾	\$575	175
St.Pius High School	\$8,975/\$11,575 ⁽³⁾	\$310	875
Santa Fe Prep	\$17,555	\$340/\$515	343
Sunset Mesa ⁽¹⁾	\$11,200	0	350
Rio Grande School	\$16,325	\$300	161
Sandia Prep	\$15,500	\$500	660

⁽¹⁾Manzano Day School and Sunset Mesa are local independent elementary schools that serve as feeder schools for the Academy. Approximately one-third of Academy students admitted each year come from Manzano Day School or Sunset Mesa.

⁽²⁾Tuition for day students only, although Menaul School also has a separate tuition schedule for students who reside on campus.

⁽³⁾St. Pius X charges different tuition for Catholic and non-Catholic students.

Physical Plant

The Campus underwent significant expansions of its facilities in 1985, 1989 and 1992 and is currently situated on a parcel consisting of approximately 134 acres within a larger tract of 312 acres owned by the Academy and surrounded by a perimeter gate. The developed portion of the Campus covers approximately 60 of the 134 acres of the Campus within the larger tract of 312 acres, leaving 74 acres of the Campus and 252 acres of the larger tract of 312 acres currently vacant.

The Campus currently houses 16 buildings totaling 412,000 square feet, including a fine arts center and two theatres, a library, three gymnasiums, a natatorium, a fiber optic network of over 730 computers and two dining rooms. Outdoor athletic facilities currently include seven soccer fields, three baseball diamonds, two softball diamonds, a football stadium and track and sixteen tennis courts.

The Academy has covenanted in the Agreement that, as long as any Bonds are Outstanding, it will not create, assume or suffer to exist any mortgage, deed of trust, pledge, security interest, encumbrances, lien or charge of any kind (including any charge upon property purchased under conditional sales or other title retention agreements), upon the Campus, other than Permitted Encumbrances. See “SECURITY FOR THE SERIES 2010 BONDS - Covenants of the Academy - Permitted Encumbrances.”

In support of the Academy’s mission and its sustainability efforts, the Academy is dedicating approximately five acres of its gated property adjacent to the Campus to construct a 1.146 megawatt photovoltaic array with approximately 5,100 non-reflective poly crystalline photovoltaic modules. This renewable energy project will create total output of approximately 2.2 million kWh per year and reduce the Academy’s reliance on carbon-based electricity sources, approaching twenty percent (20%) of the Academy’s total electricity usage. The Academy estimates that this renewable energy project will reduce the Academy’s energy expenses by over \$100,000 each year.

Litigation

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 2010 Bonds, the execution or delivery of the Indenture or the Agreement or in any way contesting or affecting the validity or enforceability of the Series 2010 Bonds, the Indenture, the Agreement or any proceedings of the Village or the Academy taken with respect to the foregoing.

Insurance

The Academy believes that the risks associated with its property and its operation are adequately insured through the liability and property insurance it has purchased from United Educators and Hartford as described below. The Academy currently has real and personal property insurance coverage in the amount of \$78,354,453 (with a \$5,000 deductible). It has general liability coverage of \$1,000,000 per occurrence and \$3,000,000 in the aggregate. The Academy's automobile insurance has a \$1,000,000 limit per occurrence and its umbrella liability insurance has a limit of \$25,000,000 per occurrence and in the aggregate. The Academy also carries educator's legal liability insurance. The limit for that coverage is \$25,000,000 per act and in the aggregate with a \$150,000 retention for each claim.

Accreditation

The Academy is presently accredited by the New Mexico State Department of Education and by the Independent Schools Association of the Southwest (the "ISAS"). Accreditation is confirmed every 10 years by the ISAS with interim three and five-year reviews. The Academy has remained continuously accredited by the ISAS for the past 35 years, most recently in 2009.

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FINANCIAL INFORMATION CONCERNING THE ACADEMY

The educational revenues for the Academy, recorded in its current funds, are derived from tuition and fees, and student support and activities. Other revenues of the Academy include endowment and quasi-endowment income, gifts and interest income.

Accounting Practices

The consolidated financial statements are presented in accordance with standards for financial reporting set forth in Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under the financial reporting standards, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

Unrestricted net assets - resources available with no restrictions for operations.

Temporarily restricted net assets - resources that, because of donor-imposed restrictions, must be used in accordance with the specific directions of the donor.

Permanently restricted net assets - resources that, because of donor-imposed restrictions, must be maintained permanently, although part or all of the income derived from the resources can be used.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Budget

The Fiscal Year of the Academy extends from July 1 to June 30. The Academy operates under an annual budget system. The budget for the upcoming Fiscal Year is prepared by the Head of School and the Business Managers in consultation with other senior administrators, and adopted by the Board on or before May 15 of the preceding Fiscal Year.

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The following table shows the 2009-10 budget, compared with the 2009-10 actual revenues and expenditures, and the 2010-11 budget, which do not reflect revenues or expenditures for the Academy's subsidiary, High Desert (defined below), or High Desert's subsidiaries Tiburon, MEC or MCC (each as defined below) described in "High Desert Investment Corporation" under this caption.

**Albuquerque Academy
Budget**

	2009-10 Budget	2009-10 Actual	Variance from Budget	2010-11 Budget
REVENUES				
Tuition and Fees	\$17,831,649	\$18,276,611	\$444,962	\$19,064,061
Endowment Support	10,622,000	10,622,000	-	9,122,000
Gift Income	1,400,000	2,676,054	1,276,054	1,400,000
Media Literacy Program	421,476	479,563	58,087	425,000
Other Revenues**	1,861,859	1,954,999	93,140	1,901,048
Summer School Program	1,950,000	1,938,552	(11,448)	2,047,500
Community Outreach	290,838	341,320	50,482	299,031
Scholarship Funds	-	-	-	200,000
Treasurer's Office OH	70,000	70,000	-	70,000
Total Revenues	<u>\$34,447,822</u>	<u>\$36,359,099</u>	<u>\$1,911,277</u>	<u>\$34,529,140</u>
EXPENDITURES				
Personnel Salaries	\$15,996,662	\$15,252,979	\$ 743,683	\$15,500,000
Personnel Benefits	5,332,023	4,941,316	390,707	5,096,960
Tuition Remission	1,049,191	1,053,338	(4,147)	1,006,311
Student Activities/Athletics	511,264	574,344	(63,080)	508,013
Instructional Expenses	378,351	366,403	11,948	368,351
Library	184,773	184,711	62	176,400
Auxiliary Services**	893,166	910,006	(16,840)	883,088
Summer School Program	1,610,037	1,552,498	57,539	1,610,037
Community Outreach	290,838	292,028	(1,190)	285,891
Media Literacy Program	421,476	441,283	(19,807)	425,000
Maintenance & Grounds	1,713,585	1,588,712	124,873	1,707,134
Technology	352,652	277,366	75,286	336,088
Advancement	477,086	468,285	8,801	477,086
General & Administrative	976,978	833,005	143,974	929,993
Contingency Reserve	30,000	--	30,000	30,000
ECI Bond Payment	149,776	--	149,776	149,776
Expenditure of Restr. Gifts	179,200	633,407	(454,207)	179,200
Capital Expenditures	109,373	321,893	(212,520)	45,576
Renewal & Replacement	191,366	368,015	(176,649)	192,202
Total Expenditures	<u>\$30,847,797</u>	<u>\$30,059,587</u>	<u>\$ 788,210</u>	<u>\$29,907,106</u>
FINANCIAL AID	\$4,307,560	\$4,727,332	\$(419,772)	\$4,788,379
POSITIVE (DEFICIT) VARIANCE	\$(707,535)	\$1,572,180	\$2,279,715	\$(166,345)
FINANCIAL AID		419,772		
MEDIA LITERACY		(38,280)		
ECI BOND PAYMENT		(149,776)		
POSITIVE (DEFICIT) VARIANCE		\$1,803,896		

**Food Service & Bookstore

Revenue Sources

The Academy's main revenue sources are tuition revenue, investment income, contributions and sales/services of auxiliary enterprises. For the Fiscal Years of the Academy ended June 30, 2009 and 2008, over 60% of the Academy's revenues were tuition revenues.

Albuquerque Academy Revenue Sources (By Percentage of Total Revenues)*

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Tuition	44%	35%	62%	72%
Investment Income/Proceeds	46	53	23	13
Contributions	3	5	4	5
Sales/Services of Auxiliary Enterprises	6	5	9	10
Other Income	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	100%	100%	100%	100%

* Numbers may not total due to rounding.

Tuition and Fees

The major educational source of revenue to the Academy is student tuition and fees, which are established by the Board. The following table provides information as to the annual tuition and fees for students at the Academy for the past five academic years and the 2010-11 academic year:

Albuquerque Academy Tuition and Fees

Annual Academic Year	Annual Tuition	Lunch	Other Fees*
2005-06	\$13,104	\$850	\$250
2006-07	\$14,020	\$860	\$250
2007-08	\$14,650	\$860	\$250
2008-09	\$15,309	\$880	\$250
2009-10	\$16,588	\$880	\$250
2010-11	\$17,567	\$890	\$250

* Fees for the Academy are estimated and may include amounts for books, supplies and student activities.

Student Support and Activities

The Academy operates several auxiliary enterprises. Two bookstores, which stock textbooks and supplies for Upper and Middle School courses, as well as gift items, are operated as a convenience to students and faculty. As an outreach effort to the Albuquerque community, the Academy operates a summer program that includes sports camps, a day camp, and a variety of academic classes at all grade levels. In addition, a very integral part of life at the Academy is the food service program, which provides daily, cafeteria style dining for students and faculty. All of these enterprises are operated so that revenues generally cover associated expenses. Revenues generated from the Academy's auxiliary enterprises accounted for approximately 10% of the Academy's revenues for the Fiscal Year of the Academy ended June 30, 2009.

Corporate Structure

The Academy has one for-profit subsidiary, High Desert Investment Corporation, a New Mexico corporation (“High Desert”) and High Desert, in turn, has three for-profit subsidiaries, Tiburon Investment LLC, a New Mexico limited liability company (“Tiburon”), Mariposa East Commons LLC, a New Mexico limited liability company (“MEC”) and Mariposa Community Center LLC, a New Mexico limited liability company (“MCC”). The activities of the four companies are more fully described below.

The Academy is affiliated with the Albuquerque Academy Educational Foundation (the “Educational Foundation”) and the Albuquerque Academy Student Support Foundation (the “Student Support Foundation”). The Educational Foundation was established by the Academy as a means to support other independent schools in New Mexico, but the Academy has no ongoing obligations to the Educational Foundation. The Student Support Foundation was established by the Academy as part of a business organization plan that has since been abandoned by the Academy. Neither the Educational Foundation nor the Student Support Foundation issues any stock. Certain trustees of the Academy, together with the Head of School and the Treasurer of the Academy, are the trustees of the Educational Foundation. The current trustees of the Academy are the board of directors of the Student Support Foundation, which is maintained for future potential use.

High Desert Investment Corporation

In 1991, the Board of the Academy formed High Desert for the purpose of acquiring and developing as a residential community approximately 1,000 acres of property owned by the Academy at that time. By 1992, High Desert had completed the planning, annexation and zoning of these acres, and the development and sale of that land was completed in 2006. High Desert has since moved on to a new community project, Mariposa, and will develop approximately 6000 acres of land that the Academy acquired in 1994. The land is located within the city limits of Rio Rancho, New Mexico, northwest of Albuquerque. Development began in 2004 and full development of the 6000 acres will likely take at least 25 years. Rio Rancho, New Mexico, is considered the third largest and fastest growing community in New Mexico and one of the fastest growing in the Southwest.

All of the stock of High Desert is owned by Albuquerque Academy. High Desert is governed by its own board of directors which has delegated day-to-day management responsibilities to the president of High Desert who, together with the other employees, are responsible for carrying out the policies adopted by its board. None of the employees is connected with the Academy, although three members of the nine-member board of High Desert are also members of the Academy’s board. Furthermore, Gary Gordon, Treasurer of the Academy, is a director of High Desert. Thus, the High Desert board has five members that are neither trustees of the Academy nor employees of High Desert.

The covenants made by the Academy in the Agreement apply only to the Academy and do not restrict the activities of High Desert or any other affiliate of the Academy or entity under similar or common control.

Tiburon Investments, LLC. On July 1, 2001, High Desert acquired Tiburon, a for-profit entity that was formed in 1997 by a former wholly-owned subsidiary of the Academy for the purpose of acquiring and developing approximately 86 acres of property owned by the Academy at that time. Tiburon has been inactive for the past three years but may in the future be utilized for potential development projects by High Desert. Tiburon currently has approximately \$30,000 on its books and has no other assets. All of the stock of Tiburon is owned by High Desert. High Desert is also the managing member of Tiburon. The financial information of Tiburon is reported on a consolidated basis with the financial information of High Desert. The current members of the board of directors of High Desert are

designated as the managers of Tiburon, with the managers appointing an administrative manager and a special administrative manager. *The covenants made by the Academy in the Agreement apply only to the Academy and do not restrict the activities of Tiburon or any other affiliate of the Academy or entity under similar or common control.*

Mariposa East Commons LLC. On March 29, 2007, High Desert formed MEC, a for-profit entity, for the sole purpose of constructing a 16,308-square foot mixed used project in the Mariposa community. The current members of the board of directors of High Desert are designated as the managers of MEC. *The covenants made by the Academy in the Agreement apply only to the Academy and do not restrict the activities of MEC or any other affiliate of the Academy or entity under similar or common control.*

Mariposa Community Center LLC. On May 11, 2009, High Desert formed MCC, a for-profit entity, for the sole purpose of constructing a community social center for the Mariposa community. The current members of the board of directors of High Desert are designated as the managers of MCC. *The covenants made by the Academy in the Agreement apply only to the Academy and do not restrict the activities of MCC or any other affiliate of the Academy or entity under similar or common control.*

Academy Assets

The assets of the Academy include Endowment Funds, Quasi-Endowment Funds and other assets with a total value of \$231,222,085, as set forth in the Academy's balance sheet as of June 30, 2009. ***None of the assets of the Academy are pledged to the payment of the Series 2010 Bonds.***

Endowment Funds and Quasi-Endowment Funds

The Academy's assets were made possible largely due to donations by Albert G. Simms, a New Mexico financier and rancher. Mr. Simms created two charitable trusts for the purpose of promoting private education in Albuquerque. The Academy for Boys Trust #1 ("Academy Trust #1") is an *inter vivos* trust created by Mr. Simms in 1959 with a gift which included 3,300 acres of land. The Academy for Boys Trust #2 ("Academy Trust #2") is a testamentary trust created upon Mr. Simms' death in 1964, and initially funded in part with a gift of approximately 9,000 acres of land and an office building known as the Simms Building. Academy Trust #1 and Academy Trust #2, which are held by a trustee, are permanent funds, the assets of which consist solely of marketable securities and which comprise the endowment funds of the Academy (the "Endowment Funds"). As Endowment Funds, the assets of Academy Trust #1 and Academy Trust #2 are restricted; the principal of the Endowment Funds may not be spent. The trusts pay the school based upon a 5% spending rule calculated on a three-year quarterly moving average. Those payments are not restricted to any particular use and may be used to discharge any obligation of the Academy. As of June 30, 2009, the estimated fair values of the permanently restricted net assets of Academy Trust #1 and Academy Trust #2 were \$27,092,347 and \$2,093,024, respectively. Income from each of the two trusts is distributed quarterly to the Academy and is recorded as unrestricted net assets.

Certain other assets of the Academy are designated by the Academy Board as quasi-endowment funds (the "Quasi-Endowment Funds"), the principal and interest of which may be expended by the Academy and may be used to discharge obligations of the Academy.

The Academy owns certain real estate assets directly and reports the market value of these assets as Quasi-Endowment Funds. The Quasi-Endowment Funds include the Academy's interest in High Desert as well as the Mariposa Ranch, which consists of approximately 5,000 acres adjacent to the

northern boundary of Rio Rancho Estates in Sandoval County, New Mexico, adjacent to the Mariposa Community being developed by High Desert.

The following table is an unaudited summary of the values of the Endowment Funds and the Quasi-Endowment Funds for the five Fiscal Years of the Academy ending June 30, 2009:

Albuquerque Academy Endowment and Quasi-Endowment Funds*					
	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Endowment Funds	\$ 36,933,358	\$ 42,312,765	\$ 39,566,412	\$ 29,185,371	\$ 29,979,641
Quasi-Endowment Funds	<u>236,085,276</u>	<u>246,996,402</u>	<u>205,438,263</u>	<u>152,302,349</u>	<u>146,033,258</u>
Total Value of Funds	\$273,018,634	\$289,309,167	\$245,004,675	\$181,487,720	\$176,012,899

*Unaudited and not consolidated.

Sources: Schedule of Changes in Principal of Quasi-Endowment Fund in the audited financial statements of the Academy for the Fiscal Years ended June 30, 2006 through 2009 and unaudited financial statements of the Academy for Fiscal Year ended June 30, 2010.

The Endowment Funds, the Quasi-Endowment Funds, and the income therefrom are not pledged to the payment of the Series 2010 Bonds.

Other Assets

The Academy owns directly 312 acres of land in northeast Albuquerque, a portion of which is occupied by the Campus. The Campus, as defined in the Indenture and the Agreement, consists of 134 acres, more or less, within the 312-acre tract. See “ALBUQUERQUE ACADEMY - Physical Plant” for a further discussion of the Campus. The Academy has covenanted in the Agreement not to encumber the Campus, but the Academy is free to use the remaining portion of the 312-acre tract for purposes unrelated to its educational mission, including development, and is not prohibited from encumbering that portion of the tract. Only the 134-acre Campus is subject to the covenants made by the Academy in the Agreement. See “SECURITY FOR THE SERIES 2010 BONDS – Covenants of the Academy.” In addition, the Academy owns other assets, including furniture and fixtures, receivables, cash and cash equivalents, and inventories. The approximately 180 acres of land that surround the Campus, but which are situated within the gated property, have not been assigned any value in this Official Statement nor in the audited financial statements of the Academy. The property, however, is available for future sale or other development and is surrounded on all sides by commercial and residential property within the city limits.

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Asset Allocation and Performance of the Endowment Funds and Quasi-Endowment Funds

The tables below set forth (i) the asset allocation of the Academy's Endowment Funds and Quasi-Endowment Funds, including both restricted and unrestricted assets, as of the end of each of the five most recent Fiscal Years of the Academy and (ii) a performance summary of assets in the Academy's Endowment Funds and Quasi-Endowment Funds:

Academy Assets Endowment and Quasi-Endowment Funds Asset Allocation					
	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010*
Temporary Cash					
Cash	\$ 1,522,057	\$ 16,148,084	\$ 509,574	\$ 1,963,656	-
Commonfund/BofA	4,089,802	5,130,102	6,426,019	14,457,409	\$ 4,098,782
Investments					
Common/preferred stocks	80,032,634	65,268,711	57,551,352	8,826,153	13,432,468
Bond funds	13,545,177	13,831,052	19,455,274	16,115,077	18,298,327
Partnerships	<u>9,757,321</u>	<u>15,303,278</u>	<u>16,822,473</u>	<u>19,660,068</u>	<u>18,635,859</u>
Subtotal	108,946,992	115,681,227	100,764,692	61,022,363	54,465,436
Real Estate	122,493,468	127,963,241	103,862,382	89,645,251	91,567,801
Trusts	<u>36,933,358</u>	<u>42,312,765</u>	<u>39,566,412</u>	<u>29,185,371</u>	<u>29,979,660</u>
Subtotal	159,426,826	170,276,006	143,428,794	118,830,622	121,547,461
Total	\$268,373,817	\$285,957,233	\$244,193,486	\$179,852,985	\$176,012,897

* Unaudited and not consolidated.

Sources: Balance Sheets in the audited financial statements of the Academy for the Fiscal Years ended June 30, 2006 through 2009 and unaudited financial statements of the Academy for Fiscal Year ended June 30, 2010.

Note: Real Estate Assets includes real estate assets owned directly by the Academy as well as the Academy's interests in certain partnerships and funds investing in real estate. Market value for the Academy's real estate investments has been estimated by the Academy based on a variety of factors, including a third-party valuation in 2008. For a discussion of real estate assets owned directly by the Academy, or held in its Quasi-Endowment Fund, see "Certain Real Estate Assets of the Academy." See notes 4 and 11 to the audited financial statements attached hereto as Appendix C for a discussion of the Academy's interests in certain partnerships and funds investing in real estate. See also the discussion of real estate owned by High Desert rather than the Academy in "High Desert Investment Corporation" under this caption.

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**Academy Assets
Endowment and Quasi-Endowment Funds
Asset Performance Summary
at March 31, 2010**

	Fiscal QTD (%)	Fiscal YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	Inception Date	Since Inception (%)
Total fund	4.4	13.9	17.4	(5.6)	1.1	1/1/1998	6.7
Domestic Equity	11.8	47.6	91.3	3.0	n/a	1/1/2007	3.6
Real Estate	(51.5)	(59.8)	(69.0)	(39.4)	(21.0)	4/1/2000	(3.0)
Investment Grade Bonds	3.0	11.0	18.2	5.4	n/a	1/1/2007	5.5
High Yield Bonds	4.3	12.3	12.9	8.2	n/a	1/1/2007	9.1
Real Return/Inflation							
Hedge	n/a	n/a	n/a	n/a	n/a	2/1/2010	9.3
Assets in Trust ⁽¹⁾	2.8	n/a	n/a	n/a	n/a	8/1/2009	11.1
Cash	0.0	0.1	0.9	1.7	2.8	1/1/2001	2.6

⁽¹⁾ Assets in Trust include assets held in Academy Trust #1 and Academy Trust #2, described below.

Investment Policy

The Academy's endowment makes it possible to undertake long-term programmatic and financial planning and to facilitate institutional change while fostering a sense of permanence and independence within the organization and among the Academy's many constituents. The endowment provides the financial support required to offer a superior quality of education at approximately one-half the tuition that would otherwise be necessary and it provides additional funds required to meet the demonstrated need of nearly all students admitted under the Academy's need-blind admission policy. As a result, families with more moderate resources and incomes are able to attend the Academy and provide the source of the Academy's socio-economic diversity. A higher tuition rate would tend to create a school comprised primarily of students from the highest socio-economic circumstances and those who qualify for full financial aid.

The endowment represents a pact between donors and the Academy, a pact that links past, current and future generations. Accordingly, the Academy's endowment is managed so that future generations will be provided with the equivalent educational opportunities the current generation enjoys. This concept, known as "intergenerational equity," forms the foundation of the Academy's investment philosophy. Endowment assets are invested to provide financial stability and permanent funding to the Academy for current and future students.

In 1999, the board established the position of Treasurer within the management structure of the Academy and established the Endowment Management Committee (the "EMC") which has responsibility for overseeing the Treasurer's activities. Working through the EMC, the Board of Trustees, as a whole, assumes oversight responsibility for the management and control of all financial matters of the Academy. As fiduciaries, these individuals are charged with the preservation of capital and the responsibility for funding the institution's mission.

The EMC provides guidance and oversight of all endowment and quasi-endowment matters of the Academy. The committee is composed of local individuals and four outside investment experts, all of whom provide a strong sounding board for new ideas and alternatives. The Treasurer's office is charged with the implementation and administration of the policies and procedures approved by the EMC, subject to EMC oversight consistent with the by-laws. As part of its responsibility, the EMC undertakes a

thorough quarterly review of the investments in the endowment and periodically evaluates the Academy’s asset allocation policies and the managers who have been selected to manage specific strategies. The Academy also employs an outside investment consultant, Meketa Investment Group, who provides assistance to the EMC with asset allocation, performance measurement, and manager searches as well as access to alternative investment vehicles.

The Academy amended its investment policy (Albuquerque Academy Statement of Investment Policy for the Endowment Portfolio) as of February 7, 2009. The policy establishes broad guidelines, which relate directly to the return requirements and risk parameters appropriate for the Academy’s endowment. The policy addresses the selection of investment managers and independent consultants, asset allocation, risk tolerance, distributions, performance review, reporting requirements, and other investment-related issues. Since the Academy relies on distributions from the endowment to support the ongoing day-to-day operations of the Academy, distributions must be both predictable and sustainable. To this end, a spending policy of 4 to 6% of the three-year moving historical average of the market value of the total endowment assets has been adopted as part of the Academy’s investment policy.

To maintain an efficient and understandable risk/return profile, and for the purpose of setting objectives and guidelines for the endowment, pursuant to the Academy’s investment policy, the portfolio will be comprised of four functional categories: Wealth Creation, Return Enhancement, Inflation Hedge, and Risk Reducers. The EMC, in working with the Treasurer, will establish long-term policy targets and ranges for each, using a blend of computer-based simulation models, experience, judgment, outside expertise, and an awareness of the asset mixes chosen by similar funds. As part of its annual review of the Academy’s investment policy philosophy and asset allocation, the EMC will evaluate and reaffirm the underlying investment tenets and the resulting functional categories defined as follows:

**Albuquerque Academy
Investment Policy
Endowment Portfolio Allocation**

Functional Category	Weight	Range	Return Objective
Wealth Creation ⁽¹⁾	50%	40-55%	14%
Return Enhancement ⁽²⁾	30	25-35	10
Inflation Hedge ⁽³⁾	10	5-15	5
Risk Reducers ⁽⁴⁾	10	5-15	5

⁽¹⁾ This category utilizes the Academy’s proven ability to take advantage of its local knowledge, and desire to take direct ownership positions as exemplified by High Desert and Mariposa. While these concentrated investments are not typical of other independent school endowments, the EMC and Treasurer feel that these investments capture the Academy’s “edge” and its long-term desire to expand its education mission within New Mexico. With the approval of the EMC, and after a thorough investigation, these future investments may include successful, start-up companies. Such investments might initially be sourced through local venture capital managers, with the understanding that it is the Academy’s desire to provide additional funding directly in the future.

⁽²⁾ This category includes, but is not limited to Domestic, International, and Emerging Market Equities, Venture Capital, Growth Capital, Buyouts, and Mezzanine Debt/Equity. Typically these allocations are made in categories that on a long-term basis have provided equity plus returns. Also, the managers the Academy prefers to employ in this category, invest with ownership-like thinking, and typically do not need to be fully diversified on a stand-alone basis.

⁽³⁾ This category includes, but is not limited to Commodities, Natural Resources and Energy, Institutional Real Estate, Inflation-Linked Bonds, Timberland, Fee-based Infrastructure, and Currencies. Typically thought of as non-traditional asset classes, these asset classes are structured to protect the endowment portfolio from the long-term effects of inflation, and have a low correlation with the traditional equity and bond asset classes.

⁽⁴⁾ This category includes, but is not limited to Domestic and International Fixed Income, and Low –Volatility Funds. Typically allocations in this category provide ready liquidity, low volatility, and low correlation to the public equity markets. In the case of Fixed Income, it will also protect the endowment during recessionary and disinflation periods.

Source: Albuquerque Academy Statement of Investment Policy for the Endowment Portfolio approved February 7, 2009.

Gifts to the Academy

The Academy is also supported by gifts from parents of current students as well as alumni, past parents and grandparents, friends, faculty and staff. The remainder of donations are received from other supporters, corporations and foundations. Contributions accounted for approximately 5% of the Academy's revenues for the Fiscal Year of the Academy ended June 30, 2009 and nearly 10% of the Academy's revenues for the Fiscal Year of the Academy ended June 30, 2010 (unaudited).

Other Indebtedness of the Academy

As of June 30, 2010, the Academy had long-term indebtedness outstanding as follows: (i) \$4,370,000 aggregate principal amount in connection with the Series 1999 Bonds and (ii) \$25,365,000 aggregate principal amount in connection with the Series 2002 Bonds. The Series 1999 Bonds and the Series 2002 Bonds will be redeemed and paid in full with proceeds of the Series 2010 Bonds, on the date of issuance thereof, and will no longer be outstanding.

The Academy entered into certain agreements (including an ISDA Master Agreement, Schedule and Credit Support Annex each dated as of August 3, 2001 and Confirmations dated August 7, 2001, September 7, 2001 and October 22, 2002) relating to that certain interest rate swap transaction with an original trade date of August 6, 2001 between the Academy and The Chase Manhattan Bank, predecessor to JPMorgan Chase Bank, as amended by that certain Amendment, dated as of July 14, 2003 between the Academy and JPMorgan Chase Bank, and as the same may be further amended or supplemented from time to time. Certain proceeds of the Series 2010 Bonds will be used to pay the termination payment in connection with the interest rate swap transaction described above.

The Academy has obtained a line of credit from Wells Fargo Bank, N.A. in the amount of \$15,000,000. The outstanding balance of the line of credit is less than \$6,000,000.

The Academy is a co-maker with its for-profit subsidiary, High Desert, on a promissory note in the original principal amount of \$4,000,000 payable to Bank of the West, which note is secured by securities valued at \$5,000,000 which are owned by the Academy and held in a segregated account at Bank of the West. This note is being amortized over a ten-year period, with the principal due in full in 2013. High Desert makes the required payments and is expected to repay the principal in full in 2013.

Financial Statements

Included in this Official Statement as Appendix B are audited consolidated financial statements and schedules of the Academy and its subsidiary, High Desert, and High Desert's subsidiaries Tiburon, MEC and MCC, as of and for the Fiscal Year of the Academy ended June 30, 2009. The financial statements and schedule have been audited by Meyners + Company, independent auditors. The audited financial statements of the Academy for prior years are available for inspection at the Office of the Treasurer, Albuquerque Academy, 6400 Wyoming Boulevard, N.E., Albuquerque, New Mexico 87109.

Selected Financial Information

Set forth below is a historical comparative summary of the Academy's net assets for the five most recent Fiscal Years.

Albuquerque Academy Unrestricted Net Assets

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010 ⁽¹⁾
Total Assets	\$320,927,857	\$337,494,161	\$291,681,822	\$231,222,085	\$216,429,716
Total Liabilities	41,893,342	41,258,311	42,185,263	51,295,507	39,868,291
Net Assets	279,034,515	296,235,850	249,496,559	179,926,578	176,561,425
Unrestricted Net Assets ⁽²⁾	\$238,668,018	\$249,101,779	\$204,420,426	\$146,778,275	\$141,952,892

⁽¹⁾ Unaudited and not consolidated.

⁽²⁾ The Net Assets of the Academy, as historically applied by the Academy, as unrestricted and available for general use, any funds temporarily or permanently restricted or classified solely by designation of the Board of Trustees of the Academy as long-term investments and any funds temporarily or permanently restricted by the donor thereof to a specific purpose (and the income derived therefrom, to the extent required by such designation) not inconsistent with their use for the payment of principal or premium, if any, and interest on Indebtedness or for the payment of operating expenses of the Academy.

Sources: Balance Sheets in the audited financial statements of the Academy for the Fiscal Years ended June 30, 2006 through 2009 and unaudited financial statements of the Academy for Fiscal Year ended June 30, 2010

Note: Net Assets, as well as Unrestricted Net Assets, exclude the value of certain plant-related assets such as the Campus and facilities thereon and the larger tract of 312 acres upon which the Campus is situated. See "FINANCIAL INFORMATION CONCERNING THE ACADEMY - Academy Assets" for a further discussion.

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Set forth below is an historical, comparative summary of the revenues, expenditures and transfers for the Academy's Current Funds for the Fiscal Years ended June 30, 2006 through 2010. No revenues or expenditures of High Desert, Tiburon, MEC or MCC are reflected on this summary. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS AND SCHEDULES OF THE ALBUQUERQUE ACADEMY AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2009" attached hereto and "High Desert Investment Corporation" under this caption.

**Albuquerque Academy
Statement of Current Funds, Revenues,
Expenditures, and Transfers**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010⁽¹⁾</u>
EDUCATIONAL REVENUES:					
Tuition and fees	\$ 14,185,374	\$15,263,830	\$ 16,019,472	\$ 16,818,754	18,276,661
Student support and activities	1,762,336	1,805,218	1,807,377	1,884,985	1,972,453
Other	-	-	-	-	-
	<u>15,947,710</u>	<u>17,069,048</u>	<u>17,826,849</u>	<u>18,703,739</u>	<u>20,249,114</u>
EDUCATIONAL EXPENDITURES:					
Salaries	13,760,030	14,606,741	15,392,750	15,956,316	15,561,829
Benefits and payroll taxes	4,746,468	5,229,282	5,559,008	5,982,034	6,002,702
Financial aid	3,063,835	3,310,635	3,576,950	3,810,916	4,727,332
Maintenance and grounds	1,566,464	1,729,485	1,788,369	1,679,732	1,576,614
General	572,530	644,132	1,353,240	1,256,141	1,401,881
Administrative	771,126	885,279	858,244	851,731	835,706
Food service and bookstore	1,090,133	1,281,616	763,895	846,088	876,052
Instructional expenditures	770,945	752,556	673,614	516,386	453,600
Athletics	211,245	228,743	306,821	286,219	285,941
Student activities	<u>264,387</u>	<u>282,680</u>	<u>238,751</u>	<u>221,279</u>	<u>251,744</u>
	<u>26,817,163</u>	<u>28,951,149</u>	<u>30,511,642</u>	<u>31,406,842</u>	<u>31,973,401</u>
Excess of educational expenditures over educational revenues	<u>(10,869,453)</u>	<u>(11,882,101)</u>	<u>(12,684,793)</u>	<u>(12,703,103)</u>	<u>(11,724,287)</u>
OTHER REVENUES (EXPENDITURES):					
Endowment & quasi-endowment income	3,527,480	3,829,336	4,151,369	3,305,002	5,095,658
Gifts	1,097,043	2,632,041	1,270,322	1,246,100	2,676,054
Interest	52,594	80,973	60,344	2,749	2,898
INVESTMENT ACTIVITIES:					
Salaries and benefits	(874,124)	(611,925)	(772,063)	(653,413)	(457,367)
Professional fees	(198,371)	(275,288)	(258,304)	(124,730)	(137,109)
Real estate taxes	(14,566)	(276)	(18,919)	(15,715)	(19,309)
Other	(126,787)	(220,207)	(569,893)	(262,644)	(219,590)
Summer school, day and sports camp, net	<u>121,392</u>	<u>238,219</u>	<u>267,548</u>	<u>434,456</u>	<u>428,838</u>
	<u>3,584,661</u>	<u>5,672,873</u>	<u>4,130,404</u>	<u>3,931,805</u>	<u>7,370,073</u>
Excess of expenditures over revenues before transfers	<u>(7,284,792)</u>	<u>(6,209,228)</u>	<u>(8,554,389)</u>	<u>(8,771,298)</u>	<u>(4,354,214)</u>
Net transfers from other funds	<u>7,204,931</u>	<u>7,526,913</u>	<u>6,489,403</u>	<u>4,168,756</u>	<u>6,520,243</u>
Excess (deficiency) of revenues over expenditures and transfers	<u>\$ (79,861)</u>	<u>\$1,317,685</u>	<u>\$(2,064,986)</u>	<u>\$(4,602,542)</u>	<u>\$2,166,029</u>

⁽¹⁾ Unaudited and not consolidated.

Sources: Balance Sheets in the audited financial statements of the Academy for the Fiscal Years ended June 30, 2006 through 2009 and unaudited financial statements of the Academy for Fiscal Year ended June 30, 2010

Note: See accompanying independent auditor's report and notes to the supplemental schedules.

Management's Discussion and Analysis of Current Financial Position

During the past year, the global economy and capital markets have experienced significant turmoil, the depth and duration of which remain difficult to forecast with confidence. The economy of the United States experienced a recession that has been compared to the "Great Depression" of the 1930s and continues to struggle to regain its strength. A leading investment bank filed for bankruptcy, the federal government provided support to other large investment banks and commercial banks, two of the largest auto makers sought bankruptcy protection, the federal government was forced to seize control of mortgage giants FNMA and Freddie Mac and also agreed to provide billions of dollars in financial support to the financial industry. Unemployment remains as high as it has been in the past several decades. Foreclosures on U.S. homes have increased and the equity markets saw volatility and significant decreases in value.

The management and staff of the Academy have analyzed the actual and potential impact of the ongoing global economic crisis on the Academy and, working with its Board of Trustees, have developed and implemented various strategies to mitigate the effects of the extraordinary global turmoil on the institution.

Although the Academy's operating results have been and will be affected by this economic turmoil, management believes that the Academy's financial results nonetheless will reflect the continued strength in the Academy's academic program, and its efforts to control costs. Current market conditions underscore the importance of focus on the Academy's core mission and sound business practices to ensure the Academy's success during these challenging economic times. As discussed below, the Academy's management is executing a number of initiatives designed to respond to and mitigate the effects of the current financial crisis.

Student Enrollment; Financial Aid; Receivables. The Academy enrolled 1,100 students for the 2010-2011 school year a slight increase over the prior year. The Academy's 47% acceptance rate remains selective and its 74% yield is indicative of continuing strong demand for the school's programs across all grade levels. The Academy enjoys a very low overall attrition rate of 4%. However, to protect budgeted revenues, tuition insurance is required for all students unless tuition is paid in full prior to the beginning of the school year.

Financial aid spending increased over 23% in 2009-2010 as the number of children receiving financial aid awards grew from 301 to 348 and the level of aid provided to families increased. In reviewing budgeted expenditures for 2010-2011, it was determined that growth of this magnitude is not sustainable over the long term. Consequently, the Academy made the very difficult but necessary decision to limit the amount of financial aid available for the 2010-2011 school year; it is anticipated that limits on financial aid spending will continue for the foreseeable future.

See also "INVESTMENT CONSIDERATIONS - Revenues of the Academy" and "- Other Risk Factors Relating to the Operations of the Academy," "ALBUQUERQUE ACADEMY - Enrollment and Admission" and "- Financial Assistance" and "FINANCIAL INFORMATION CONCERNING THE ACADEMY - Revenue Sources."

Budget Planning. The process begins in November with the Board of Trustees, as part of their governance duties, setting the tuition increase and the amount of the yearly draw from the endowment (as the two main determinants of the budget). Other revenues are adjusted slightly for changes in programs and inflation such that the overall framework of the budget is established. The salary pool and related benefits are also established early in the process as this is the largest component of the budget. The salary pool is typically set to include an inflation adjustment plus a percentage increase for merit, although there

have been no such increases in the last two budget cycles. Persons with budgetary responsibility must submit yearly requests, which are reviewed carefully by the school's internal budget committee. The committee meets with individuals to discuss requested expenditures and to determine which expenditures are necessary to the program or department.

The Academy has taken several steps to reduce operating expenses over the past year, including implementing a hiring "chill" and no raises for the past two years (which resulted in no increase in faculty attrition), an elimination of sabbaticals, and a reduction in endowment spending, including a hiatus on global travel, cuts to library spending and cuts to professional development. The Academy anticipates that such measures will be sufficient to offset any reduction in revenues for the current Fiscal Year. See "INVESTMENT CONSIDERATIONS - Revenues of the Academy" and " - Other Risk Factors Relating to the Operations of the Academy" for a discussion of factors that may affect, in a positive or negative manner, the level of the Academy's revenues and its financial condition. See also "FINANCIAL INFORMATION CONCERNING THE ACADEMY - Budget."

In support of the Academy's mission and its sustainability efforts, the Academy is dedicating approximately five acres of its gated property adjacent to the Campus to construct a 1.146 megawatt photovoltaic array. The Academy estimates that this renewable energy project will reduce the Academy's energy expenses by over \$100,000 each year. See "ALBUQUERQUE ACADEMY - Physical Plant" for a further discussion of the photovoltaic array.

Restructuring the Academy's Debt. The plan of finance for the Series 2010 Bonds would raise the Academy's current debt service slightly, but allow for a complete amortization and retirement of the Academy's long-term debt in 30 years. Most importantly, the refunding of the Series 2002 Bonds would remove the payment of approximately \$26,000,000 in 2016 and provide for a sustainable debt service schedule. It would also terminate the existing swap agreement entered into by the Academy in connection with the Series 2002 Bonds and eliminate the expense of the related standby bond purchase agreement. See also "FINANCIAL INFORMATION CONCERNING THE ACADEMY - Other Indebtedness of the Academy."

Fundraising/Capital Campaign Impact. Given the events of the world financial crisis in the Fiscal Year of the Academy ended June 30, 2009, the supporters of the Academy stepped forward in the Fiscal Year of the Academy ended June 30, 2010 with gifts totaling \$2.7 million, an all-time record and an increase of \$1.5 million over the Fiscal Year of the Academy ended June 30, 2009. See also "FINANCIAL INFORMATION CONCERNING THE ACADEMY - Gifts to the Academy."

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LOCAL DEMOGRAPHIC AND ECONOMIC INFORMATION

The following information is provided by the Academy to give prospective investors a general overview of the City of Albuquerque, New Mexico (the "City"), in which the Academy is located. Inclusion of such data should be considered as representative, and not directly applicable to the Academy.

Demographic and economic information on the City, including population, age distribution, employment, major industries and per capital personal income for the Albuquerque Metropolitan Statistical Area ("MSA") is available in the 2010 Annual Information Statement of the City dated January 26, 2010 (the "City Annual Information Statement"), which is available from the City at its website at www.cabq.gov/investor/annualstatements/html; the information in such City Annual Information Statement is not incorporated herein by reference. The Annual Information Statement referenced in this paragraph was prepared by the City and not by the Issuer or the Academy.

The Issuer, the Academy and the Underwriter take no responsibility for the accuracy of the information relating to the City or any other information set forth in such City Annual Information Statement or the continued accuracy of the internet addresses referenced in this paragraph or for the accuracy or timeliness of information posted on such website, and such information is not incorporated herein by reference.

TAX MATTERS

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2010 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 2010 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2010 Bonds. The Issuer and the Academy have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2010 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 2010 Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2010 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 2010 Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Interest on the Series 2010 Bonds owned by corporations will, however, be taken into account in determining the alternative minimum tax imposed by Section 55 of the Code on 75 percent of the excess of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction).

In rendering its opinion, Bond Counsel will rely on, and will assume the accuracy of, certain representations and certifications, and compliance with certain covenants of the Issuer and the Academy. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the Issuer and the Academy. Bond Counsel has not been engaged, and will not undertake, to monitor the Issuer's and the Academy's compliance with the covenants or to inform any person as to whether the covenants are being complied with nor has Bond Counsel undertaken to determine or to inform any person as to whether any actions taken or not taken, or events occurring or not occurring, after the date of the issuance of the Series 2010 Bonds may affect the federal tax-exempt status of the interest on the Series 2010 Bonds.

In addition, Bond Counsel has relied on, among other things, representations and certifications of the Academy regarding the current status of the Academy as an organization described in Section 501(c)(3) of the Code. Failure of the Academy to maintain its status as an organization described in Section 501(c)(3) of the Code or to operate the facilities financed by the Series 2010 Bonds in a manner that is substantially related to the Academy's charitable purpose under Section 513(a) of the Code, may cause interest on the Series 2010 Bonds to be included in gross income retroactively to the date of issuance of the Series 2010 Bonds.

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2010 Bonds maturing on September 1, 2040 (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 2010 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 2010 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 all of the maturities of the Series 2010 Bonds other than the Discount Bonds (collectively, the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest basis over the term of each Premium Bond (or in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). 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 2010 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.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2010 Bonds may affect the tax status of interest on the Series 2010 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 2010 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 2010 Bonds, or the interest thereon, if any action is taken with respect to the Series 2010 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 2010 Bonds is excluded from gross income for Federal income tax purposes, a Bondholder's Federal, State or local tax

liability may otherwise be affected by the ownership or disposition of the Series 2010 Bonds. The nature and extent of these other tax consequences will depend upon the Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2010 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 2010 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2010 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 2010 Bonds, (iii) interest on the Series 2010 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 2010 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 2010 Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Payments of interest on tax-exempt obligations, including the Series 2010 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2010 Bondholder is subject to backup withholding under these requirements, then payments of interest will also be subject to backup withholding. These requirements do not effect the exclusion of such interest from gross income for federal income tax purposes.

Legislative proposals are introduced into the United States Congress from time-to-time which, if enacted, would amend one or more provisions of the Code in a manner that would alter the Federal tax consequences referred to above or would adversely affect the market value or marketability of the Series 2010 Bonds. It cannot be predicted where, when or in what form any such proposal might be enacted or whether, if enacted, any such proposal would apply to obligations (such as the Series 2010 Bonds) delivered prior to such enactment.

Bond Counsel's engagement with respect to the Series 2010 Bonds ends with the issuance of the Series 2010 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Academy or the beneficial owners of the Series 2010 Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2010 Bonds, under current IRS procedures, the IRS will treat the Issuer as the taxpayer and the beneficial owner of the Series 2010 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2010 Bonds.

CERTAIN LEGAL MATTERS

The validity of the Series 2010 Bonds is to be approved by the law firm of Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel, whose approving opinion will be delivered with the Series 2010 Bonds in the form attached hereto as Appendix C.

Certain legal matters will be passed upon for the Issuer by the office of Hughes Law, LLC and for the Academy by the law firm of Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico.

Certain legal matters will be passed upon for the Underwriter by Hawkins Delafield & Wood LLP, Los Angeles, California.

MATERIAL LITIGATION

The Issuer

There is no controversy or litigation of any nature now pending against the Issuer, or to the knowledge of the Issuer threatened, restraining or enjoining the issuance, sale and delivery of the Series 2010 Bonds, or in any way contesting or affecting the validity of the Series 2010 Bonds, any proceedings of the Issuer taken concerning the issuance, sale and delivery thereof, the pledge or application of any moneys or security pledged to secure payment of the Series 2010 Bonds, or the existence or powers of the Issuer relating to the issuance, sale or delivery of the Series 2010 Bonds.

The Academy

There is no controversy or litigation of any nature now pending against the Academy, or to the knowledge of its officers threatened, restraining or enjoining the issuance, sale and delivery of the Series 2010 Bonds, in any way contesting or affecting the validity of the Series 2010 Bonds, in any way contesting the corporate existence or powers of the Academy, or challenging any proceedings of the Academy taken concerning the execution, sale and delivery of the Series 2010 Bonds or the application of any moneys for the payment of the Series 2010 Bonds. See also, "ALBUQUERQUE ACADEMY – Litigation."

CONTINUING DISCLOSURE

On the date of delivery of the Series 2010 Bonds, the Academy, as an obligated person, will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with the Trustee, as dissemination agent ("Dissemination Agent"), for the benefit of the holders and beneficial owners of the Series 2010 Bonds, pursuant to which the Academy will agree to comply on a continuing basis with requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (codified at 17 C.F.R. 240.15c2-12) (the "Rule"). Specifically, the Academy will covenant in the Continuing Disclosure Agreement to provide certain financial information and operating data relating to the Academy by not later than 150 days after the end of each Fiscal Year of the Academy, commencing with the Fiscal Year of the Academy ending on June 30, 2010 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material under applicable Federal securities laws. The Annual Report and notices of material events will be filed by the Dissemination Agent through the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 (the "MSRB"), or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. The specific nature of the information to be contained in the Annual Report and the notices of material events is set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These

covenants are made in order to assist the Underwriter in complying with the Rule. The Academy failed to file its annual report for its Fiscal Year ending on June 30, 2006 by the date required in its continuing disclosure agreement for the Series 1999 Bonds. The Academy filed such annual report for its Fiscal Year ending on June 30, 2006 on December 7, 2006. For its Fiscal Year ended on June 30, 2009, the Academy submitted its annual report in a timely manner to the dissemination agent under the continuing disclosure agreement for the Series 1999 Bonds, but such dissemination agent failed to file such annual report in a timely manner. The dissemination agent filed such annual report for the Academy's Fiscal Year ended June 30, 2009 on July 28, 2010. The Academy has otherwise not failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

The Academy and the Dissemination Agent may amend the Continuing Disclosure Agreement and any provision of the Continuing Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Academy and the Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders (as defined below) of the Series 2010 Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Academy or the Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto. "Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2010 Bonds (including persons holding Series 2010 Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Series 2010 Bonds for federal income tax purposes.

The Dissemination Agent will have only the duties specified in the Continuing Disclosure Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Academy has provided that information to the Dissemination Agent as required by the Continuing Disclosure Agreement. The Dissemination Agent will have no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Continuing Disclosure Agreement or duty or obligation to review or verify any information in the Annual Report, Audited Financial Statements, notice of Notice Event or Voluntary Report (all as defined in the Continuing Disclosure Agreement), or any other information, disclosure or notices provided to it by the Academy, and the Dissemination Agent will not be deemed to be acting in any fiduciary capacity for the Academy, the holders of the Series 2010 Bonds or any other party. The Dissemination Agent will have no responsibility for the Academy's failure to report to the Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Academy has complied with the Continuing Disclosure Agreement. The Dissemination Agent may conclusively rely upon certifications of the Academy at all times.

RATINGS

Standard & Poor's Ratings Services, a Division of McGraw-Hill, Inc. ("S&P") and Fitch, Inc. ("Fitch"), have assigned the Series 2010 Bonds the long-term ratings of "AA" with a stable outlook and "AA-" with a negative outlook, respectively. An explanation of the significance of the ratings given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041. An explanation of the significance of the ratings given by Fitch may be obtained from Fitch at One State Street Plaza, New York, New York 10004.

Such ratings reflect only the views of the rating agencies, and there is no assurance that either rating will continue for any given period of time or that either rating will not be revised downward or

withdrawn entirely by the relevant rating agency if, in its judgment circumstances so warrant. Any such downward revision or withdrawal of one or both of such ratings may have an adverse effect on the market price of the Series 2010 Bonds. Neither the Academy, the Issuer nor the Underwriter has undertaken responsibility to maintain such ratings or to advise bondholders or the market of a change in such ratings.

UNDERWRITING

The Series 2010 Bonds are being purchased from the Issuer by the Underwriter as set forth on the cover page of this Official Statement. Pursuant to a Bond Purchase Agreement among the Underwriter, the Issuer and the Academy dated September 8, 2010 (the “Bond Purchase Agreement”), the Underwriter will agree to purchase the Series 2010 Bonds for a price of \$37,113,027.92 (being the principal amount of the Series 2010 Bonds, plus a net original issue premium of \$1,303,573.75, and less an Underwriter’s discount of \$190,545.83). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2010 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 Underwriter may offer and sell the Series 2010 Bonds to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering price may be changed from time to time by the Underwriter.

MISCELLANEOUS

Default in Unrelated Bond Issues

The Issuer has issued industrial development revenue bonds, metropolitan redevelopment revenue bonds and other “conduit” revenue bonds that are payable solely from loan, installment sale or lease payments made by private entities and additionally, in some cases, from credit enhancements procured by the private entities. Such other issues of bonds may be in default as to payment of principal or interest.

Any such possible defaults about which the Issuer is aware are not material with respect to the Series 2010 Bonds because the related bonds are secured by separate, unrelated trust estates. The security for the Series 2010 Bonds is described under “SECURITY FOR THE SERIES 2010 BONDS” in this Official Statement.

Other Matters

The Series 2010 Bonds are being issued pursuant to the Industrial Revenue Bond Act (Sections 3-32-1, et seq. NMSA 1978) of the State. Each potential investor must make its own independent determination whether the Series 2010 Bonds are legal investments for such investor.

References are made herein to certain documents and reports which are brief summaries thereof and which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the content thereof. Any statements in this Official Statement involving matter 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 Issuer and the purchasers or owners of any of the Series 2010 Bonds. The Issuer has not participated in the preparation of this Official Statement and has not independently verified any information herein other than information under the caption “THE VILLAGE OF LOS RANCHOS DE ALBUQUERQUE.”

FINANCIAL STATEMENTS

The financial statements of the Academy as of and for the Fiscal Year ended June 30, 2009, are set forth in Appendix B to this Official Statement. The financial statements have been audited by Meyners + Company, independent auditors (“Meyners”), independent certified public accountants, whose report is attached thereto.

Meyners has not reviewed the contents of or participated in the preparation of this Official Statement. Meyners has no responsibility under the standards for an examination of financial statements by the American Institute of Certified Public Accountants to update the report for events and circumstances occurring after the date thereof and consequently, the report has not been updated since such date.

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APPROVAL BY THE ACADEMY

The Official Statement, and its distribution and use by the Underwriter, have been duly authorized and approved by the Academy and it has been executed and delivered by the Chair of the Board of Trustees on behalf of the Academy.

ALBUQUERQUE ACADEMY

By: /s/ Gary L. Gordon
Gary L. Gordon
Treasurer

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APPENDIX A
SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Indenture, the Agreement and the Guaranty. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof.

General Definitions

The following are terms used as defined in the Indenture and the Installment Sale Agreement which are not otherwise defined in this Official Statement:

“Academy” means Albuquerque Academy, a not-for-profit corporation organized and existing under the laws of the State, and its successors and assigns. The term “Academy,” however, shall not include or refer to any affiliate of the Academy, or entity under similar or common control.

“Act” means Sections 3-32-1 NMSA 1978 et seq., as amended.

“Additional Bonds” means all Bonds authenticated and delivered under the Indenture other than the Series 2010 Bonds.

“Additional Facilities” means any item of real or personal property, including improvements thereon or additions thereto, acquired, constructed, furnished or installed on the Campus, including additions to the Project.

“Additional Payments” means the payments made by the Academy pursuant to certain designated sections of the Installment Sale Agreement.

“Agreement” means the Installment Sale Agreement, dated as of September 1, 2010, between the Issuer and the Academy, as amended or supplemented from time to time.

“Authenticating Agent,” in respect of a particular Series of Bonds, means the agent so described in, and appointed pursuant to, the Indenture.

“Authorized Officer of the Issuer” means the Mayor, Mayor Pro Tem, Village Administrator or other officer of the Issuer designated in a certificate signed by the Mayor from time to time.

“Bond” or “Bonds” means any bond or bonds authenticated and delivered under the Indenture.

“Bond Account” means the account in the Bond Fund so designated which is established under the Indenture.

“Bond Fund” means the fund so designated which is established under the Indenture. A separate Bond Account of the Bond Fund will be established for each Series of Bonds.

“Bond Ordinance” means the Issuer’s Ordinance No. 227, as supplemented by the Issuer’s Resolution No. 2010-9-1, authorizing, with the Indenture, the issuance of the Series 2010 Bonds.

“Bond Register” and “Bond Registrar,” in respect of a particular Series of Bonds, have the respective meanings specified in the Indenture.

“Business Day” means any day other than the following: (a) Saturday or Sunday; (b) any day on which the offices of the Issuer and the Trustee, Paying Agent, and Bond Registrar are authorized or required to remain closed; or (c) a day on which the New York Stock Exchange is closed.

“Closing Date” means, with respect to the Series 2010 Bonds, the date on which the Series 2010 Bonds are first issued and delivered.

“Campus” means the real property in the City of Albuquerque, New Mexico more particularly described on Exhibit A to the Indenture, together with any improvements thereon.

“Certified Proceeding” means a copy of one or more ordinances or resolutions, as appropriate, certified by the Village Clerk of the Issuer to have been duly adopted by the governing body of the Issuer and to be in effect on the date of such certification.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

“Construction Fund” means the fund so designated which is established pursuant to the Indenture.

“Cost” or “Cost of the Project” means all of the costs of acquiring, constructing, installing, furnishing and equipping the Project, whether incurred prior to or after the date of the Agreement, including, but not limited to:

- (a) the cost of construction, improvement, repair, and reconstruction;
- (b) the cost of acquisition of, including rights in, land and other property, both real and personal and improved and unimproved;
- (c) the cost of demolishing, removing or relocating any buildings, facilities or structures on lands, including the cost of acquiring any lands to which such buildings, facilities or structures may be moved or relocated;
- (d) the cost of machinery, equipment and furnishings, of engineering and architectural surveys, plans and specifications and of transportation and storage until the Project is operational;
- (e) the cost of agents or consultants, including, without limitation, legal, financial, engineering, accounting and auditing, necessary or incident to the Project and of the determination as to the feasibility or practicability of undertaking the Project;
- (f) the cost of financing interest allocable to the period prior to, and during, construction of the Project, and reserves for principal and interest and for extensions, enlargements, additions, repairs, replacements, renovations and improvements; and
- (g) the cost of financing the Project, and the reimbursement to any governmental entity or agency, or any person, of expenditures made by or on behalf of such entity, agency or person.

“Costs of Issuance” means the initial or acceptance fee of the Trustee; the fees of the Trustee, including attorneys’ fees of counsel for the Trustee, incurred prior to the completion date of the Project; legal, placement, financial, consulting, accounting and rating agency fees and expenses and printing and

engraving costs incurred in connection with the authorization, sale and issuance of the Bonds, the execution of the Indenture and the preparation of all other documents in connection therewith; all fees, costs and expenses incurred with respect to the preparation of the Indenture, the Agreement, the Guaranty, the Bonds and all other documents in connection therewith, and all other expenses which are “costs of issuance” within the meaning of Section 147 of the Code, including any fees, legal fees, and administrative charges of the Issuer in connection with the issuance of the Bonds.

“Costs of Issuance Fund” means the fund so designated which is established pursuant to the Indenture.

“Counsel” means an attorney at law or law firm, who may be counsel for the Issuer or the Academy, satisfactory to the Trustee.

“Defeasance Obligations” means non-callable obligations described under clause (a) of the definition of Government Obligations and under clause (c) of the definition of Permitted Investments to the extent such Permitted Investments are rated in the highest rating category by each Rating Agency.

“Determination of Taxability” means a determination that, due to the untruth or inaccuracy of any representation or warranty made by the Academy in the Agreement or the breach of any covenant or warranty of the Academy contained in the Agreement, interest on the Series 2010 Bonds, or any of them, is determined not to be Tax-Exempt by (a) a final administrative determination of the Internal Revenue Service or a final judicial decision of a court of competent jurisdiction in a proceeding of which the Academy received notice and in which the Academy were afforded an opportunity to participate to the full extent permitted by law, or (b) a favorable opinion of nationally recognized bond counsel obtained by the Academy and delivered to the Trustee with a copy to be delivered to the Issuer. A determination or decision will not be considered final for purposes of the preceding sentence unless (a) the Issuer or the holder or holders of the Series 2010 Bonds involved in the proceeding in which the issue is raised (i) shall have given the Academy and the Trustee prompt written notice of the commencement thereof, and (ii) shall have offered the Academy the opportunity to control the proceeding; provided the Academy agrees to pay all expenses and costs in connection therewith and to indemnify the Issuer and such holder or holders against all liability for such expenses and costs (except that any such holder may engage separate counsel for the holder or holders of the Series 2010 Bonds, and the Academy shall not be liable for the fees or expenses of such counsel but shall be liable for the fees and expenses of counsel to the Issuer); and (b) such proceeding shall not be subject to a further right of appeal or shall not have been timely appealed.

“DTC” means the Depository Trust Company, or any other depository appointed by the Academy from time to time.

“EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System located on its website at www.emma.msrb.org.

“Event of Default” means the events so described in the Indenture.

“Funds” means, collectively, the Bond Fund, the Construction Fund, the Costs of Issuance Fund and the Rebate Fund.

“Government Obligations” means the following:

(a) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations on which the full and timely payment of principal and interest is fully and unconditionally guaranteed by, the United States of America; and

(b) evidences of direct ownership of a proportionate or individual interest in future interest or principal payments on specified direct obligations of, or obligations for which the full and timely payment of the principal of and interest is unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian in form and substance satisfactory to the Trustee.

“Guaranty” means the Guaranty Agreement, dated as of September 1, 2010, between the Academy and the Trustee, as amended or supplemented from time to time.

“Indenture” means the Trust Indenture, dated as of September 1, 2010, by and between the Issuer and the Trustee, as amended or supplemented from time to time.

“Installment Sale Payments” means the payments being made by the Academy pursuant to certain designated sections of the Agreement.

“Interest Payment Date, “in respect of a particular Series of Bonds, means the stated due date of an installment of interest on the Bonds of such Series.

“Issuer” means the Village of Los Ranchos de Albuquerque, New Mexico, a body corporate and politic and a municipal corporation of the State, and its successors and assigns.

“Mandatory Sinking Fund Payments” means, with respect to the Series 2010 Bonds, the payments required to be made in accordance with the provisions described in the form of Series 2010 Bonds and with respect to any other Series of Bonds, shall have the meaning set forth in a supplement Indenture.

“Outstanding” or “Bonds Outstanding” in connection with Bonds (or a Series of Bonds) means, as of the time in question, all Bonds (or all Bonds of such Series) authenticated and delivered under the Indenture, except:

(a) Bonds theretofore cancelled or required to be cancelled under the Indenture;

(b) Bonds for the payment or redemption of which the necessary amount shall have been or shall concurrently be deposited with the Trustee or for which provision for the payment of which shall have been made in accordance with the Indenture; provided that, if such Bonds are being redeemed prior to maturity, the required notice of redemption shall have been given or provision satisfactory to the Trustee shall have been made therefor;

(c) in the case of Additional Bonds which are subject to optional or mandatory tender provisions, Additional Bonds deemed tendered but not yet delivered for payment;

(d) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the Indenture; and

(e) For purposes of any consent or other action to be taken by the Owners of a majority or a specified percentage of Bonds under the Indenture or under the Agreement, Bonds held by or for the account of the Issuer (other than pension funds of the Issuer), the Academy or any person controlling, controlled by or under common control with any of them.

“Owner” means the registered owner of any Bond.

“Paying Agent” means, in respect of a particular Series of Bonds, the person or persons or its successors authorized under the Indenture by the Issuer to pay the principal of (and premium, if any, on), or interest on, such Bonds on behalf of the Issuer. The Trustee shall serve as initial Paying Agent with respect to the Series 2010 Bonds.

“Permitted Investments” means any securities permitted by applicable law as selected by the Academy in writing to the Trustee, including any of the following securities (other than those issued by the Issuer or the Academy):

(a) Government Obligations;

(b) bonds, notes or other obligations of any state of the United States or any political subdivision of any state, which at the time of their purchase are rated in either of the two highest rating categories by a nationally recognized rating service;

(c) certificates of deposit or time or demand deposits constituting direct obligations of any bank, bank holding company, savings and loan association or trust company organized under the laws of the United States or any state thereof (including the Trustee or any of its affiliates), except that investments may be made only in certificates of deposit or time or demand deposits which are:

(1) insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation, or any other similar United States Government deposit insurance program then in existence; or

(2) continuously and fully secured by Government Obligations, which have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such certificates of deposit or time or demand deposits; or

(3) issued by a bank, bank holding company, savings and loan association or trust company under the laws of the United States or any state thereof (including the Trustee or any of its affiliates) whose outstanding unsecured long-term debt is rated at the time of issuance in either of the two highest rating categories by a Rating Agency;

(d) repurchase agreements with any bank, bank holding company, savings and loan association, trust company or other financial institution organized under the laws of the United States of America or any state thereof (including the Trustee or any of its affiliates), that are continuously and fully secured by Government Obligations and that have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such repurchase agreements, provided that each such repurchase agreement conforms to current industry standards as to form and time, is in commercially reasonable form, is for a commercially reasonable period, results in transfer of legal title to identified Government Obligations that are segregated in a custodial or trust account for the benefit of the Trustee, and further provided that Government Obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value thereof or the repurchase price thereof set forth in the applicable repurchase agreement;

(e) investment agreements constituting an obligation of a bank, bank holding company, savings and loan association, trust company, insurance company or other financial institution whose outstanding unsecured short-term debt is rated at the time of such agreement in the highest rating category by a Rating Agency or whose outstanding unsecured long-term debt is rated at the time of such agreement in either of the two highest rating categories by a Rating Agency;

(f) short term discount obligations of the Federal National Mortgage Association and the Government National Mortgage Association;

(g) money market mutual funds (including proprietary money market mutual funds of the Trustee or its affiliates) (1) that invest in Government Obligations or that are registered with the Securities and Exchange Commission, meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, and (2) that are rated in either of the two highest categories by a Rating Agency; and

(h) commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by Moody’s, S&P, or Fitch, Inc. (“Fitch”), provided that the issuer of the commercial paper shall be organized and operating within the United States, shall have total assets in excess of \$500,000,000, and shall issue debt, other than commercial paper that is rated “A” or higher by Moody’s, S&P, or Fitch, and provided further that such commercial paper shall have a maximum maturity of 270 days or less.

Nothing in the Indenture shall be construed as limiting the Academy’s ability to invest any moneys or funds of the Academy in Permitted Investments other than the Funds and accounts established and held by the Trustee under the Indenture.

“Premises” means the real property located in Albuquerque, New Mexico described in Exhibit A to the Indenture as a certain tract of land situate within the Elena Gallegos Grant, in Projected Sections 29 and 30, T11N, R4E, N.M.P.M., Bernalillo County, Albuquerque, New Mexico, being and comprising all of Tract 1 of ALBUQUERQUE ACADEMY CAMPUS, as the same is shown and designated on the plat filed in the office of the County Clerk of Bernalillo County, New Mexico on February 20, 1997 in Volume 97C, Folio 56, containing 146.00 acres, more or less, but excluding a portion of said tract comprising 12.00 acres, more or less, bounded on the southeast by Tract 4 shown on said plat and bounded on the southwest by Wyoming Boulevard and bounded on the north by an existing Albuquerque Academy campus roadway loop.

“Project” means certain infrastructure projects on the Premises, including updates to fire alarm and smoke detection systems and replacement of electrical load centers and motor control centers in original campus buildings, replacement of buried hot water and chilled water loop lines on the central and east campus, replacement of buried hot water loop lines on the west campus and replacement of existing west campus roof top HVAC units with roof top air handling units with chilled water coils and an air cooled chiller system, and renovation of classroom buildings and fixtures, including classroom technology upgrades, as the same may at any time exist.

“Purchase Price” means the aggregate amount of all Installment Sale Payments due and payable pursuant to the Agreement.

“Rating Agency” means any nationally recognized rating agency which at the time of determination is then rating the Bonds of such Series, and may include Fitch Ratings and Standard & Poor’s Ratings Group and their successors.

“Rebate Fund” means the fund so designated which is established under the Indenture.

“Refunded Bonds” means the Series 1999 Bonds and the Series 2002 Bonds.

“Regular Record Date” means, in respect of a particular Series of Bonds, the first day (whether or not a Business Day) of the calendar month of each Interest Payment Date in the event that the Interest Payment Date is the fifteenth day of a month, and the fifteenth day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date in the event that the Interest Payment Date is the first day of a month, or as otherwise specified by supplemental indenture with respect to a Series of Additional Bonds.

“Revenues” means (i) all amounts payable by the Academy to the Issuer pursuant to the Agreement and assigned to the Trustee under the Indenture, including all Installment Sale Payments, (ii) any proceeds of Bonds originally deposited with the Trustee for the payment of accrued or capitalized interest on the Bonds or moneys remaining in the Construction Fund following certification of completion of the Project, (iii) any payments by the Academy pursuant to the Guaranty, and (iv) investment income in respect of any moneys held by the Trustee, other than investment income on amounts in the Rebate Fund.

“Series” means all Bonds delivered on the same date and designated by the Issuer as a “series.

“Series 1999 Bonds” means the \$8,165,000 original aggregate principal amount of City of Albuquerque, New Mexico Educational Facilities Refunding Revenue Bonds (Albuquerque Academy Project) Series 1999, dated February 1, 1999.

“Series 2002 Bonds” means the \$25,365,000 original aggregate principal amount of City of Albuquerque, New Mexico Educational Facilities Revenue Bonds, Series 2002, dated October 24, 2002.

“Series 2010 Sinking Account” means the account in the Bond Fund so designated which is established pursuant to the Indenture.

“Special Record Date” means, in respect of a particular Series of Bonds, such date as may be fixed for the payment of defaulted interest in accordance with the Indenture.

“State” means the State of New Mexico.

“Tax Certificate” means the certificate executed by the Issuer and the Academy at the time of issuance and delivery of a Series of Bonds and relating to the requirements of Section 148 of the Code, as such Tax Certificate shall be amended or supplemented from time to time.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Series 2010 Bonds, that such interest is excluded from gross income of the Holders or Beneficial Owners thereof for federal income tax purposes (other than in the case of a Holder or Beneficial Owner of any Series 2010 who is a substantial user of the Project or a related person within the meaning of Section 147(a) of the Code) whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Trustee” means Wells Fargo Bank, N.A., a national banking association having its principal corporate trust office in Denver, Colorado, and its successor in the trust under the Indenture.

“Trust Estate” means (A) the Agreement and the rights of the Issuer in the Agreement, and all payments, revenues and receipts receivable by the Issuer thereunder (except amounts payable to the Issuer

as indemnification and certain fees and expenses of the Trustee and the Issuer) including without limitation any payment or prepayment under the Agreement of the Purchase Price of the Project or upon the occurrence of an event which gives rise to any mandatory redemption specified in the Indenture or in connection with an optional redemption of the Bonds (other than payments to the Rebate Fund); and (B) all other Revenues to the extent not included in paragraph (A) above, and the Funds and accounts maintained under the Indenture, other than the Rebate Fund.

The Trust Indenture

The following is a summary of certain provisions of the Indenture and is qualified in its entirety by reference to the Indenture. The provisions of the Indenture will be part of the contract of the Issuer with the owners of the Bonds and will be deemed to be and will constitute contracts between the Issuer, the Trustee and the owners from time to time of the Bonds.

Assignment and Security. Pursuant to the Indenture, the Issuer's interest in the Agreement and all amounts payable by the Academy to the Issuer under the Agreement, including all payments, revenues and receipts receivable by the Issuer under the Agreement (other than certain indemnification rights and certain fees and expenses of the Trustee and the Issuer), and the funds and accounts maintained under the Indenture, other than the Rebate Fund, are assigned to the Trustee by the Issuer to secure the payment of the principal of and interest on the Bonds, including the Series 2010 Bonds.

Issue of Additional Bonds. The Academy may not incur Indebtedness except in accordance with the terms of the Agreement. Assuming the terms of the Agreement are satisfied, such Indebtedness may include Additional Bonds. Upon written request of the Academy, the Issuer, in its sole discretion and upon compliance with procedures then in effect for the issuance of such Additional Bonds, may issue Additional Bonds from time to time under the Indenture for any of the following purposes:

A. To provide additional funds to finance completion of the Project or to finance Additional Facilities, to the extent permitted by the terms of the Indenture;

B. To pay the cost of refunding through redemption or payment at maturity or on any prior redemption date of all or any part of the Outstanding Bonds of any Series to the extent permitted by the terms thereof.

The following shall apply to the issuance of Additional Bonds and shall not apply to the issuance or incurrence of other Indebtedness by the Academy. In any such event the Trustee shall, at the request of the Issuer, authenticate the Additional Bonds and deliver them as specified in the request, but only upon receipt of:

(1) A Certified Proceeding and indenture supplemental to the Indenture (a) establishing the Series to be issued and providing the terms of the Bonds thereof, (b) authorizing the execution and delivery of the Bonds to be issued, (c) stating the purpose of the issue, (d) if the purpose is refunding, authorizing the payment at maturity or redemption of the Bonds to be refunded, (e) describing the items included in the completion of the Project or the Additional Facilities to be financed from the proceeds of the Bonds to be issued, and (f) setting forth any other matters relating to the issuance of the Additional Bonds or the purpose for which they are to be issued;

(2) A certificate of the Academy (a) stating that no Event of Default under the Agreement has occurred and is continuing, and (b) if the purpose is refunding, stating (i) that notice of redemption of the Bonds to be redeemed has been duly given to the Trustee or that provision has been made thereof or and (ii) that, in reliance upon the opinion of an independent certified public accountant, which opinion

shall be attached to the said certificate, the proceeds of the refunding issue plus any other amounts stated to be available for the purpose will be sufficient to pay the principal or redemption price of such Bonds at maturity or on a specified redemption date plus interest accrued to such date or dates together with all other costs and expenses related to the refunding;

(3) An executed counterpart of any amendment or supplement to the Agreement not previously delivered;

(4) The net proceeds of the Additional Bonds;

(5) A certificate of the Academy stating that the Academy will be in compliance with the Permitted Indebtedness covenant contained in the Agreement upon issuance of the Additional Bonds;

(6) An opinion of independent nationally recognized bond counsel to the effect that (a) the purpose of the issue is one for which Bonds may be issued under this provision, (b) the Additional Bonds have been validly authorized and executed and, when authenticated and delivered pursuant to the request of the Issuer, will constitute special limited obligations of the Issuer entitled to the benefit of the trust created hereby, and (c) the issuance of the Additional Bonds will not adversely affect the exemption of the interest on the Outstanding Bonds from federal income tax as enacted and construed on the date of the opinion; and

(7) An opinion of counsel to the Academy that the Agreement, including any amendment thereto, has been duly authorized, executed and delivered and is a valid and binding obligation of the Academy.

Any Additional Bonds issued under the Indenture may contain such terms and provisions as may be specified by supplemental indenture, including provisions relating to mandatory and optional tender, variable interest rates, letters of credit or bond insurance or other forms of credit enhancement or liquidity support and other features relating to security and payment.

Establishment of Funds. The Indenture creates the Bond Fund and the Series 2010 Sinking Account and the Bond Account therein, the Construction Fund, the Costs of Issuance Fund and the Rebate Fund, all of which are to be held by the Trustee.

Revenues to be Paid Over to Trustee. The Issuer has directed the Revenues to be paid directly to the Trustee. If, notwithstanding these arrangements, the Issuer receives any payments pursuant to the Agreement (other than payments to the Issuer as indemnification and certain fees and expenses of the Trustee and the Issuer), the Issuer shall within a reasonable time pay over the same to the Trustee to be held as Revenues. Except as otherwise specifically directed under the terms of the Indenture, all Revenues shall be deposited by the Trustee into the Bond Account of the Bond Fund.

Revenues to Be Held for All Owners Subject to Certain Exceptions. Revenues and investments thereof shall, until applied as provided in the Indenture, be held by the Trustee for the benefit of the Owners of all Outstanding Bonds, except that (a) any portion of the Revenues in the Bond Account or any sinking account representing principal or redemption price of, and premium, if any, and interest on, any matured Bonds, or any Bonds previously called for redemption in accordance with the Indenture, and (b) investment earnings on the proceeds of a particular Series of Bonds, shall be held for the benefit of the Owners of such Bonds only. Moneys (including Defeasance Obligations as provided in the defeasance provisions of the Indenture) deposited with the Paying Agent for payment of principal of, premium, if any, and interest on any Bonds which remain unclaimed three years after the date payment thereof becomes due shall, if the Issuer is not at the time, to the actual knowledge of the Paying Agent, in default

with respect to any covenant in the Indenture and the Bonds, and if the Academy is not at the time, to the actual knowledge of the Paying Agent, in default with respect to any covenant or obligation in the Agreement, be paid to the Academy, and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Academy.

Bond Fund. The Bond Fund, into which the payments made pursuant to the Agreement and certain other amounts specified in the Indenture including any accrued interest will be deposited, will be maintained with the Trustee. Moneys in the Bond Fund are to be made available by the Trustee to the Paying Agent to pay the principal of Bonds as they mature or the redemption price thereof as it becomes payable, upon surrender thereof, the premium, if any, on the Bonds as it becomes payable, and the interest on the Bonds as it becomes payable. Within the Bond Fund, the Indenture establishes the Series 2010 Sinking Account and the Bond Account. The earnings from the Bond Fund are to be retained in the Bond Fund.

Whenever the amount in the Bond Fund available for the payment of principal, premium, if any, and interest on the Bonds of all or any Series is sufficient to redeem all or any Series of the Outstanding Bonds and to pay interest accrued to the redemption date, the Issuer will, upon the written request of the Academy, cause the Trustee to redeem all such Bonds on the redemption date specified by the Academy at the time and redemption price provided in and otherwise in accordance with the terms of the Bonds and the Indenture. Subject to the defeasance provisions of the Indenture, any amounts remaining in the Bond Fund after payment in full of the principal or redemption price of, and premium, if any, and interest on the Bonds (or provision for payment thereof) and the fees, charges and expenses of the Issuer, the Trustee and any Paying Agents shall be paid to the Academy.

Sinking Accounts. The Series 2010 Bonds Bond Account of the Bond Fund, into which the payments made pursuant to the Agreement and certain other amounts specified in the Indenture, including any accrued interest will be deposited, will be maintained with the Trustee. Moneys in the Series 2010 Bonds Bond Account are to be made available by the Trustee to the Paying Agent to pay the principal of the Bonds as they mature or the redemption price thereof as it becomes payable, upon surrender thereof, the premium, if any, on the Series 2010 Bonds as it becomes payable and the interest on the Series 2010 Bonds as it becomes payable. The earnings on the Series 2010 Bonds Bond Account are to be retained in the Series 2010 Bonds Bond Account.

On each date on which the Paying Agent is required to make a Mandatory Sinking Fund Payment with respect to the Series 2010 Bonds the Trustee is required to transfer to the Series 2010 Sinking Account from the Bond Account an amount equal to the Mandatory Sinking Fund Payment. The Trustee shall use the sinking account for each Series to purchase or redeem Bonds of such Series. The Academy may deliver Bonds of any Series purchased by it as a credit against future Mandatory Sinking Fund Payments relating to such Series in the years designated in writing by the Academy in its sole discretion at the time of presentation of such Bonds; provided that such Bonds so delivered by the Academy shall be of the same Series and maturity in respect of which the Mandatory Sinking Fund Payment is to be made and shall be delivered no less than 45 days before the sinking fund redemption date. Bonds so redeemed or delivered shall be credited at the sinking fund redemption price set forth in the form of Bonds. If at any time all the Bonds of any Series shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the sinking account for such Series and shall pay the excess to the Academy.

If any Series of Bonds is to be paid or redeemed in full, any balance in any sinking account for such Series may, at the option of the Issuer, to be exercised at the written request of the Academy, be applied in whole or in part to the payment or redemption of such Series or, if not needed for such redemption, transferred to the Bond Account.

Procedure When Funds are Sufficient to Pay All Bonds. If at any time the amounts held by the Trustee in the Funds established under the Indenture are sufficient to pay principal and interest on all Bonds then Outstanding to maturity or prior redemption, together with any amounts due the Trustee and the Issuer, the Trustee shall notify the Issuer and the Academy to that effect and thereafter the Trustee shall apply the amounts in the Funds to the payment of such principal and interest and the Academy shall not be required to pay over any further moneys under the Agreement unless and until it shall appear that there is a deficiency in the Funds held by the Trustee, and any excess shall be paid to the Academy.

Costs of Issuance Fund. Upon the issuance of the Series 2010 Bonds, an amount equal to the Costs of Issuance will be deposited in the Costs of Issuance Fund from proceeds of the Series 2010 Bonds and any other amounts the Academy may choose to deposit therein. The Trustee is to make payments from the Costs of Issuance Fund upon receipt of a requisition from the Academy, signed by a duly authorized officer in accordance with the Indenture. Income or interest on amounts in the Costs of Issuance Fund shall be transferred to the Construction Fund each month. On April 1, 2011, any moneys remaining in the Costs of Issuance Fund relating to the Series 2010 Bonds are to be transferred to the Construction Fund.

Construction Fund. Certain proceeds of the Series 2010 Bonds will be transferred to the Trustee for deposit in the Construction Fund. Moneys on deposit in the Construction Fund are to be used to pay the Cost of the Project as provided in the Indenture and the Agreement. The Trustee is to make payments from the Construction Fund upon receipt of a requisition from the Academy signed by its Treasurer, Chair of the Board or President or other officer of the Academy authorized by the Treasurer or Chair of the Board in accordance with the Indenture. Interest and other income received on investment of Construction Fund moneys are to be retained in the Construction Fund and may be expended at any time or from time to time to pay Cost of the Project in the same manner as the proceeds of Bonds deposited in the Construction Fund are expended. The establishment of the Construction Fund shall be for the benefit of the Academy, and, except during the continuance of an Event of Default under the Indenture, the Trustee shall make payments therefrom upon compliance with the procedures set forth in the Indenture.

Upon the completion of the Project, or an addition to the Project financed by Additional Bonds, as the case may be, as evidenced by a certificate of the Academy delivered to the Trustee, any amounts remaining in the Construction Fund (including the earnings from investments thereof) (a) shall be applied by the Trustee, at the written direction of the Treasurer or President of the Academy or other officer of the Academy authorized by the Treasurer or President in writing (with a copy of such written authorization delivered to the Trustee), (i) to the purchase of Bonds of the Series as to which the Construction Fund moneys relate at such price and upon such terms and conditions as the Academy may direct, or (ii) to the redemption of Bonds of the Series as to which the Construction Fund moneys relate, on the first redemption date occurring after such completion, at the applicable optional or mandatory redemption price (provided, however, that no exercise of any option to redeem shall be required if such exercise would involve the payment of a premium or penalty), or (b) at the written direction of the Treasurer or President of the Academy or other officer of the Academy authorized by the Treasurer or President in writing (with a copy of such written authorization delivered to the Trustee), shall be transferred to the Bond Fund and applied to the payment of maturing principal of or interest on any of the Bonds of such Series. Unless there shall be delivered to the Trustee a favorable opinion of nationally recognized bond counsel, amounts held for application under this provision shall not, after the completion of the Project, be invested at a yield materially in excess of the yield on the Bonds from which such amounts were derived. Any Bonds purchased or redeemed by the Trustee in accordance with this provision shall be cancelled, and the Academy will receive a credit corresponding to such Bonds, and to any deposit in the Bond Fund as contemplated by this provision, against its obligation to make Installment Sale Payments under the Agreement.

Rebate Fund. The Rebate Fund is a special trust fund created under the Indenture and held by the Trustee for the deposit of certain amounts that may be required to be paid to the United States in compliance with Section 148 of the Code and the Treasury Regulations promulgated thereunder. Amounts credited to the Rebate Fund will at all times be free and clear of any lien under the Indenture and shall be held only for purposes stated in the Indenture.

Deposits and Security Therefor. All moneys received by the Trustee under the Indenture shall, except as hereinafter provided, be held by the Trustee, until or unless invested or deposited as provided below under “-Investment of Deposit of Funds.” All deposits with the Trustee (whether original deposits under this provision or deposits or re-deposits under “-Investment of Deposit of Funds” below) shall, to the extent not insured by the Federal Deposit Insurance Corporation, be secured by a pledge of cash or direct obligations of the United States of America having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance so deposited. Such security shall be deposited with a Federal Reserve Bank or with the trust department of the Trustee as authorized by law with respect to trust funds. Except as otherwise permitted by the provisions described below under “-Investment of Deposit of Funds,” all deposits in any other depository shall not exceed the amounts insured by the Federal Deposit Insurance Corporation.

Investment or Deposit of Funds. The Trustee shall, at the request and written direction of the Academy, invest moneys held in the Rebate Fund and the other Funds established under the Indenture in Permitted Investments. In the absence of written direction of the Academy, the Trustee shall invest in Permitted Investments designated in subparagraph (h) of the definition thereof.

The interest and income received upon such investments of the Rebate Fund, the Construction Fund and the Bond Fund, or any account therein, and any profit or loss resulting from the sale of any investment shall be added or charged to the respective Fund or account, as appropriate. In the case of the Bond Fund, such interest or income received or paid shall be held in the Bond Fund with a corresponding credit to be given at the time of payment to the Bond Fund against the Academy’s obligation to make Installment Sale Payments under the Agreement.

Payment of Principal of and Premium, if any, and Interest on Bonds. The Issuer shall promptly pay or cause to be paid the principal or applicable redemption price of, and the premium, if any, and interest on, every Bond issued under the Indenture according to the terms thereof, but only out of the Trust Estate. The Series 2010 Bonds shall be special, limited obligations of the Issuer, payable solely from the Trust Estate, and shall never constitute the debt or indebtedness of the Issuer or the State or any political subdivision thereof within the meaning of any provision or limitation of the New Mexico Constitution or statutes or the Act, and shall not constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers. At the direction of the Academy, the Issuer shall appoint one or more Paying Agents for such purpose, each such agent to be a national banking association, a bank and trust company or a trust company. Pursuant to the Indenture, the Issuer will appoint the Trustee to act as sole Paying Agent for the Series 2010 Bonds, and designate the principal corporate trust office of the Trustee as the place of payment, such appointment and designation to remain in effect until notice of change is filed with the Trustee by the Issuer or the Academy.

In respect of each Series of Bonds, the Issuer, at the direction of the Academy, shall appoint a Paying Agent in each city or political subdivision specified as a place of payment of the Bonds at an office at which Bonds of the Series may be presented or surrendered for payment, or for registration, transfer or exchange. At the direction of the Academy, the Issuer shall give written notice to the Trustee of the designation of each such Paying Agent and of its designated office location for purposes of such agency, and of any change in the Paying Agent or of its designated office location. Any Paying Agent other than the Trustee shall be a person which would meet the requirements for qualifications as a Trustee

imposed by the Indenture. The Trustee shall have no responsibility for the acts of a Paying Agent or a co-Paying Agent appointed under the Indenture other than the Trustee.

The Issuer, at the direction of the Academy, shall require any Paying Agent, other than the Trustee, to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee that such Paying Agent will (1) hold all sums held by it for the payment of the principal of (and premium, if any), or interest on, Bonds in trust for the benefit of the Owners of such Bonds until such sums shall be paid to such Owners or otherwise disposed of as provided in the Indenture; and (2) at any time during the continuance of an Event of Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

Maintenance of Existence and Status. The Issuer shall maintain its existence according to law.

Enforcement of Agreement. The Trustee on behalf of the Issuer, subject to the terms and conditions of the Indenture and the Agreement, shall enforce the payment of all amounts payable under the Agreement and shall require the Academy to perform its obligations thereunder.

Further Assurances. The Issuer shall not enter into any contract or take any action by which the rights of the Trustee or the Owners may be impaired and shall, from time to time, execute and deliver such further instruments, without cost or expense to the Issuer, any such cost or expense to be paid by the Academy, and take such further action as may be reasonably required to carry out the purposes of the Indenture.

Protection of Lien. The Academy shall file financing statements relating to the Indenture, or the Indenture itself, in such manner and at such places as may be required by law to fully to protect the security of the Owners of the Bonds and the right, title and interest of the Trustee in and to the Trust Estate or any part thereof. The Trustee shall timely file such continuation statements or other applicable UCC forms with respect to financing statements filed in connection with the issuance of each Series of Bonds as are necessary to protect the security of the Owners of the Bonds and the right, title and interest of the Trustee in and to the Trust Estate or any part thereof. From time to time, the Trustee may cause the Academy to furnish to the Trustee an opinion of Counsel setting forth what, if any, actions by the Issuer or the Trustee should be taken to preserve such security. The Issuer may execute or cause to be executed, without cost or expense to the Issuer, any and all further instruments as may reasonably be requested by the Trustee for such protection of the interests of the Trustee and the Owners. The Trustee, on behalf of the Issuer, shall cause the Academy to provide such additional instruments which may be reasonably requested by the Trustee to preserve the lien of the Indenture. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel will preserve the lien of the Indenture upon the Trust Estate or any part thereof until the aforesaid principal shall have been paid.

Compliance With Tax Certificate. The Issuer covenants and agrees that it will observe and not violate the requirements of Section 148 of the Code and any regulations applicable to the Issuer and that it will comply with all obligations of the Issuer under any tax certificate delivered by the Issuer in connection with the issuance of the Series 2010 Bonds.

Events of Default Defined. Each of the following events will constitute an “Event of Default” under the Indenture:

(a) If payment of the principal or redemption price of, or any premium on, any Bond is not made when it becomes due and payable at maturity or upon call for redemption; or

(b) If the required payment is not made into any sinking account established pursuant to the Indenture when the same is due and payable; or

(c) If payment of any installment of interest on any Bond is not made when it becomes due and payable; or

(d) If an “Event of Default” as defined in the Agreement occurs. (See the caption “The Installment Sale Agreement - Defaults” herein.)

Acceleration. If any Event of Default occurs, the Trustee may, in its discretion, and upon request of the Owners of at least 25% in principal amount of the Bonds then Outstanding shall, by notice in writing to the Issuer and the Academy, declare the principal of all Bonds then Outstanding to be immediately due and payable; and upon such declaration, the said principal, together with premium, if any, and interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Bonds to the contrary notwithstanding. Upon any acceleration, interest on the Bonds shall cease to accrue as of the date of the declaration of acceleration and the Trustee shall immediately exercise such rights as it may have under the Agreement to declare all Installment Sale Payments thereunder to be immediately due and payable. Upon the occurrence of any acceleration as aforesaid provided sufficient moneys are available for payment, the Trustee shall cause a notice thereof, notifying the Owners of the date of acceleration and the cessation of accrual of interest on the Bonds and stating a date for payment of all Outstanding Bonds, to be mailed to all Owners of Outstanding Bonds at their registered addresses. Such notice shall state that the Bonds will be payable at the principal corporate trust office of the Trustee upon surrender of the Bonds to be paid.

At any time after such a declaration of acceleration has been made, but before any judgment or decree for payment of money due on any Bonds has been obtained by the Trustee, the owners of a majority in principal amount of the Bonds Outstanding may, by written notice to the Issuer, the Academy and the Trustee, rescind and annul such declaration and its consequences if:

(a) there is deposited with the Trustee a sum sufficient to pay:

(1) all overdue installments of interest on all Bonds;

(2) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefore in such Bonds;

(3) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(4) all amounts owned under the Agreement to Issuer are paid in full; and

(b) all events of default, other than the non-payment of the principal of Bonds which have become due solely by such declaration of acceleration, have been cured or have been waived.

Other Remedies. If any Event of Default occurs and is continuing, the Trustee, before or after declaring the principal of the Bonds immediately due and payable, may enforce each and every right granted to the Issuer or the Trustee under the Agreement and may apply the Trust Estate to the payment of principal of or interest on the Bonds. In exercising such rights and the rights given the Trustee under the Indenture, the Trustee shall take such action, as in the judgment of the Trustee, applying the standards described in the Indenture, would best serve the interests of the Owners.

Legal Proceedings by Trustee. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of at least 25% in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction shall, in its own name or in the name of the Issuer if necessary to maintain the action:

(a) By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, including the right to collect the amounts payable under the Agreement and the Guaranty; and

(b) By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners.

Discontinuance of Proceedings by Trustee. If any proceeding taken by the Trustee on account of any Event of Default is discontinued or is determined adversely to the Trustee, the Issuer, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture as though no such proceeding had been taken, but subject to the limitations of any such adverse determination.

Owners May Direct Proceedings. The Owners of a majority in principal amount of the Bonds Outstanding under the Indenture shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall not be required to comply with any such direction which it deems to be unlawful or unjustly prejudicial to Owners not parties to such direction. The Trustee shall not be required to use or apply its own funds without first having received satisfactory indemnity from the Owners.

Limitation on Actions by Owners. No Owners shall have any right to pursue any remedy under the Indenture or under the Agreement unless:

(a) the Trustee shall have been given written notice of an Event of Default,

(b) the Owners of at least 25% in principal amount of the Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers granted in the Indenture or to pursue such remedy in its or their name or names,

(c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and

(d) the Trustee shall have failed to comply with such request within a reasonable time;

provided, however, that nothing in this provision of the Indenture shall affect or impair the right of any Owner of any Bond to enforce payment of the principal thereof and premium, if any, and interest thereon at and after the maturity thereof, or the obligation of the Academy to pay on behalf of the Issuer such principal, premium, if any, and interest to the respective Owners of the Bonds at the time and place, from the source and in the manner expressed in the Indenture and in the Bonds, provided further that such action shall not disturb or prejudice the lien of the Indenture.

Trustee May Enforce Rights Without Possession of Bonds. All rights under the Indenture and the Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceedings instituted by the Trustee shall be brought in its name for the ratable benefit of the Owners of the Bonds.

Delays and Omissions Not to Impair Rights. No delay or omission in respect of exercising any right or power accruing upon any Event of Default shall impair such right or power or be a waiver of such Event of Default and every remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys in Event of Default. Any moneys received by the Trustee under the Indenture upon any Event of Default shall be applied in the following order:

(a) to the payment of the expenses of the Trustee, including reasonable counsel fees of counsel to the Trustee, any disbursements of the Trustee and its reasonable compensation;

(b) to the payment of expenses of the Issuer, including reasonable counsel fees in connection with the Event of Default;

(c) to the payment of principal or redemption price (as the case may be), premium, if any, and interest then owing on the Bonds and in case such moneys shall be insufficient to pay the same in full, then to the payment of principal or redemption price, premium, if any, and interest ratably, without preference or priority of one over another or of any installment of interest over any other installment of interest; and

The surplus, if any, remaining after the application of the moneys as set forth above shall be paid to the Academy or the person lawfully entitled to receive the same as a court of competent jurisdiction may direct.

Trustee and Owners Entitled to All Remedies; Remedies Not Exclusive. It is the purpose of the Indenture to provide to the Trustee and the Owners all rights and remedies as may be lawfully granted under the provisions of the laws of the State; but should any remedy in the Indenture granted be held unlawful, the Trustee and the Owners shall nevertheless be entitled to every remedy permitted by the laws of the State. It is further intended that, insofar as lawfully possible, the provisions of the Indenture shall apply to and be binding upon any trustee or receiver appointed under the laws of the State.

No remedy conferred in the Indenture is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given under the Indenture or now or after the date of execution and delivery of the Indenture existing at law or in equity or by statute.

Amendments and Supplements Without Owners' Consent. The Indenture may be amended or supplemented in connection with the issuance of Additional Bonds, or at any other time and from time to time, without notice to or the consent of the Owners by a supplemental indenture authorized by a Certified Proceeding filed with the Trustee, for one or more of the following purposes:

(a) To set forth any or all of the matters in connection with the issuance of Additional Bonds required by the Indenture;

(b) To subject additional property to the lien of the Indenture;

(c) To add additional covenants of the Issuer or to surrender any right or power conferred in the Indenture upon the Issuer;

(d) To make any other change which, in the opinion of nationally recognized bond counsel, does not materially impair the security of the Indenture or adversely affect the Owners;

(e) To comply with applicable tax or securities laws if such compliance does not materially impair the security of the Indenture or adversely affect the Owners;

(f) To provide for the appointment of a successor Trustee; and

(g) To modify, eliminate or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or under any similar federal statute enacted after the execution and delivery of the Indenture.

Amendments and Supplements With Owners' Consent. Other than as provided in (a) through (g) above, the Indenture may be amended from time to time, by a supplemental indenture approved by the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding; provided that no amendment shall be made which adversely affects one or more but less than all Series of Bonds without the consent of the Owners of at least a majority of all the Outstanding Bonds of each Series so affected, and no amendment shall be made which affects the rights of some but less than all the Outstanding Bonds of any one Series without the consent of the Owners of a majority of the Bonds so affected. The Indenture may be amended with respect to (i) payment of the principal, premium, if any, or interest payable upon any Bond, and (ii) the dates of maturity or redemption provisions of any Bond, only with the unanimous consent of all Owners affected. No supplemental indenture shall be made without the prior written consent of the Academy.

Issuer and Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel. The Trustee is authorized to join with the Issuer and the Issuer is authorized to join with the Trustee in the execution and delivery of any supplemental indenture or amendment permitted by the provisions of the Indenture summarized above and in so doing each shall be fully protected by an opinion of Counsel that such supplemental indenture or amendment is so permitted and has been duly authorized by the Issuer and the Trustee and that all things necessary to make it a valid and binding agreement have been done. Prior to making any amendment or supplement to the Indenture, there shall be filed with the Trustee (i) a copy of the proposed amendment or supplement and (ii) if the amendment or supplement relates to any matter other than those described in (a) through (g) above, an opinion of nationally recognized bond counsel to the effect that such amendment or supplement will not have an adverse effect on the exemption of interest on the Outstanding Bonds from federal income tax and, unless the Trustee shall have otherwise given its consent to such amendment or supplement, to the further effect that such amendment or supplement will not otherwise adversely affect the interests of the Owners. Fees and expenses of the Trustee and the City relating to any amendments or supplements shall be paid by the Academy.

Defeasance. When the principal or redemption price (as the case may be) of, and premium, if any, and interest on, all Bonds issued under the Indenture, together with all other sums payable under the Indenture, including, but not limited to, Trustee's fees and reasonable counsel and administrative fees, have been paid (or provision has been made for payment of the same) the Trustee's right, title and interest in the Agreement and the moneys payable thereunder shall thereupon cease and the Trustee, on written demand of the Academy, shall release the Indenture and shall execute such documents to evidence such release as may be reasonably required and shall turn over to the Academy or its assigns all balances then held by it under the Indenture not required for the payment of the Bonds and such other sums. If such payment or provision thereof or has been made with respect to all the Bonds of any one Series, the interest of the Trustee in the Agreement shall cease in respect of such Series, and the Trustee shall take similar action for the release of the Indenture with respect to that Series.

Without limiting the generality of the foregoing, provision for the payment of any Bonds shall be deemed to have been made when each of the following has occurred: (a) an escrow agent (who may be the Trustee) shall have available for the payment of the principal or redemption price of, and the

premium, if any, and interest, on those Bonds, (i) cash in an amount sufficient to make all payments specified above, or (ii) noncallable Defeasance Obligations, maturing on or before the date or dates when the payments specified above shall become due, the principal amount of which and the interest thereon, when due, is or will be, in the aggregate, sufficient without reinvestment to make all such payments, or (iii) any combination of cash and such Defeasance Obligations; (b) such cash, Defeasance Obligations or combination thereof, if the Bonds to be paid are to be advance refunded, shall have been irrevocably deposited with an escrow agent; and (c) any Bonds to be redeemed prior to maturity shall have been duly called for redemption or irrevocable instructions to call such Bonds for redemption shall have been given to the Trustee. The escrow agent shall also receive evidence satisfactory to it that the cash and Defeasance Obligations delivered will be sufficient to provide for the payment of the Bonds as aforesaid. Neither the Defeasance Obligations nor moneys deposited with the escrow agent pursuant to this paragraph may be withdrawn or used for any purpose other than as provided in the escrow agreement relating thereto, and such Defeasance Obligations and moneys shall be segregated and held in trust for the payment of the principal or redemption price of, and premium, if any, and interest, on the Bonds with respect to which such deposit has been made.

The Installment Sale Agreement

The following is a summary of certain provisions of the Agreement and is qualified in its entirety by reference to the Agreement. Under the Agreement, the Academy will be obligated to make Installment Sale Payments to the Trustee, for the account of the Issuer, on the dates, in the amounts and in the manner so as to enable the Issuer to cause payment to be made to the Owners of the Bonds of the principal of, premium, if any, and interest on the Bonds, whether at their maturities, as provided in the Agreement. See "Term of Agreement and Installment Sale Payments" under this caption.

Issuance of the Bonds. Pursuant to the 2010 Agreement, the Issuer agrees, upon request of the Academy, to issue and sell the Series 2010 Bonds to provide funds to defray the costs of the Refunding, including the cost of termination of a swap agreement related to the Refunded Bonds, and the costs of acquiring for sale to the Academy the Project and for the payment of the Costs of Issuance, and to deposit the proceeds therefrom with the Trustee as provided in the Agreement. From the net proceeds of the sale of the Series 2010 Bonds, an amount equal to \$6,043,077.92 will be deposited in the Construction Fund, an amount equal to accrued interest, if any, to be paid for the Series 2010 Bonds will be deposited in the Bond Fund, and an amount equal to the Costs of Issuance will be deposited in the Costs of Issuance Fund. Pursuant to the terms of the Indenture, the Issuer has authorized and directed the Trustee to make payments from the Construction Fund to pay the Cost of the Project, or to reimburse the Academy for any Cost of the Project paid by it upon receipt of requisitions as specified in the Agreement. If for any reason the amount in the Construction Fund proves insufficient to pay all Cost of the Project, the Academy agrees to pay that portion of the Cost of the Project in excess of the moneys available therefor in the Construction Fund.

Term of Agreement. The Agreement shall remain in full force and effect from the date of delivery of the Agreement until such time as all of the Bonds shall have been fully paid or provision made for such payment pursuant to the Indenture and all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Bonds and all liabilities of the Academy accrued and to accrue through final payment of the Bonds have been paid.

Installment Sale Payments; Payment of the Purchase Price of the Project. As consideration for the issuance of the Bonds and the purchase by the Academy of the Issuer's right, title and interest in and to the Project pursuant to the Agreement, the Academy agrees to pay Installment Sale Payments to the Trustee, from general funds, and as a general obligation, of the Academy, five days prior to the applicable Interest Payment Date or other date of payment of such amounts to the Owners of the Bonds (or the

preceding Business Day if such fifth day is not a Business Day), in the amounts and in the manner so as to enable the Trustee to cause payment to be made to the Owners of the Bonds of the principal of, premium, if any, and interest on the Bonds, whether at their maturities, upon redemption or otherwise, provided that any amount credited under the Indenture against any payment required to be made by the Issuer thereunder shall be credited against the corresponding payment required to be made by the Academy under the Agreement. Notwithstanding anything to the contrary contained in the Agreement, the Academy has covenanted that it will make the Installment Sale Payments at such times and in such amounts to assure that payment of the principal of and premium, if any, and interest on the Bonds shall be made when due. The aggregate amount of all such Installment Sale Payments is referred to in the Agreement as the “Purchase Price.”

Additional Payments. In addition to the Installment Sale Payments, the Academy shall pay directly to the party entitled to payment “Additional Payments,” as follows:

(a) All annual fees, and reasonable charges and expenses of the Trustee and its counsel and any Paying Agents designated under the Indenture for ordinary services customarily performed by the Trustee and Paying Agents, and all fees, charges and any reasonable expenses of the Trustee for any extraordinary services rendered by the Trustee under the Indenture, and any fees, charges and expenses in connection with the services of any agent appointed pursuant to the rebate provisions of the Indenture, as and when the same shall be due and payable;

(b) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Issuer or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required or deemed necessary under the Agreement, the Guaranty or the Indenture;

(c) The reasonable fees and expenses of the Issuer in connection with the Agreement, the Guaranty, the Bonds or the Indenture, and the administration thereof, including any and all expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or incurred by the Issuer in connection with any action, adjustment, revision, litigation, claim or dispute which may at any time be made or instituted involving the Agreement, the Guaranty, the Bonds or the Indenture or any of the other documents contemplated thereby; and

(d) Any amounts necessary to be deposited into the Rebate Fund in order to fully rebate any amounts required to be paid to the United States Treasury pursuant to Section 148 of the Code.

Such Additional Payments shall be billed to the Academy by the Issuer, the Trustee or such other parties, as the case may be, from time to time. Upon request of the Academy, the Issuer, the Trustee or other such parties shall certify that the amount billed has been incurred for one or more of the above items and shall specify such item or items.

Prepayment to Redeem Bonds. Upon the occurrence of an event which gives rise to any mandatory redemption of all or a portion of any series of Bonds under the terms thereof, the Academy will so notify the Issuer in writing, and the Issuer will direct the Trustee to redeem such series of Bonds or portions thereof in accordance with the provisions of the Indenture. Whenever any Series of Bonds is subject to optional redemption, the Issuer will, but only upon written request of the Academy, which request shall include the maturity or maturities of such Series which the Academy wishes to redeem, redeem the same in accordance with such request. In either event, the Academy will pay an amount equal to the applicable redemption price as a prepayment of the Purchase Price in an amount corresponding to the redemption price of the Series of Bonds or portions thereof to be redeemed, together with interest accrued to the date of redemption. Whenever during the term of the Agreement, the Agreement is

determined to be invalid or a Determination of Taxability occurs and a mandatory redemption of the Bonds is required in accordance with the provisions of the Indenture, the Academy shall have and accepts the obligation to prepay the Purchase Price by paying to the Trustee an amount equal to the applicable redemption price of the Series of Bonds or portions thereof to be redeemed, together with interest accrued to the date of redemption.

To exercise an option granted in or to perform an obligation required by this provision, the Academy shall give written notice at least fifteen (15) days prior to the last day by which the Trustee is permitted to give notice of redemption pursuant to the Indenture, to the Issuer and the Trustee specifying the amount to be prepaid and the date upon which any prepayment will be made. If the Academy fails to give such notice of a prepayment in connection with a mandatory redemption of any series of Bonds as required in accordance with the provisions of the Indenture, such notice may be given by the Issuer or by the Trustee. The Issuer and the Trustee, at the written request of the Academy, shall forthwith take all steps necessary under the applicable provisions of the Indenture (except that the Issuer shall not be required to make payment of any money required for such redemption) to effect redemption of all or part of such series of Bonds Outstanding, as the case may be, on the earliest practicable date thereafter on which such redemption may be made under applicable provisions of the Indenture. The Issuer hereby appoints the Academy to give all notices and make all requests to the Trustee with respect to the application of funds paid by the Academy as prepayments, including notices of optional redemption of Bonds in conformity with the Indenture.

No Defense or Set-Off. The obligations of the Academy to make the Installment Sale Payments under the Agreement and to perform and observe the other agreements on its part contained therein shall be absolute and unconditional without defense or set-off by reason of any default by the contractors under the Contracts referred to in the Agreement or by the Issuer under the Agreement or under any other agreement between the Academy and the Issuer or for any other reason, including without limitation, failure to complete the Project, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, or failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement, it being the intention of the parties that the Installment Sale Payments required of the Academy under the Agreement will be paid in full when due without any delay or diminution whatsoever. The Agreement shall be deemed and construed to be a “net contract,” and the Academy shall pay absolutely net the Installment Sale Payments and all other payments required thereunder, regardless of any rights of setoff, recoupment, abatement or counterclaim that the Academy might otherwise have against the Issuer or the Trustee or any other party or parties.

Approval of Indenture; Obligations Under Indenture. The Indenture has been submitted to the Academy for examination and the Academy has acknowledged, by execution of the Agreement, that it has approved the Indenture and will perform the obligations assigned to it in the Indenture, including, but not limited to, compliance with the covenant regarding protection of lien and the obligation to pay attorneys’ fees and expenses pursuant to the Indenture. The Academy shall take such action as may be reasonably necessary in order to enable the Issuer and the Trustee to comply with all requirements and to fulfill all covenants of the Indenture to the extent that compliance with such requirements and fulfillment of such covenants are dependent upon any observance or performance required of the Academy by the Indenture or the Agreement.

Acquisition, Construction and Installation of Project. Pursuant to the Agreement, the Issuer has appointed the Academy its true and lawful agent, and the Academy has accepted such agency, without compensation, (a) to construct, acquire and install the Project, (b) to make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instruments, in the name of the Academy as agent for the Issuer, with any other person, and in general to do all things which may be requisite or proper, all for

the purpose of constructing, acquiring and installing the Project with the same powers and with the same validity as the Issuer could do if acting on its own behalf, (c) to pay all fees, costs and expenses incurred in the construction, acquisition and installation of the Project from funds made available thereof or in accordance with the Agreement, and (d) to ask, demand, sue for, levy, recover, and receive all such sums of money, debts, dues and other demands whatsoever which may be due, owing and payable under the terms of any contract, order, receipt or writing in connection with the construction, acquisition and installation of the Project and to enforce the provisions of any contract, agreement, obligation, bond or other performance security.

The Academy has covenanted to use its best efforts to cause the acquisition, construction and installation of the Project to be completed as soon as practicable, delays beyond the reasonable control of the Academy only excepted. If for any reason the acquisition, construction and installation of the Project are not completed, there shall be no resulting diminution in or postponement of the Installment Sale Payments or other payments required to be made under the Agreement. The Academy will be entitled to physical possession and control of the Project at all times and will be liable at all such times for all risks, losses and damages with respect to the Project.

Award of Contracts. The Academy has awarded or will award contracts and issue purchase orders covering the acquisition, construction and installation of the Project. The contracts so awarded and the purchase orders so issued are referred to in the Agreement as the “Contracts.” No approvals of the Issuer shall be required for the award of the Contracts.

Specification of Project; Additions and Changes. The Academy has covenanted to provide for the acquisition, construction and installation of the Project, as generally described in Exhibit B to the Agreement, by any legal means available to the Academy and in the manner determined by the Academy. Subject to the applicable provisions of the Code and the Act, the Academy may make additions to, deletions from and changes in the Project from time to time and will supplement the information contained in Exhibit B to the Agreement by filing with the Trustee and the Issuer such supplemental information as is necessary to reflect changes in the Project so that the Trustee will be able to ascertain the nature and cost of the Project.

Additions and Changes to the Campus; Additional Bonds. The Academy may further improve and equip the Campus with additional facilities (the “Additional Facilities”) beyond such improvements and equipment as are being financed out of the proceeds of the Series 2010 Bonds. In such event and if no Event of Default has occurred and is continuing and to the extent such Additional Bonds qualify as Funded Debt permitted in accordance with covenant set forth under “-Covenant to Maintain Unrestricted Net Assets,” the Academy may request the Issuer to, and the Issuer may at its election proceed, under the provisions of the Act or other applicable law, to issue Additional Bonds as permitted under the Indenture to finance or refinance such Additional Facilities. If Additional Facilities are to be financed by the Issuer, the Academy shall obtain the Issuer’s approval prior to the commencement of acquisition, construction and installation, and the Academy shall amend Exhibit B to the Agreement to include the Additional Facilities as a part of the Campus as provided as described below under “-Specification of Project; Additions and Changes.” With regard to Additional Facilities to be financed pursuant to the terms of this provision, the Academy shall amend the Agreement to provide for the payment of additional Installment Sale Payments in an amount and bearing interest necessary to provide for the payment of the principal of and interest on any such Additional Bonds and to maintain and carry insurance on the Additional Facilities.

Subject to the tax covenants of the Academy set forth in the Agreement, the Academy may, at its option and at its own cost and expense, at any time and from time to time, make such improvements, additions and changes to the Campus as it may deem desirable for its uses and purposes.

Administration of Contracts. The Academy will have full responsibility for preparing, administering, amending and enforcing the Contracts and litigating or settling claims thereunder, and will be entitled to all warranties, guaranties and indemnities provided under the Contracts and by law.

Notices and Permits. The Academy shall give or cause to be given all notices and comply or cause compliance with all laws, ordinances, municipal rules and regulations and requirements of public authorities applying to or affecting the conduct of the acquisition, construction and installation of the Project, and the Academy will defend and save the Issuer, its officers, members, agents and employees, and the Trustee, its officers, representatives, agents, and employees, harmless from all fines, assessments or other charges payable due to failure to comply therewith. All permits and licenses necessary for the acquisition, construction and installation of the Project shall be procured by the Academy or its representatives.

Academy Required to Pay Cost of Project in Event Construction Fund Insufficient. In the event the moneys deposited with the Trustee should not be sufficient to pay the Cost of the Project in full, the Academy agrees to pay that portion of the Cost of the Project as may be in excess of the moneys in the Construction Fund available therefor. There is no representation by the Issuer that the moneys in the Construction Fund will be sufficient to pay the Cost of the Project. The Academy shall not be entitled to any reimbursement for any additional amounts paid under this provision from the Issuer or from the Trustee or from the Owners of any of the Series 2010 Bonds, nor shall the Academy be entitled to any diminution of the Installment Sale Payments payable under the Agreement by reason of its payment of such additional amounts.

Tax Covenants of the Academy. The Academy has affirmatively covenanted and agreed that: (i) it will not use or permit the use of any of the funds provided by the Issuer under the Agreement or any other funds of the Academy, directly or indirectly, or direct the Trustee to acquire securities or obligations or to otherwise Invest any funds held by it under the Indenture or the Agreement, in such manner as would, or enter into, or request any “related person” (as defined in Section 144(a)(3) of the Code) or any person or entity under common arrangement or control with the Academy (within the meaning of Section 145(b)(3) of the Code), to enter into, any arrangement, formal or informal, that would, or take or omit to take any action that would cause any Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code; (ii) it will observe and not violate the requirements of Section 148 of the Code and any applicable regulations and that it will comply with all obligations of the Academy under any tax certificate delivered by the Academy in connection with the issuance of Bonds; (iii) the Academy or any “related person” or any person or entity under common management or control of the Academy shall not, pursuant to an arrangement, formal or informal, purchase Bonds in an amount related to the amount of the Purchase Price; (iv) it will maintain its status as an organization described in Section 501(c)(3) of the Code, and its exemption from federal income tax under Section 501(a) of the Code; (v) it will not use or permit the use of any property financed with the proceeds of Bonds by any person not a “governmental unit” or a “501(c)(3) organization,” both within the meaning of Section 150 of the Code, or by a “501(c)(3) organization” (including the Academy) in an “unrelated trade or business” within the meaning of Section 513(a) of the Code, in such manner or to such extent as would result in the interest paid on the Bonds being includable in the gross income for federal income tax purposes of the Owners; (vi) it will not make any use of the proceeds of the Bonds or any other funds of the Academy that would cause such Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code; (vii) it will not do anything that would cause the interest paid on the Bonds to be includable in gross income for federal income tax purposes; and (viii) it will make any and all payments at such times as is required by the Indenture and the procedures set forth in the Indenture shall be complied with to the extent necessary to maintain the exclusion of the interest paid on the Bonds from gross income for purposes of federal income taxation or to avoid the application of any penalties under the Code. The foregoing covenants and agreements may be modified or amended in whole or in part (without the consent of the Owners of the

Bonds) to the extent that the Academy has delivered, at its expense, to the Trustee and the Issuer an opinion of nationally recognized municipal bond counsel in form and substance satisfactory to the Trustee that such modification or amendment will not adversely affect the exemption of the interest on the Bonds from federal income tax.

Certain Other Covenants of the Academy

Covenant of Academy to Maintain Existence. The Academy has covenanted that, so long as any Bonds are Outstanding under the Indenture, the Academy will maintain its qualification to do business in the State as an educational facility and will maintain its existence as a not-for-profit corporation unless and until the Academy, at its expense, has delivered to the Trustee and the Issuer an opinion of nationally recognized municipal bond counsel to the effect that failure to maintain such existence will not adversely affect the exemption of the interest on the Bonds from federal income tax. The Academy may, however, dissolve or otherwise dispose of all or substantially all of its assets and may consolidate with or merge into a corporation or permit one or more corporations to consolidate or merge into it, if (a) the surviving, resulting or transferee entity, if other than the Academy (i) assumes in writing all of the obligations of the Academy under the Agreement and (ii) immediately thereafter shall not otherwise be in default of any of the Academy's duties or obligations under the Agreement, and (b) the Academy has delivered, at its expense, to the Trustee and the Issuer an opinion of nationally recognized municipal bond counsel in form and substance satisfactory to the Trustee that such action will not adversely affect the exemption of the interest on the Bonds from federal income tax.

Covenant of Academy to Maintain and Operate the Campus. The Academy has agreed that at all times during the term of the Agreement it will, at its own cost and expense, keep and maintain, or cause to be kept and maintained, in good repair and condition (excepting reasonable wear and tear), the Campus and all additions and improvements thereto, and pay, or cause to be paid, any taxes, utility charges and other costs and expenses arising from the use of the Campus, and will operate the Campus in accordance with the Agreement; provided that the Academy need not make or cause to be made any such payment so long as it, in good faith, is contesting any such tax, charge or other cost or expense. The Academy has further agreed to maintain its accreditation by the Independent Schools Association of the Southwest, or an analogous regional or national accreditation association.

Covenant of Academy as to Insurance; Condemnation. The Academy has covenanted, at its expense, to procure and maintain, or cause to be procured and maintained, continuously during the term of the Agreement, insurance policies with respect to the Campus, naming the Issuer as a loss payee, against such risks (including all liability for injury to persons or property arising from the operation of the Campus) and in such amounts as are appropriate and customary in the industry for the size, operation and type of facility covered. The net proceeds from any insurance or condemnation award with respect to the Campus shall be paid to the Academy.

Financial Covenants of the Academy.

(a) The Academy has covenanted at all times to keep, or cause to be kept, so long as any Bonds are Outstanding, adequate books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to the business, properties and operations of the Academy.

(b) The Academy has covenanted that, so long as any Bonds are outstanding, it will furnish the Trustee, within 120 days after the end of each fiscal year, with copies of its audited financial statements as of the end of such year, examined and reported upon by an independent certified public accountant, in each case with a certificate of an authorized representative of the Academy stating that as

of the date of such certificate no event which constitutes an Event of Default, or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such fiscal year, or specifying the nature of such event and the actions taken and proposed to be taken by the Academy to cure such default.

Assignment of Installment Sale Agreement. The Academy may not assign the Agreement or any interest of the Academy therein, either in whole or in part, unless (i) the Academy obtains the prior written approvals of the Issuer and the Trustee (which approvals will not be unreasonably withheld), and (ii) each and every requirement applicable to a surviving, resulting or transferee corporation under the Agreement as described in “Covenant of Academy to Maintain Existence” above has been satisfied with respect to the assignee.

Continuing Disclosure Obligations. The Academy has agreed that so long as any of the Bonds are Outstanding, it will comply with its obligations under any Continuing Disclosure Undertaking executed and delivered by the Academy in connection with the issuance of such Bonds.

Defaults. The Agreement provides that any one or more of the following events will constitute an “Event of Default”:

(a) failure by the Academy to make any Installment Sale Payment as required to be made under the Agreement when the same is due;

(b) failure by the Academy to observe and perform any other covenant, condition or agreement on its part to be observed or performed under the Agreement or to make any Additional Payment for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the Academy by the Trustee; provided that, if such failure is of such nature that it can be corrected, but not within such period, the same shall not constitute an Event of Default so long as the Academy institutes corrective action within such 60-day period and is diligently pursuing the same;

(c) the Academy: (i) admits in writing its inability to pay its debts generally as they become due; (ii) files a petition to be adjudicated a voluntary bankrupt in bankruptcy or a similar petition under any insolvency act; (iii) makes an assignment for the benefit of its creditors; or (iv) consents to the appointment of a receiver or conservator of itself or of the whole or any substantial part of its property; or

(d) the Academy files a petition or answer seeking reorganization or arrangement of the Academy under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof;

(e) the Academy is adjudicated a bankrupt on a petition in bankruptcy filed against it, or a court of competent jurisdiction enters an order or decree appointing, without the consent of the Academy, a conservator or trustee of the Academy or of the whole or substantially all of its property, or approving a petition filed against the Academy seeking reorganization or arrangement of the Academy under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any State thereof, and such adjudication, order or decree is not vacated or set aside or stayed within 60 days from the date of the entry thereof; or

(f) for any reason, the Bonds are declared due and payable by acceleration in accordance with the terms of the Indenture or any Indebtedness of the Academy in excess of \$500,000 is declared due and payable by acceleration in accordance with its terms unless the Academy has bonded or placed in escrow sufficient moneys or posted a letter of credit to cover any disputed amount relating to the Indebtedness during the pendency of any contest or challenge.

Then and in each and every such case the Trustee, as assignee of the Issuer, may declare all sums which the Academy is obligated to pay under the Agreement to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Agreement contained to the contrary notwithstanding.

In case the Trustee, as assignee of the Issuer, shall have proceeded to enforce any right under the Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, as assignee of the Issuer, then and in every such case the Academy, the Issuer and the Trustee shall be restored respectively to their several positions and rights under the Agreement and all rights, remedies and powers of the Academy, the Issuer and the Trustee shall continue as though no such proceeding had been taken, but subject to the limitations of any such adverse determination.

Remedies on Default. The Academy has covenanted in the Agreement that, in case default shall be made in the payment of any sum payable by the Academy under the Installment Sale Agreement as and when the same shall become due and payable, then, upon demand of the Trustee, the Academy will pay to the Trustee, as assignee of the Issuer, the whole amount of the sum that then shall have become due and payable; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Issuer and the Trustee as assignee, and their counsel. In case the Academy shall fail forthwith to pay such amounts upon such demand, the Trustee, as assignee of the Issuer, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Academy and collect in the manner provided by law out of the property of the Academy the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Academy under the United States Bankruptcy Code or any other applicable law, or in case a receiver or trustee shall have been appointed for the benefit of the creditors or the property of the Academy or in the case of any other similar judicial proceedings relative to the Academy or to the creditors or property of the Academy, the Trustee, as assignee of the Issuer, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of the Installment Sale Payments, including interest owing and unpaid in respect thereof, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee, as assignee of the Issuer, allowed in such judicial proceedings relative to the Academy, its creditors, or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it or the Issuer for compensation and expenses, including counsel fees incurred by it up to the date of such distribution.

Whenever all sums which the Academy is obligated to pay under the Installment Sale Agreement shall have been declared to be immediately due and payable, the Trustee shall be entitled to any one or more of the following remedies:

(a) Any moneys received by the Issuer under the Agreement shall be paid to the Trustee as assignee of the Issuer and applied pursuant to the Indenture.

(b) The Trustee may take whatever action may be available at law or in equity as may appear necessary or desirable to collect any amounts payable by the Academy thereunder or to enforce

performance and observance of any obligation, agreement or covenant of the Academy under the Agreement or the Guaranty.

No action taken pursuant to this provision (including termination of the Agreement) shall relieve the Academy from the Academy's obligations pursuant to the Agreement to pay the Purchase Price of the Project, to indemnify the Issuer and the Trustee, to procure and maintain insurance and as described under this caption, all of which shall survive any such action.

No remedy conferred upon or reserved to the Issuer or the Trustee by the Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement or now or after the date of execution and delivery of the Agreement existing at law or in equity or by statute. No waiver by the Issuer or the Trustee of any breach by the Academy of any of its obligations, agreements or covenants under the Agreement shall be a waiver of any subsequent breach, and no delay or omission to exercise any right or power shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Options and Obligations to Prepay. The Academy will have the option to prepay the amounts payable under the Agreement upon the occurrence of certain conditions described in the Agreement. In addition, the Academy will have the obligation to prepay the amounts payable under the Agreement upon the occurrence of certain events described in the Agreement.

Amendment of Agreement. If the Issuer and the Academy propose to amend the Agreement, the Trustee may consent thereto; provided that, if such proposal would amend the Agreement in such a way as would adversely affect the interests of the Owners of the affected Series of Bonds, the Trustee must notify Owners 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; provided further, that no amendment shall be consented to by the Trustee which would (i) decrease the amounts payable under the Agreement, (ii) change the date of payment, or (iii) change any provisions with respect to amendment; and provided further, that no amendment shall be consented to which adversely affects one or more but less than all Series of Bonds without the consent of the Owners of at least a majority in aggregate principal amount of all the Outstanding Bonds of each Series so affected, and no amendment shall be consented to which so affects the rights of some but less than all the Outstanding Bonds of any one Series without the consent of the Owners of at least a majority in aggregate principal amount of the Bonds so affected.

The Guaranty

The following is a summary of certain provisions of the Guaranty and is qualified in its entirety by reference to the Guaranty.

Guaranty of Payment of the Bonds. Under the Guaranty, the Academy absolutely and unconditionally guarantees to the Trustee for the benefit of the owners at any time and from time to time of the Bonds the full and prompt payment in accordance with the provisions of the Indenture of:

- (a) the principal of any Bond when and as the same shall become due and payable, whether at the stated maturity thereof, by acceleration or call for redemption or otherwise;
- (b) the redemption premium (if any) on any Bond when and as the same shall become due and payable; and

- (c) the interest on any Bond when and as the same shall become due and payable.

If the owner of any Bond shall fail to receive any such payment as and when said payment becomes due and payable, the Academy shall immediately pay to the Trustee, in lawful money of the United States of America, an amount equal to the required payment. In the event of such a failure, the Guaranty is a primary and original obligation of the Academy and is an absolute, unconditional, continuing and irrevocable guarantee of payment and not of collectability or performance and is in no way conditioned or contingent upon any attempt to collect from the Issuer or to realize upon any of the Trust Estate. The Guaranty shall remain in full force and effect without respect to future changes in conditions, including change in law, until the principal of, redemption premium (if any) and interest on the Bonds and all other amounts payable pursuant to the terms of the Bonds or the Indenture shall have been paid in full or shall be deemed to have been paid in full in accordance with the Indenture. Subject to the provisions of the Guaranty described under the caption "Remedies" below and unless all of the Bonds shall have become due at stated maturity or by acceleration or call for redemption prior to stated maturity, each and every default in payment of the principal of, redemption premium (if any) or interest on any Bond or any other amount payable pursuant to the terms of the Bonds or the Indenture shall give rise to a separate cause of action under the Guaranty and separate suits may be brought under the Guaranty as each cause of action arises. Under the Guaranty, the Academy waives (i) notice of the acceptance thereof, of any action taken or omitted in reliance thereof, and of any defaults by the Issuer in the payment of any such sums, (ii) any presentment, demand, notice or protest of any kind, and (iii) any other act or thing or omission or delay to do any other act or thing which might in any manner or to any extent vary the risk of the Academy or which might otherwise operate as a discharge of the Academy.

Nature of Obligations. All obligations of the Academy under the Guaranty shall be absolute, unconditional, continuing and irrevocable and shall remain in full force and effect until the entire principal of, redemption premium (if any) and interest on the Bonds and all other amounts payable pursuant to the terms of the Bonds or the Indenture shall have been paid or shall be deemed to have been paid in accordance with the Indenture and, until such payment, or the occurrence of those conditions upon which payment shall be deemed to have occurred, shall not be affected, modified, impaired or discharged upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to or the consent of the Academy:

- (a) the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Issuer under or contemplated by the Indenture;
- (b) the failure to give notice to the Academy of the occurrence of an event of default under the terms and provisions of the Guaranty, the Agreement or the Indenture, except as may be otherwise specifically provided in the Guaranty;
- (c) the assigning or mortgaging or the purported assigning or mortgaging of all or any part of the interest of the Academy in the Project and the Campus;
- (d) the waiver of the payment, performance or observance by the Issuer of any of its obligations, covenants or agreements contained in or contemplated by the Agreement or the Indenture;
- (e) the extension of the time for payment of any principal of or redemption premium (if any) or interest on any Bond or any part thereof owing or payable on such Bond or of the time for performance of any other obligation, covenant or agreement under, arising out of or contemplated by the Indenture or the further extension or the renewal thereof;

(f) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in or contemplated by the Indenture;

(g) the taking or the omission of any of the actions referred to in or contemplated by the Indenture;

(h) any failure, omission, delay or lack on the part of the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Trustee by the Guaranty or by the Indenture, or any other act or acts on the part of the Issuer, the Trustee or any of the owners at any time or from time to time of the Bonds;

(i) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition which creditors or readjustment, or other similar proceedings affecting the Academy or the Issuer or any of the assets of any of them, or any allegation or contest of the validity of the Guaranty in any proceeding;

(j) to the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge of the Academy by the operation of law from the performance or observance of any obligation, covenant or agreement contained in the Guaranty;

(k) any right of set-off, counterclaim, reduction, or diminution which the Academy might have against the Issuer or the Trustee;

(l) the failure of the Academy fully to perform any of its obligations set forth in the Guaranty; or

(m) any other circumstance, occurrence or condition, whether similar or dissimilar to any of the foregoing, that might be raised in avoidance of, or in defense against an action to enforce, the obligations of the Academy under the Guaranty.

Events of Default. The Guaranty provides that any of the following events will constitute an “Event of Default”:

(a) failure by the Academy to make any payment required to be made under the Guaranty as and when the same shall become due and payable and the continuation of such failure through the close of business on the day immediately following the day on which the Academy shall have received notice (either by facsimile or registered mail) from the Trustee that any such payment is due and payable;

(b) failure by the Academy to observe and perform any condition or agreement of the Guaranty on its part to be observed or performed, other than as referred to in subsection (A) above for a period of 90 days after written notice, specifying such failure and requesting that it be remedied, given to the Academy by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if it is possible to correct such failure and corrective action is instituted by the Academy within the applicable period and diligently pursued until the failure is corrected;

(c) any representation by the Academy contained in the Guaranty proves false or misleading in any material respect as of the date of the making or furnishing thereof; or

(d) an “event of default” occurs and is continuing under the Agreement or the Indenture.

Remedies. Whenever any event of default under the Guaranty shall have occurred and is continuing, the Trustee may and, if requested to do so in writing by the owners of a majority in aggregate principal amount of the Bonds then outstanding and furnished indemnification as provided in the Guaranty, the Trustee shall be obligated to proceed under the Guaranty, and the Trustee shall have the right to proceed first and directly against the Academy under the Guaranty without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by the Trustee. Before taking any action under the Guaranty, the Trustee may require that satisfactory indemnity be furnished by those owners requesting such action by the Trustee for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default, by reason of any action so taken.

The right to enforce the Guaranty is vested exclusively in the Trustee for the equal and pro rata benefit of all owners at any time of the Bonds, unless the Trustee refuses or neglects to act within a reasonable time after being requested in writing so to do by the owners of at least a majority in aggregate principal amount of the Bonds then outstanding and after being furnished satisfactory indemnity as aforesaid, in which event the owner of any of the Bonds may thereupon so act in his own name in lieu of action by or in the name and behalf of the Trustee; provided, however, that no such owner shall be entitled to take any action to enforce the Guaranty if and to the extent that the taking of such action would under applicable law result in a surrender, impairment, waiver or loss of the rights under the Guaranty of any other owners of any of the Bonds. Except to the extent allowed above, no owner of any of the Bonds shall have the right to enforce the Guaranty, and then only for the equal and pro rata benefit of the owners of all the Bonds.

No remedy conferred upon or reserved to the Trustee in the Guaranty is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Guaranty or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance under the Guaranty shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in the Guaranty, it shall not be necessary to physically produce the Bonds in any proceedings instituted by the Trustee or to give any notice, other than such notice as may be expressly required in the Guaranty. Nothing contained in the Guaranty shall be deemed to preclude any action or proceeding taken by any owner of any Bonds against the Academy in the event of non-payment of the principal of, redemption premium (if any) or interest on the Bonds of such owner, but any judgment or recovery so had by any owner of any Bonds shall be deemed to thereby reduce any recovery under the Guaranty to which the Trustee may be entitled, and such owner shall thereupon, to the extent of such recovery, be excluded from participating in any amount so recovered by the Trustee.

The Guaranty is entered into by the Academy for the benefit of the Trustee and the owners of the Bonds and any successor trustee or co-trustee and their respective successors and assigns under the Indenture, all of whom shall be entitled to enforce performance and observance of the Guaranty (subject to the provisions relating to remedies) and of the guaranties and other provisions contained in the Guaranty to the same extent as if they were parties signatory thereto.

The terms of the Guaranty may be enforced as to any one or more breaches, either separately or cumulatively.

Waivers, Amendments and Modifications. If any provision contained in the Guaranty should be breached by the Academy and thereafter waived by the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Guaranty. No waiver, amendment, release or modification of the Guaranty shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the Trustee. The Trustee shall not consent to any amendment or modification of the Guaranty or waive any of the provisions thereof without the giving of notice and the written approval or consent of the owners of not less than a majority in principal amount of the Bonds at the time outstanding unless, in the opinion of nationally recognized bond counsel, such amendment or modification does not materially adversely affect the interests of the owners. If at any time the Academy shall request the consent of the Trustee to any such proposed amendment or modification of the Guaranty or the waiver of any of the provisions thereof, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, modification or waiver to be mailed by first class mail to the registered owners of the Bonds at the address shown on the registration books kept by the Trustee. Such notice shall briefly set forth the nature of such proposed amendment, modification or waiver and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all owners of the Bonds. If, within 60 days or such longer period as shall be prescribed by the Trustee following the giving of such notice, the owners of not less than the requisite percentage of outstanding Bonds as required in this Section shall have consented to or approved the execution of such amendment, modification or waiver of the Guaranty as provided therein, no owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Academy from executing the same or from taking any action pursuant to the provisions thereof.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS AND SCHEDULES
OF THE ALBUQUERQUE ACADEMY AS OF AND FOR
THE FISCAL YEAR ENDED JUNE 30, 2009**

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**ALBUQUERQUE ACADEMY
AND SUBSIDIARY
Consolidated
Financial Statements
for the Years Ended
June 30, 2009 and 2008,
and Independent
Auditors' Report**

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ALBUQUERQUE ACADEMY AND SUBSIDIARY



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ALBUQUERQUE ACADEMY AND SUBSIDIARY

Board of Trustees

June 30, 2009 and 2008

Officers

Kevin Peterman
Walter Stern
Teresa Carson
Sarah Kotchian
JoLynn Muraida

Chair
Vice Chair
Assistant Treasurer
Secretary
Assistant Secretary

Members

Carl M. Alongi
Thomas J. Baca
Rabbi Joseph Black
Thomas F. Blueher
Theresa A. Carson
Pam Garrett
Thomas Growney
Jennifer Davis Hall
Heidi Heard
Kenneth Holley

Andrew Hsi
Sarah B. Kotchian
Liz Kuo
Jeff Lowry
Brenda Moore
JoLynn Muraida
Terri Pachelli
Kevin Peterman
Gary Slack
Walter Stern

Honorary Members

Albert G. Simms, II, M.D.
Morgan Sparks, Ph.D.
Cynthia B. Steiner

Administration

Andrew T. Watson
Richard G. Elkins
Gary L. Gordon
Nancy L. Parker
Pamela G. Scanlon

Head of School
Treasurer
Treasurer Designate
Business Manager for Operations
Business Manager for Finance

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Albuquerque Academy
Albuquerque, New Mexico

We have audited the accompanying consolidated statements of financial position of Albuquerque Academy and Subsidiary (collectively referred to as the Academy) as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2009 and 2008, and the results of their activities and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information on pages 36 through 45 is presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position and the changes in net assets and retained earnings of the individual entities. The supplementary information is not a required part of the basic consolidated financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Meyners + Company, LLC

October 13, 2009

MEYNEERS + COMPANY, LLC

Certified Public Accountants/Consultants to Business



500 Marquette NW, Suite 800 Albuquerque, NM 87102

P 505/842-8290 F 505/842-1568 E cpa@meyners.com

www.meyners.com

An Independent Member of the BDO Seidman Alliance

AS OF JUNE 30,	2009	2008
ASSETS:		
Cash and cash equivalents (Note 2)	\$ 884,285	1,583,777
Receivables:		
Student, less allowance of \$28,981 and \$37,864, respectively	159,089	165,587
Other	766,826	319,089
Income tax receivable	826,478	787,724
Deposits and prepaid expenses	794,728	861,336
Inventories	169,396	158,242
Investments (Note 3):		
Temporary cash	16,421,065	6,935,593
Marketable securities	8,826,153	57,551,352
Other investments (Note 21)	35,775,145	36,277,747
Accrued investment income	780,966	356,384
Split interest agreement and annuity funds (Note 3)	374,137	478,898
Pledges receivable - long term, net of discount and allowance (Note 4)	839,491	708,005
Reimbursable land development costs (Note 6)	526,572	553,066
Real estate	28,801	28,801
Mariposa real estate (Notes 5, 11 and 13)	89,645,251	103,862,382
Bond issuance and financing costs, net	290,348	333,535
Plant, property and equipment, net (Notes 7, 11 and 19)	43,715,066	39,846,319
Assets held in trust by others (Note 8)	29,185,371	39,566,412
Deferred tax asset (Note 9)	968,001	1,062,360
Other assets	<u>244,916</u>	<u>245,213</u>
TOTAL ASSETS	\$ <u>231,222,085</u>	<u>291,681,822</u>

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Consolidated Statements of Financial Position

AS OF JUNE 30,	2009	2008
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Accounts payable and other liabilities	\$ 2,888,138	3,025,820
Line of Credit (Note 11)	10,005,140	3,398,983
Split interest and annuity fund obligations (Note 3)	226,317	272,055
Loan guarantee (Note 21)	25,971	34,628
Contracts payable (Note 10)	9,958	95,647
Deferred tuition, fees and other revenue	1,176,849	1,167,708
Debt (Note 11)	35,954,671	33,345,930
Interest rate swap agreement (Note 14)	<u>1,008,463</u>	<u>844,492</u>
TOTAL LIABILITIES	51,295,507	42,185,263
COMMITMENTS AND CONTINGENCIES,		
(Notes 12, 13, 14 and 19 through 24)		
NET ASSETS:		
Unrestricted		
For current operations	(3,029,192)	3,657,784
Scholarships	273,725	740,257
Funds functioning as endowment (Note 15)	<u>149,533,742</u>	<u>200,022,385</u>
Total unrestricted	146,778,275	204,420,426
Temporarily restricted:		
Scholarships	2,333,159	3,921,395
Other gifts	<u>1,629,773</u>	<u>1,588,326</u>
Total temporarily restricted	3,962,932	5,509,721
Permanently restricted – trusts (Note 8)	<u>29,185,371</u>	<u>39,566,412</u>
TOTAL NET ASSETS	<u>179,926,578</u>	<u>249,496,559</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>231,222,085</u>	<u>291,681,822</u>

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Consolidated Statements of Activities

YEAR ENDED JUNE 30, 2009 (with summarized financial information for the year ended 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
REVENUES AND GAINS:					
Tuition and fees	\$ 18,704,479	-	-	18,704,479	17,938,680
Investment income	3,307,751	-	-	3,307,751	4,211,713
Contributions (Note 16)	586,306	659,794	-	1,246,100	1,270,322
Net realized and unrealized gains (losses) on investments and assets held in trust by others	(43,544,251)	(2,100,144)	(10,381,041)	(56,025,436)	(33,545,595)
City of Albuquerque land sales (Note 17)	345	-	-	345	86,499
Sales and services of auxiliary enterprises	2,622,876	-	-	2,622,876	2,554,923
Other income	170,612	-	-	170,612	359,178
Real estate development sales	<u>34,200</u>	<u>-</u>	<u>-</u>	<u>34,200</u>	<u>2,730,207</u>
TOTAL REVENUES AND GAINS	(18,117,682)	(1,440,350)	(10,381,041)	(29,939,073)	(4,394,073)
NET ASSETS RELEASED FROM RESTRICTIONS	<u>106,439</u>	<u>(106,439)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND GAINS AND OTHER SUPPORT	(18,011,243)	(1,546,789)	(10,381,041)	(29,939,073)	(4,394,073)
EXPENSES:					
Education and general (Note 18)	33,040,269	-	-	33,040,269	33,131,606
Auxiliary enterprises	1,612,235	-	-	1,612,235	1,398,421
Debt-related expenditures:					
Interest	1,001,289	-	-	1,001,289	1,245,145
Bond management fees	94,082	-	-	94,082	102,578
Renewal and replacement expenditures	122,349	-	-	122,349	206,446
Depreciation expense	2,435,216	-	-	2,435,216	2,264,509
Change in fair value of interest rate swap agreement (Note 14)	163,971	-	-	163,971	429,510
Cost of real estate development sales	-	-	-	-	1,571,727
Other subsidiary expenses	1,873,739	-	-	1,873,739	2,480,411
Income tax benefit (Note 9)	<u>(712,242)</u>	<u>-</u>	<u>-</u>	<u>(712,242)</u>	<u>(485,135)</u>
TOTAL EXPENSES	<u>39,630,908</u>	<u>-</u>	<u>-</u>	<u>39,630,908</u>	<u>42,345,218</u>
CHANGES IN NET ASSETS	(57,642,151)	(1,546,789)	(10,381,041)	(69,569,981)	(46,739,291)
NET ASSETS, BEGINNING OF YEAR	<u>204,420,426</u>	<u>5,509,721</u>	<u>39,566,412</u>	<u>249,496,559</u>	<u>296,235,850</u>
NET ASSETS, END OF YEAR	\$ <u>146,778,275</u>	<u>3,962,932</u>	<u>29,185,371</u>	<u>179,926,578</u>	<u>249,496,559</u>

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Consolidated Statements of Cash Flows

YEARS ENDED JUNE 30,	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGES IN NET ASSETS:	\$ (69,569,981)	(46,739,291)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:		
Depreciation of plant, property, and equipment	2,435,216	2,264,509
Decrease in fair value of interest rate swap agreement	163,971	429,510
Amortization of discounts on bonds payable	13,708	2,644
Amortization of bond issuance and financing costs	43,187	43,188
Deferred income taxes	94,359	133,679
Loss on investments and assets held in trust by others	56,025,436	33,545,595
 (Increase) decrease in operating assets		
Receivables	(441,207)	(93,762)
Pledges receivable	(131,486)	111,129
Income tax receivable	(38,754)	(618,814)
Deposits and prepaid expenses	66,608	(631,835)
Inventories	(11,154)	(32,152)
Accrued investment income	(424,582)	60,598
Mariposa real estate	(75,868)	(2,180,835)
Reimbursable development costs	26,494	79,483
Other assets	297	(17,833)
 (Increase) decrease in operating liabilities		
Accounts payable and other liabilities	(137,682)	(250,072)
Contracts payable	(85,689)	(504,699)
Deferred tuition and fee revenue	9,141	623,895
NET CASH USED BY OPERATING ACTIVITIES	(12,037,986)	(13,775,063)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in temporary cash	(9,485,472)	14,570,177
Proceeds from sales of marketable securities	42,134,097	50,658,391
Purchase of marketable securities	(16,228,709)	(15,892,458)
Distributions from other investments	1,737,355	1,389,206
Purchase of other investments	(9,766,337)	(40,098,744)
Purchase of plant, property, and equipment	(6,303,963)	(2,159,654)
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,086,971	8,466,918

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Consolidated Statements of Cash Flows - continued

YEARS ENDED JUNE 30,	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances under line of credit	\$ 6,606,157	900,000
Loan guarantee	(8,657)	34,628
Notes receivable	-	112,208
Proceeds from charitable remainder trust	104,761	(478,898)
Payment made under split interest and annuity obligations	(45,738)	272,055
Payments on line of credit	-	(1,010)
Payments on bonds payable	(605,000)	(580,000)
Proceeds from mortgage note payable	<u>3,200,000</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>9,251,523</u>	<u>258,983</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(699,492)	(5,049,162)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,583,777</u>	<u>6,632,939</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>884,285</u>	<u>1,583,777</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest, net of amounts capitalized and amounts received under the swap agreement	\$ <u>945,373</u>	<u>1,186,175</u>
Income taxes paid	\$ <u>727,987</u>	<u>-</u>

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements

NATURE OF BUSINESS

Albuquerque Academy (the Academy), founded in 1955, is a non-profit, coeducational, privately endowed college preparatory day school for grades 6 through 12. The Academy is governed by a Board of Trustees, which is charged with the responsibility of setting the operating policies of the school. The responsibility for the day-to-day management of the school and its related entities is delegated to the head of school and the treasurer, who both report to the Board of Trustees.

In 1991, the Academy's Board of Trustees formed High Desert Investment Corporation (High Desert), a for-profit entity, for the purpose of acquiring and developing property owned by the Academy. High Desert is governed by its own Board of Directors, which has delegated day-to-day management responsibilities to the president of High Desert who, together with the other employees, none of whom are connected with the Academy, is responsible for carrying out the policies adopted by the Board. High Desert does not operate in the name of, or for the account of, the Academy, bind the Academy by its actions, or act as the agent of the Academy. As of June 30, 2009, High Desert has been capitalized with \$31,800,389.

On July 1, 2001, High Desert acquired Tiburon Investment LLC (Tiburon), a for-profit entity that was originally formed in 1997 by a former wholly owned subsidiary of the Academy for the purpose of acquiring and developing approximately 86 acres of property owned by the Academy. The current members of the Board of Directors of High Desert are designated as the managers of Tiburon, with the managers appointing an administrative manager and a special administrative manager. As of June 30, 2009, Tiburon has been capitalized with \$25,000.

On March 29, 2007, High Desert formed Mariposa East Commons LLC (MEC LLC), a for-profit entity. The current members of the Board of Directors of High Desert are designated as managers of MEC LLC. As of June 30, 2009, MEC LLC has been capitalized with \$1,748,725.

On May 11, 2009, High Desert formed Mariposa Community Center LLC (MCC LLC), a for-profit entity. Management of High Desert is designated as managers of MCC, LLC. As of June 30, 2009, MCC LLC has been capitalized with \$1,675,809.

The financial activities of the Academy, High Desert, Tiburon and MEC LLC and MCC LLC are reflected in the accompanying consolidated financial statements, and all significant inter-entity transactions are eliminated in consolidation. The consolidated subsidiary, High Desert and its wholly owned subsidiaries, Tiburon, MEC LLC and MCC LLC, is referred to collectively as High Desert.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

• **Financial Statement Presentation**

The consolidated financial statements are presented in accordance with standards for financial reporting set forth in Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under the financial reporting standards, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

Unrestricted net assets - resources available with no restrictions for operations.

Temporarily restricted net assets - resources that, because of donor-imposed restrictions, must be used in accordance with the specific directions of the donor.

Permanently restricted net assets - resources that, because of donor-imposed restrictions, must be maintained permanently, although part or all of the income derived from the resources can be used.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

• **Management's Estimates and Assumptions**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results may, however, differ from those estimates.

• **Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, the Academy and High Desert consider all highly liquid instruments, including certificates of deposit, repurchase agreements and money market funds, with original maturities of three months or less, available for operations to be cash equivalents. Cash held as temporary cash is included as investments and not as a cash equivalent.

• **Inventories**

Inventories consist of bookstore and dining hall supplies and are stated at the lower of cost or market under the first-in, first-out (FIFO) method.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Investments**

Investments consist of the following:

Temporary cash – Temporary cash consists principally of money market investments and U.S. Treasury bills.

Marketable securities – Marketable securities are carried at quoted and estimated fair value.

Other investments – Other investments consist of the Academy's investments in equity funds, bond funds and partnerships, and are reflected at fair value based upon quoted market values when available or are based upon estimates provided by the investees' management when quoted market values are not available.

Investment earnings are recognized on the accrual basis.

- **Split-Interest Agreements**

The school's split-interest agreements with donors consist primarily of charitable gift annuities and irrevocable charitable remainder trusts for which the school serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. Contribution revenues are recognized at the date the trusts are established. In addition, the present value of the estimated future payments to be made to the beneficiaries, if applicable under these agreements, are recorded as liabilities. The discount rate and actuarial assumptions used in calculating the obligation are those provided in Internal Revenue Service guidelines and actuarial tables. Annuity and split-interest obligations are adjusted annually at the end of each fiscal year.

- **Land and Development Costs**

Costs that relate to land development are capitalized. Certain indirect construction costs have been capitalized, and interest costs are capitalized while development is in progress.

Land and development costs are allocated to project components by the specific-identification method whenever possible. Development costs not specifically identified are allocated based on relative fair value of the land before construction. Capitalized development costs for projects that are abandoned are charged to expense when the decision is made to forego the project. Based on current and anticipated market conditions, all land and capitalized development costs are expected to be recovered through future sales.

- **Amortization of Bond Issuance Costs**

Bond issuance costs are amortized using the interest method over the stated repayment term of the respective debt.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Plant, Property and Equipment**

Academy land included in plant, property and equipment is stated at its January 1, 1968 property tax assessment value. The remaining plant, property, equipment and leased properties are stated at cost or, in the case of gifts, at fair value at date of donation. Educational buildings are depreciated on a straight-line basis over 20 to 50 years; library collections over 10 to 15 years; furniture, fixtures, and equipment over 3 to 5 years; and land improvements over 12 to 15 years. Land and the art collection are not depreciable assets, and accordingly, no depreciation has been recorded on these assets.

High Desert depreciates property and equipment using a method that approximates the straight-line method over the estimated useful lives of the respective assets.

The Academy and High Desert capitalize renewals and betterments and charge to expense the cost of current maintenance and repairs.

- **Evaluating Impairment of Long-Lived Assets**

When events or changes in circumstances indicate that long-lived assets may be impaired, an evaluation is performed. The asset's book value is evaluated and adjusted to the lower of its carrying amount or fair value.

- **Tuition and Fees Revenue**

Tuition and fees are billed prior to the beginning of the school year and are deferred until earned in the period in which the related educational services are provided. Expenses incurred in preparation for the summer school session are deferred to the period in which related revenues are recognized.

- **Contributions and Pledges Receivable**

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future years are discounted at the risk reduced rate the Academy is earning on its investments. A discount rate of 2.5% and 5% was used to discount pledges for June 30, 2009 and 2008 respectively. Allowance is made for uncollectible contributions based upon management's expectations regarding collection of outstanding promises to give and the school's collection experience. Contributions of assets other than cash are recorded at their estimated fair value at date of donation.

- **Sales of Real Estate**

Sales of real estate are generally accounted for under the full-accrual method. Under that method, gains are not recognized until an adequate down payment has been received, the collectability of the sales price is reasonably assured, and the earnings process is virtually complete. If a sale does not meet the requirements for income recognition, gain is deferred until those requirements are met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Selling and Marketing Costs**

Selling costs that relate to tangible assets and costs to obtain regulatory approvals are capitalized and charged to expense as lots and tracts are sold. Other selling and marketing costs are charged to expense when incurred.

• **Income Taxes**

As an organization described in Internal Revenue Code (IRC) Section 501(c)(3), the Academy is exempt from federal and state income taxes on its related income pursuant to IRC Section 501(a). Provision has been made, where material, for any federal or state income taxes on unrelated business income.

High Desert follows the asset and liability method of providing for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

• **Fair Value of Financial Instruments**

SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, requires the fair value of financial instruments to be disclosed.

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework and hierarchy for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements. SFAS 157 was adopted by Albuquerque Academy during fiscal year 2009.

SFAS No. 157 establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the input used to measure the assets or liabilities fall within different levels of hierarchy, the classification is based on the lowest level input that is significant to the fair hierarchy considers the markets in which the assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Fair Value of Financial Instruments - continued**

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.
- Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

The fair values of investments are based on quoted market prices at the reporting date for securities held (Level 1). When market prices are not available, asset values are obtained from independent pricing services which utilize modeling techniques and matrix pricing to estimate fair value (Level 2). For securities where prices are not available and there is little or no market activity for similar instruments, such as certain illiquid securities, structured options and other non-exchange traded securities, pricing is obtained directly from broker-dealers. Commingled equity funds are priced using net asset value (Level 3). Asset valuation involves some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used and are reflective of the assumptions that market participants would use in valuing assets or liabilities.

The following summarizes the fair value of financial instruments:

Academy

- The carrying amounts of cash, temporary cash, receivables, accrued investment income and accounts payable approximate fair value of those instruments due to their short maturities.
- The carrying value of notes receivable approximates fair value based on their short maturities.
- Assets held in trust by others are carried at quoted market value.
- The carrying amount of outstanding bonds with variable interest rates approximates fair value.
- The carrying amount of outstanding bonds with fixed interest rates is \$4,765,928 and \$5,580,928, while the estimated fair value is approximately \$5,060,444 and \$5,524,002 based on interest rates available to the Academy for the issuance of debt with similar terms and remaining maturities, for 2009 and 2008, respectively (Note 11).
- The interest rate swap agreement is carried at estimated fair value.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Fair Value of Financial Instruments - continued**

Mariposa

The Academy has established the practice of reviewing the market value of its investment in real estate at Mariposa West (land still owned by the Academy) and Mariposa East (land owned by High Desert) on an annual basis. In even numbered years, the market value is established using the third-party appraisal firm of Burke Hansen and in odd-numbered years the Academy arrives at a valuation based on updated information which is applied to the prior year outside appraisal valuation. For Mariposa East, the Academy used a discounted cash flow calculation, recognizing the real estate market in Albuquerque and surrounding communities has been impacted by the slowdown occurring throughout the U.S. The valuation has taken into consideration the fact that the life of the project has been extended and the prices for lots and homes will be flat for the next two years. Due to lowered future return expectations by investors in real estate, the discount rate to calculate the value of future cash flows has been reduced from 17.5% to 14%. The value of Mariposa East is estimated at \$37,390,069 and \$42,800,000 at June 30, 2009 and 2008, respectively.

The valuation for Mariposa West has been traditionally based on the sales comparison approach, using comparable large acreage actual land sales to arrive at an assigned value. There being no new comparable sales in the current year, it was determined to use the sales included in the prior year Burke Hansen report. Although suffering a real estate slowdown, New Mexico has been less impacted than other states where speculative building was high. Taking into account the valuation of the property in 2008 and recognizing the Academy is a long-term holder of real estate and has no debt or other pressure to sell the property, it is also felt that the decline in value of the Mariposa West property is not as great as if there were pressure to sell regardless of prices. The value of Mariposa West is estimated at \$49,827,000 and \$58,600,000, net of deferred gain of \$2,428,182 and \$2,462,382, at June 30, 2009 and 2008, respectively.

High Desert

- The carrying amounts of cash, accounts payable and contracts payable approximate fair value of those instruments due to their short maturity.
- The carrying value of notes receivable approximates fair value based on remaining maturities and stated note rates.
- The carrying value of long-term debt approximates fair value based on current rates available to High Desert for debt of the same remaining maturities and similar terms.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Derivative Financial Instruments**

The Academy accounts for its derivative financial instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 137, No. 138, No. 149. Under SFAS No. 133, the fair value of a derivative financial instrument is reported as an asset or liability in the Academy's consolidated statement of financial position. As a not-for-profit organization, the Academy is not allowed to follow cash flow hedge accounting and, therefore, reports the entire change in fair value as an addition to or deduction from net assets in the consolidated statement of activities.

2. OPERATING CASH

The Academy maintains its operating cash account primarily at Wells Fargo located in New Mexico. The total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The Academy had \$482,700 on deposit at June 30, 2009 that exceeded the balance insured by the FDIC. The Academy has not experienced any losses in such accounts in the past and does not believe it is exposed to any significant credit risks. To generate additional earnings while maintaining access to cash when needed, the Academy invests excess operating cash in Wells Fargo's *Stagecoach Sweep* account. This investment option allows for an automatic transfer of excess collected balances to an interest-bearing offshore deposit held by Wells Fargo. The funds are not insured by the Federal Deposit Insurance Corporation but are entrusted to a bank with one of the highest possible credit ratings of any financial services company, Aa2, from Moody's Investors Service. The balances in the Sweep Account were \$513,318 and \$439,486 for 2009 and 2008, respectively. Management does not believe significant credit risk existed at June 30, 2009.

3. INVESTMENTS

Investments consist of the following components:

- **Temporary Cash**

The Academy's temporary cash consists principally of money market investments and U.S. Treasury bills, which at June 30, 2009 and 2008 include temporary cash investments of \$1,963,656 and \$509,574, respectively, managed by investment advisors. In addition, at June 30, 2009 and 2008, the Academy had \$14,457,409 and \$6,426,019, respectively, held by Commonfund and Bank of America.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

3. INVESTMENTS- continued

• **Split-Interest Agreement and Annuity Funds**

Split interest agreements as of June 30, 2009 and 2008 consisted of the following:

	2009	2008
Split-interest agreement investments:		
Charitable remainder trust	\$ 374,137	478,898
Less:		
Liabilities due under split interest agreements	(197,861)	(259,782)
Amounts due to beneficiaries	<u>(28,456)</u>	<u>(12,273)</u>
	<u>(226,317)</u>	<u>(272,055)</u>
	<u>\$ 147,820</u>	<u>206,843</u>

Assets of the unitrust agreement consist of cash received under an irrevocable charitable remainder trust of which the Academy is the trustee. The assets received under this agreement are recorded at estimated fair value when received.

Assets of gift annuity funds represent the fair value of assets held by the Academy as gifts from which a lifetime annuity is paid to the donor or other beneficiary(s) named. Upon termination of the annuity obligation, the principal becomes available for the school's use in accordance with donor restrictions, or if no restrictions are imposed by the donor, for the school's unrestricted use. At year ended June 30, 2009, the annuity had a value of zero and the Academy does not expect a future benefit.

• **Investments**

A summary of the components of investments at estimated fair value follows:

	2009	2008
Common and preferred stocks	\$ 8,826,153	57,551,352
Bond funds	16,115,077	19,455,274
Partnerships	<u>19,660,068</u>	<u>16,822,473</u>
	<u>\$ 44,601,298</u>	<u>93,829,099</u>

Included in marketable securities at June 30, 2009 and 2008 was \$0 and \$3,979,758, respectively, designated for student scholarships and other student benefits.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

3. INVESTMENTS- continued

• **Investments - continued**

At June 30, 2008, prior to SFAS 157, *Fair Value Measurements*, the investments were valued using the following methods:

		2008	
		<u>Dollars</u>	<u>Percentage</u>
Valued by third-party pricing service	\$	72,619,262	77
Valued by third-party appraisal		3,378,510	4
Fair value estimated by investee management		<u>17,831,327</u>	<u>19</u>
	\$	<u>93,829,099</u>	<u>100</u>

• **Valuation Summary**

At June 30, 2009, the holdings were valued using the following levels:

<u>Descriptions</u>		<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Temporary cash	\$	16,421,065	2,438,953	13,982,112	-
Common and preferred stock		8,826,153	8,541,700	-	284,453
Bond funds/Partnerships		35,775,145	22,692,553	-	13,082,592
Mariposa and real estate		89,674,052	-	-	89,674,052
Split interest agreement, net		147,820	-	147,820	-
Interest rate swap		<u>(1,008,463)</u>	-	<u>(1,008,463)</u>	-
Total	\$	<u>149,835,772</u>	<u>33,673,206</u>	<u>13,121,469</u>	<u>103,041,097</u>

Level 3 reconciliation:

Beginning Balance at July 1, 2008	\$	120,272,469
Total realized losses included in earnings		(1,235,712)
Total unrealized losses included in earnings		(17,843,458)
Purchases, issuances, settlements		3,171,855
Net transfers out of Level 3 (Note 24)		<u>(1,324,057)</u>
Ending balance at June 30, 2009	\$	<u>103,041,097</u>

The amount of total gains and losses for the period included in earnings attributable to the change (\$17,843,458) in unrealized gains and losses relating to assets still held at the reporting date.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

4. PLEDGES RECEIVABLE

Unconditional promises to give are summarized as follows at June 30, 2009 and 2008, respectively:

	2009	2008
Unconditional promises expected to be collected in:		
Less than one year	\$ -	-
One year to five years	1,044,648	991,648
More than five years	<u>30,000</u>	<u>40,000</u>
	1,074,648	1,031,648
Less: unamortized discount	(141,880)	(244,975)
Allowance for uncollectible amounts	<u>(93,277)</u>	<u>(78,668)</u>
	<u>(235,157)</u>	<u>(323,643)</u>
	\$ <u><u>839,491</u></u>	<u><u>708,005</u></u>

Unconditional promises to give are primarily from individuals and businesses located in or near Bernalillo County, New Mexico. Contributions receivable are presented net of unamortized discount and allowances for uncollectible contributions. As of June 30, 2009, the unamortized discount was \$141,880, discounted at a rate of 2.5%, and the allowance for uncollectible contributions was \$93,277. As of June 30, 2008, the unamortized discount was \$244,975, discounted at a rate of 5%, and the allowance for uncollectible contributions was \$78,668. A reserve rate of 10% was used for allowance for uncollectible pledges for June 30, 2009. The reserve rate is reviewed periodically to ensure adequate provision for uncollectible amounts.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

5. NOTES RECEIVABLE, NET OF DEFERRED GAIN

• High Desert

High Desert has the following notes receivable at June 30:

	2009	2008
Note receivable with a third party, secured by land subject to principal payments as lots are sold by the buyer, remaining principal balance due December 2010. The note bears interest at the Wall Street Journal (WSJ) prime rate (3.25% at June 30, 2009).	\$ 1,609,920	1,609,920
Note receivable with a third party, secured by land subject to principal payments as lots are sold by the buyer, remaining principal balance due February 2011. The note bears interest at the WSJ prime rate (3.25% at June 30, 2009).	485,834	485,834
Note receivable with a third party, secured by land subject to principal payments as lots are sold by the buyer, remaining principal balance due November 2010. The note bears interest at the WSJ prime rate (3.25% at June 30, 2009).	<u>332,428</u>	<u>366,628</u>
	2,428,182	2,462,382
Less deferred profit and interest received on the notes	<u>2,428,182</u>	<u>2,462,382</u>
Notes receivable, net	\$ <u> -</u>	<u> -</u>

As the notes received on the tract sales were subject to future subordination, as defined by Financial Accounting Standards Board (FASB), Statement of Financial Accounting Standards (SFAS) No. 66, *Accounting for Sales of Real Estate*, High Desert recognized the sales under the cost recovery method. Under the cost recovery method, the extent by which profit deferred exceeds the outstanding amounts of seller financing shall be recognized in income.

During 2009 and 2008, the cash payments by the buyer, including principal and interest on a note receivable, exceeded High Desert's cost of the tract sold. As a result, deferred profit of approximately \$34,200 and \$529,000 and the interest payments received of \$96,000 and \$94,000 were recognized as income during the years ended June 30, 2009 and 2008, respectively.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

6. HIGH DESERT'S REIMBURSABLE LAND DEVELOPMENT COSTS

On February 1, 1995, High Desert entered into an agreement with the City of Albuquerque (the City) relating to the construction of and payment for the Canada Reservoir and water transmission lines. Under this agreement, High Desert agreed, among other things, to advance funds for the design and construction of the reservoir and transmission lines, which were subsequently purchased by the City. During the year ended June 30, 1998, High Desert completed the project and conveyed the reservoir and completed transmission lines to the City. On October 11, 1998, the City accepted the reservoir. The advances are reimbursable to High Desert, on the basis of a prorated ratio of the number of users within the applicable water pressure zones. High Desert advanced funds for these projects in the amount of \$2,152,651, which are included in reimbursable development costs to the extent they have not been reimbursed by the City. Reimbursements occur on a yearly basis. High Desert received payments of \$26,494 and \$79,482 from the City during fiscal years 2009 and 2008, respectively, for units connected to the system in water zones 11E and 12E, and will continue to receive payments annually for new units connected to the system in those water pressure zones. Reimbursable development costs were \$526,572 and \$553,066 at June 30, 2009 and 2008, respectively. High Desert expects that reimbursements from future water system connections will be sufficient to recover remaining development costs at June 30, 2009.

7. PLANT, PROPERTY AND EQUIPMENT

A summary of plant, property and equipment at June 30 follows:

	2009	2008
Educational and office buildings	\$ 62,073,343	56,929,716
Furniture, fixtures and equipment	9,976,513	9,543,789
Land improvements	6,708,383	6,347,375
Library collection	3,545,668	3,466,200
Tenant improvements	<u>228,453</u>	<u>-</u>
	82,532,360	76,287,080
Less accumulated depreciation	<u>(39,421,232)</u>	<u>(37,028,500)</u>
	43,111,128	39,258,580
Land	428,644	417,565
Art collection	<u>175,294</u>	<u>170,174</u>
Net plant, property and equipment	\$ <u>43,715,066</u>	<u>39,846,319</u>

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

8. **ASSETS HELD IN TRUST BY OTHERS**

The Academy is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Academy. The Academy has legally enforceable rights or claims to such assets. The fair value of these funds and the net realized and unrealized gains and losses of funds held in trust by others is recorded as permanently restricted net assets. The trusts employ a total return approach to income distribution (interest, dividends, realized gains, and unrealized gains). For distribution purposes, the June 30, 1997, total market value has been established as the minimum market value of each trust. Using the consumer price index, the minimum market value is adjusted at the end of each calendar quarter. Distributions are limited to an amount that when distributed will not result in the total principal market value of the trust being less than the current minimum market value or the June 30, 1997 fair value, whichever is less. A summary of these trusts follows:

• **Academy Trust #1**

Income from Academy Trust #1 is distributed quarterly to the Academy and is recorded as unrestricted net assets. At June 30, 2009 and 2008, the estimated fair value of Trust #1 permanently restricted net assets totaled \$27,092,347 and \$36,728,482, respectively.

• **Academy Trust #2**

Income from Academy Trust #2 is distributed quarterly to the Academy and is recorded as unrestricted net assets. At June 30, 2009 and 2008, the estimated fair value of Trust #2 permanently restricted net assets totaled \$2,093,024 and \$2,837,930, respectively.

At June 30, 2008, prior to SFAS 157, *Fair Value Measurements*, the assets held in trust were valued using the following methods:

	2008	
	Dollars	Percentage
Valued by third-party pricing service	\$ 34,744,184	80
Fair value estimated by investee management	4,822,228	20
	\$ 39,566,412	100

At June 30, 2009, the assets held in trust were valued using the following levels:

Descriptions	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 16,477,039	16,477,039	-	-
Bond funds	12,708,332	11,174,039	1,479,171	55,122
Total	\$ 29,185,371	27,651,078	1,479,171	55,122

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

8. ASSETS HELD IN TRUST BY OTHERS - continued

Level 3 reconciliation:

Beginning Balance at July 1, 2008	\$	4,822,228
Purchases, issuances, settlements		(17,476)
Net transfers out of Level 3 (Note 24)		<u>(4,749,630)</u>
Ending balance at June 30, 2009	\$	<u><u>55,122</u></u>

9. INCOME TAXES

The components of the provision for income tax (benefit) expense consist of the following:

		2009	2008
Current:			
Federal	\$	(807,020)	(622,061)
State		<u>419</u>	<u>3,247</u>
		(806,601)	618,814
Deferred:			
Federal		188,107	202,087
State		<u>(93,748)</u>	<u>(68,408)</u>
		<u>94,359</u>	<u>133,679</u>
	\$	<u><u>(712,242)</u></u>	<u><u>(485,135)</u></u>

A reconciliation of income tax expense at the expected federal tax rate of 34% for 2009 and 2008 is summarized as follows:

		2009	2008
Computed "expected" tax expense	\$	(641,367)	(403,264)
State income taxes, net of federal benefit		(93,749)	(64,570)
Other		<u>22,874</u>	<u>(17,301)</u>
	\$	<u><u>(712,242)</u></u>	<u><u>(485,135)</u></u>

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

9. INCOME TAXES - continued

The components of the net deferred tax asset (liability) are as follows:

	2009	2008
Deferred tax asset – deferred gain on notes receivable	\$ 959,132	972,641
Deferred tax asset – state net operating loss carry forward	225,276	101,098
Deferred tax asset – charitable contributions	<u>74,743</u>	<u>70,009</u>
	1,259,151	1,143,748
Deferred tax liability – depreciation	<u>(291,150)</u>	<u>(81,388)</u>
Net deferred tax asset	\$ <u>968,001</u>	<u>1,062,360</u>

In assessing if deferred tax assets are realizable, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management believes it is more likely than not that High Desert's future taxable income will be sufficient to realize the benefit of the remaining deferred tax assets at June 30, 2009.

High Desert has state net operating loss carry forwards totaling \$4,268,971, of which \$1,838,154 and \$2,430,817 expire in the years ended June 30, 2013 and 2014, respectively.

10. CONTRACTS PAYABLE

High Desert has accrued \$9,958 and \$95,647 for contracts payable at June 30, 2009 and 2008, respectively. This balance represents amounts owed to various contractors for land development services performed through High Desert fiscal year-ends. The amount accrued at June 30, 2009 is expected to be paid during the fiscal year ending June 30, 2010.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

11. DEBT

Debt obligations consisted of the following at June 30:

- **Academy – Bonds Payable**

2002 Bonds – On October 24, 2002, the Academy issued \$25,365,000 tax-exempt City of Albuquerque, New Mexico Educational Facilities Refunding Revenue Bonds, Series 2002 (2002 Bonds). A majority of the net proceeds from the 2002 Bonds was used to refund bonds originally issued in 1992. The remaining net proceeds were used to fund plant improvements. The bonds were issued at par value bearing variable interest at weekly market interest rates, payable monthly. The weekly rates are determined by the remarketing agent based on then-prevailing annual market interest rates for tax-free obligations comparable to the Series 2002 Bonds, .28 % at June 30, 2009. The entire principal amount is due October 15, 2016. The maturity date of the bonds may be converted to serial maturities at the Academy's discretion.

Payment of the purchase price of the 2002 Bonds is initially secured by a standby bond purchase agreement (Agreement) between the Academy and the standby bond purchaser (Purchaser). The Purchaser has agreed, under the terms and conditions of the Agreement, to purchase the bonds from the bondholders if the bonds cannot be remarketed as otherwise provided in the bond indenture. The Agreement requires the Academy to pay the Purchaser a liquidity fee for the commitment at the rate of 0.17% per annum on the outstanding 2002 Bonds principal and accrued interest.

The Academy paid liquidity fees of approximately \$45,879 and \$46,185 during the years ended June 30, 2009 and 2008, respectively. The Agreement expires October 23, 2010 unless extended or terminated. Bonds tendered under the Agreement (Bank Bonds) would be sold by the bondholders to the Purchaser at the aggregate principal amount plus accrued interest. The Bank Bonds would be payable in five equal annual installments on the anniversary date of termination of the Agreement and subject to annual interest of the 30-day LIBOR plus 1% for the first 30 days and the 30-day LIBOR plus .41% thereafter. No bonds have been sold under the Agreement as of June 30, 2009 and 2008.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

11. DEBT - continued

• **Academy – Bonds Payable - continued**

1999 Bonds – In February 1999, the Academy issued \$8,165,000 tax-exempt City of Albuquerque, New Mexico Educational Facilities Refunding Revenue Bonds (Albuquerque Academy Project), Series 1999 (1999 Bonds). Net proceeds from the 1999 Bonds were used to defease 80% of the City of Albuquerque, New Mexico Educational Facilities Refunding and Improvement Revenue Bonds (Albuquerque Academy Project), Series 1995 (1995 Bonds).

Scheduled annual debt service requirements, with principal payable on October 15 and interest payable on October 15 and April 15, and interest rates on the 1999 Bonds follow:

	Interest Rate	Principal	Interest	Total Debt Service
Fiscal year ending June 30:				
2010	4.20	\$ 625,000	209,937	834,937
2011	4.25	650,000	183,000	833,000
2012	4.35	680,000	154,398	834,398
2013	4.45	710,000	123,810	833,810
2014	4.55	740,000	91,178	831,178
Thereafter	4.65 – 4.70	1,590,000	75,476	1,665,476
Less unamortized discount		(16,440)	16,440	-
		\$ 4,978,560	854,239	5,832,799

• **Academy – Line of Credit**

The Academy has a \$15,000,000 unsecured bank line of credit, bearing interest at prime less .75% or Libor plus 1.75%, at the choice of the borrower, payable monthly and maturing on May 15, 2010. The outstanding balance at June 30, 2009 was \$6,006,140. On July 9, 2009, the Academy returned \$3,000,000 to the unsecured bank line of credit, making the outstanding balance \$3,006,140.

• **High Desert – Line of Credit**

High Desert has a \$4,000,000 unsecured revolving line of credit with interest payable at the WSJ prime (3.25% and 5.0% at June 30, 2009 and 2008, respectively) plus 0.5%. The outstanding balance at June 30, 2009 was \$3,999,000. The revolving line of credit matures May 2010.

• **High Desert Mortgage Notes Payable**

High Desert has a \$3,200,000 note payable to a bank, secured by property and equipment and bears interest at 6.23%. The note calls for monthly principle and interest payments of \$23,533 and matures June 2019.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

11. DEBT - continued

• **High Desert Mortgage Notes Payable - continued**

High Desert has a \$2,400,000 note payable to a bank, secured by property and equipment and bears interest at 6.23%. The note calls for interest-only payments through July 1, 2009, with monthly payments thereafter of \$14,746 and matures July 2017.

• **Debt Summary**

Total balances due under these debt arrangements as described previously are:

	2009	2008
Bonds – Academy:		
Series 1999	\$ 4,978,560	5,580,962
Series 2002	25,365,000	25,365,000
Notes and lines of credit:		
Albuquerque Academy – line of credit	6,006,140	-
High Desert – line of credit	3,999,000	3,398,983
High Desert – Mortgage note payable	3,200,000	-
High Desert – Mortgage note payable	2,400,000	2,400,000
Interest payable	<u>11,111</u>	<u>-</u>
	\$ <u>45,959,811</u>	<u>36,744,945</u>

The High Desert debt is their sole obligation, with no guarantee or other support of the Academy.

12. PUBLIC IMPROVEMENT DISTRICT

On June 21, 2006, the Mariposa East Public Improvement District (PID or District), a public improvement district and political subdivision of the State of New Mexico, issued \$16,000,000 General Obligation Bonds, Series 2006, to pay the costs of acquiring PID infrastructure improvements including a water supply system and wastewater treatment facilities. The bonds are general obligations of the PID and are payable primarily from pledged revenues in the form of District property taxes, revenues from facility fees, monies held in investments pursuant to the bond indenture, and proceeds of foreclosure for delinquent District property taxes. During the year ended June 30, 2006, High Desert received \$11,555,597 from District as reimbursement of improvements made by High Desert, which has been recorded as reduction to development costs. The excess funds from the bonds issue are held in trust and the balance was approximately \$3,434,100 and \$4,281,700 at June 30, 2009 and 2008, respectively.

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

12. PUBLIC IMPROVEMENT DISTRICT - continued

High Desert is required to pay a \$2,400 facility fee on each residential unit prior to or upon the initial transfer of a lot to a home builder or home buyer. As of June 30, 2009, the total paid in facility fees since the issuance of the bonds is \$1,605,309, of which \$6,909 related to commercial building facilities paid at \$0.25 per square foot.

In connection with the bond issuance, High Desert entered into a Replenishment Agreement (Agreement) with the District, which requires High Desert to replenish the bond reserve fund should it be drawn upon for a scheduled debt service payment. This Agreement will remain in effect until the assessed value of the property within the District times a tax rate of \$20 per \$1,000 of assessed value will provide sufficient revenues to meet the maximum annual scheduled debt service on the Series 2006 bonds.

High Desert may also be required to advance funds to the District through 2011 to cover shortages in available revenues for operating expenses in the approximate amount of \$150,000. The general obligation bonds are not obligations of High Desert. Further, the PID infrastructure improvements are not assets of High Desert. High Desert had no liability to the District under the Agreement for shortages in available revenue for operating expenses at June 30, 2009 and 2008.

13. HIGH DESERT LETTERS OF CREDIT

In connection with the Mariposa property development, the City of Rio Rancho (Rio Rancho) has required High Desert to provide financial guarantees of approximately \$64,202 as of June 30, 2009 for the sidewalk completion. To satisfy the Rio Rancho's requirement, letters of credit for the specified amounts maturing through March 2010 have been issued for the benefit of Rio Rancho.

Draws under the letters would bear interest at the bank's prime rate plus 1%. At June 30, 2009, no amounts have been drawn against the letters of credit.

14. INTEREST RATE SWAP AGREEMENTS

In August 2001, the Academy entered into a forward-starting interest rate swap agreement (the swap agreement) with JPMorgan Chase Bank (the Counterparty). The Academy entered into this agreement to hedge its interest rate risk in anticipation of refunding the 1992 Bonds in October 2002. The agreement states the Academy is the fixed-rate prior at an annual rate of 4.54%, payable semiannually, with the Counterparty as the floating rate prior 70% of the three-month LIBOR, .41% at June 30, 2009, payable quarterly. The notional amount under the agreement was the balance of the 1992 bonds upon refunding and amortizes in accordance with the scheduled debt service payments of the 1992 bonds. At June 30, 2009 and 2008, if the Academy elected to terminate the agreement, they would be required to pay approximately \$1,008,463 and \$844,492, respectively, to the Counterparty. This termination payment changes inversely with movements in the market interest rates. The accompanying

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

14. INTEREST RATE SWAP AGREEMENTS - continued

consolidated financial statements include a liability of \$1,008,463 and \$844,492, and a decrease to net assets of \$163,971 and \$429,510 to record the fair value and change in fair value, as of and for the years ended June 30, 2009 and 2008, respectively. Net interest expense under the swap agreement was \$367,224 and \$200,587 for 2009 and 2008, respectively.

15. FUNDS FUNCTIONING AS ENDOWMENT

The Academy maintains a diversified portfolio of investments. The portfolio includes allocations to stocks and bonds, cash equivalents, and alternative assets such as private equity, venture capital, equity real estate and other strategies. These asset classes are further diversified by geography, economic sector, industry, market capitalization, management philosophy and other appropriate investment characteristics.

16. SUPPORT - CONTRIBUTIONS

Support – contributions revenue consisted of the following for fiscal years ended June 30, 2009 and 2008:

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support – contributions	\$ 586,306	894,951	-	1,481,257
Present value discount	-	(93,277)	-	(93,277)
Allowance for current year uncollectible contributions	-	(141,880)	-	(141,880)
Total support - contributions	\$ 586,306	659,794	-	1,246,100

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support – contributions	\$ 109,462	1,484,503	-	1,593,965
Present value discount	-	(244,975)	-	(244,975)
Allowance for current year uncollectible contributions	-	(78,668)	-	(78,668)
Total support - contributions	\$ 109,462	1,160,860	-	1,270,322

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

17. INTEREST IN CITY LAND SALES

In connection with a previous land sale transaction, the Academy is entitled to receive payments equal to 20% of any proceeds over a base amount resulting from certain land sales by the City of Albuquerque. As future land sales occur, the Academy will be entitled to receive additional amounts. The Academy received payments of \$345 and \$86,499 for the years ended June 30, 2009 and 2008, respectively.

18. EDUCATION AND GENERAL EXPENSES BY FUNCTIONAL CLASSIFICATION

The following schedule summarizes education and general expenses by functional classification for the years ended June 30, 2009 and 2008:

	2009					
	Salaries	Benefits	Operations	Utilities	Publications	Total
Instructional	\$ 9,720,480	3,485,592	412,494	370,707	-	13,989,273
General and administrative	3,523,166	853,109	1,776,469	38,251	11,867	6,202,862
Financial aid	-	-	3,810,916	-	-	3,810,916
Plant, grounds, and security	1,174,886	620,916	823,455	67,999	-	2,687,256
Athletics	813,069	320,894	286,219	211,961	-	1,632,143
Endowment	554,775	98,638	320,614	4,541	-	978,568
Library	503,533	198,838	103,891	74,111	-	880,373
Restricted gifts expenditures	-	-	281,963	-	-	281,963
Advancement	407,719	108,988	234,898	2,275	95,601	849,481
Communications/Alumni	362,261	152,896	120,338	2,619	83,233	721,347
Admissions	196,019	70,343	34,351	3,540	30,672	334,925
College counseling	277,154	59,685	27,239	3,329	-	367,407
Student activities	-	-	221,279	-	-	221,279
Foundation	-	-	82,476	-	-	82,476
Total	\$ 17,533,062	5,969,899	8,536,602	779,333	221,373	33,040,269

	2008					
	Salaries	Benefits	Operations	Utilities	Publications	Total
Instructional	\$ 10,561,414	2,716,721	562,807	426,060	576	14,267,578
General and administrative	2,464,447	1,661,515	2,003,501	46,454	18,325	6,194,242
Financial aid	-	-	3,576,950	-	-	3,576,950
Plant, grounds, and security	1,095,438	490,370	808,837	74,896	-	2,469,541
Athletics	858,507	249,681	306,821	251,527	-	1,666,536
Endowment	658,809	113,254	754,286	5,575	-	1,531,924
Library	452,057	142,202	110,806	82,104	-	787,169
Restricted gifts expenditures	-	-	237,949	-	-	237,949
Advancement	703,884	185,766	392,712	3,247	131,951	1,417,560
Admissions	217,275	62,310	42,599	4,536	83,629	410,349
College counseling	177,690	29,620	28,476	4,440	-	240,226
Student activities	-	-	238,751	-	-	238,751
Foundation	-	-	92,831	-	-	92,831
Total	\$ 17,189,521	5,651,439	9,157,326	898,839	234,481	33,131,606

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

19. LEASE OBLIGATIONS

• **Capital Lease Obligations**

Capital lease obligations relating to office, computer and athletic equipment are recorded at the present value of the minimum lease payments. This obligation has been included with accounts payable and other liabilities. Future minimum lease payments under capital lease obligations consist of the following:

		<u>Albuquerque Academy</u>
Years ending June 30:		
2010	\$	80,435
2011		79,087
2012		39,253
2013		4,085
2014 and thereafter		<u> -</u>
Total minimum lease payments		202,860
Amount representing interest		<u>17,098</u>
	\$	<u><u>185,762</u></u>

Equipment acquired under capital leases amounted to \$185,762 and \$253,468 at June 30, 2009 and 2008, respectively. Depreciation related to the equipment is included in depreciation expense on the consolidated statement of activities.

• **Operating Lease Obligations**

Future minimum lease payments under non-cancelable operating leases consist of the following:

		<u>Albuquerque Academy</u>	<u>High Desert</u>
Years ending June 30:			
2010	\$	119,465	4,885
2011		93,143	4,146
2012		41,993	4,146
2013		-	4,043
2014 and thereafter		<u> -</u>	<u>970</u>
Total minimum lease payments	\$	<u><u>254,601</u></u>	<u><u>18,190</u></u>

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Notes to Consolidated Financial Statements - continued

19. LEASE OBLIGATIONS - continued

During the year ended June 30, 2009, High Desert entered into two leasing agreements to lease building space to third party entities. One lease is with a tenant at the Mariposa East Commons under a non-cancelable operating lease beginning March 2009 and expires February 2014. This lease includes a lease incentive of no lease payments for the first 18 months. The total lease amount, \$75,877, is being recognized using the straight-line method over the full term of the lease. The other lease is with the Mariposa Community Association under a non-cancelable agreement beginning in May 2009 and expiring April 2019 and calls for monthly payments of \$22,000. Rent income recognized for the year ended June 30, 2009 totaled \$35,888. Minimum future operating lease payments as of June 30, 2009 are as follows:

Years ending June 30:		
2010	\$	272,857
2011		285,181
2012		285,805
2013		286,430
2014		265,874
2015 and thereafter		<u>1,276,000</u>
Total minimum lease payments	\$	<u>2,672,147</u>

20. RETIREMENT PLAN

The Academy is a participant in a defined contribution retirement plan administered by the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, and Fidelity Investments, which covers substantially all of its employees. Plan contributions are made by both eligible employees (ranging from 2.5% to 5% of eligible compensation) and the Academy (ranging from 2.5% to 10% of eligible compensation). Participation is mandatory upon attainment of age 36. The Academy's contributions to the plan for the years ended June 30, 2009 and 2008 were \$1,304,236 and \$1,216,739, respectively.

High Desert sponsors a defined contribution 401(k) plan, which covers substantially all of its employees, wherein High Desert matches 100% of a participating employee's contributions, up to 10% of the employee's salary. High Desert's contributions to the plan for the years ended June 30, 2009 and 2008 were \$60,667 and \$88,512, respectively.

21. COMMITMENTS AND CONTINGENCIES

At June 30, 2009 and 2008, the Academy has outstanding commitments of approximately \$11,100,612 and \$13,416,326, respectively, to invest in partnerships included in other investments.

21. COMMITMENTS AND CONTINGENCIES - continued

The Academy has guaranteed \$750,000 of the outstanding debt of an independent preparatory school. The debt proceeds were used to pay off existing loans totaling \$350,000 and to pay off or pay down existing accounts payable. As a result of this guarantee, Academy recognized \$34,628 of expense and increased liabilities. This represents the estimated fair value of this guarantee. As Academy is released from the guarantee, the liability will be reversed. The balance of the liability at June 30, 2009 is \$25,971. If an event of default occurs, as defined by the guaranty document, the Academy has the option of assuming the outstanding debt as well as paying \$750,000 to the lender. The Academy has a second mortgage lien on the campus of the independent preparatory school up to \$1,000,000. In the event of an uncured default, the Academy, upon the assumption or payment of the debt, would be secured by a first mortgage position in the tract of land. As of June 30, 2009, no event of default has occurred.

22. RELATED-PARTY ACTIVITY

During the years ended June 30, 2009 and 2008, there were no capital distributions or land transactions between High Desert and the Academy. At June 30, 2009 and 2008, High Desert owed \$82,925 and \$22,311, respectively, to the Academy relating to employee benefits.

23. ALBUQUERQUE ACADEMY EDUCATIONAL FOUNDATION

The Albuquerque Academy Educational Foundation (the Foundation) is an entity whose principal purpose is to support the New Mexico member schools of the Independent Schools Association of the Southwest (New Mexico Schools). The Foundation is operated, supervised and controlled by the Academy. Grants provided to New Mexico schools during the years ended June 30, 2009 and 2008 were approximately \$82,476 and \$92,811, respectively. The Foundation's financial activities are not included in these consolidated financial statements.

24. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 13, 2009 to determine whether such events should be recorded or disclosed in the financial statements or notes for the year ended June 30, 2009. This date represents the date the financial statement audit report was available to be issued. The following subsequent events were identified by management.

• **Short Term Fund**

In September, 2008, the Academy received notice from Wachovia Bank, in its capacity as Trustee of the CommonFund Short Term Fund of its decision to resign as Trustee, to initiate the termination of the Short Term Fund and to establish procedures for an orderly liquidation and distribution of the fund's assets. Effective April 2009, the Short Term Fund was totally liquidated, funds being transferred to the Law Debenture Trust Company of New York as new trustee of the CommonFund Short Term Fund.

24. **SUBSEQUENT EVENTS - continued**

• **Short Term Fund - continued**

Effective June 30, 2009, participants in the Short Term Fund have not incurred any losses to their invested principal and the balances remaining at June 30, 2009 with Law Debenture Trust Company were \$19,836, \$149,212 and \$299,900 in the Current, Plant and Endowment Funds respectively. Total liquidation of these funds will be complete in fiscal year 2010. CommonFund had also imposed a similar redemption restriction on the Intermediate Term Fund. The balance of this fund at June 30, 2009 was \$23,807, which was completely liquidated in August 2009.

• **Purchase of Land**

On September 17, 2009, the Academy purchased from High Desert tracts 1A-16B comprised of 2.0954 acres and 1A-16C comprised of 1.9924 acres. The tracts are located at Mariposa East and the purchase price was \$960,149. The land is held as a quasi-endowment asset.

• **UPMIFA**

FASB Staff Position 117-1, *Endowments of Not-for-Profit Organizations*, is effective for not-for-profit organizations with years ending after December 15, 2008. A not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) shall classify a portion of a donor-restricted endowment fund of perpetual duration as permanently restricted net assets. The amount classified as permanently restricted shall be the amount of the fund (a) that must be retained permanently in accordance with explicit donor stipulations, or (b) that in the absence of such stipulations, the organization's governing board determines must be retained permanently consistent with the relevant law. New Mexico enacted UPMIFA effective July 1, 2009.

SUPPLEMENTARY INFORMATION

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Consolidating Statements of Financial Position

AS OF JUNE 30, 2009

	Albuquerque Academy	High Desert Investment Company	Elimination and Consolidation Entries	Consolidated Total
ASSETS:				
Cash and cash equivalents	\$ 662,098	222,187	-	884,285
Receivables:				
Students, net of allowance for doubtful receivables	159,089	-	-	159,089
Other	728,261	38,565	-	766,826
Income tax receivable	-	826,478	-	826,478
Deposits and prepaid expenses	794,728	-	-	794,728
Inventories	169,396	-	-	169,396
Investments:				
Temporary cash	16,421,065	-	-	16,421,065
Marketable securities	8,826,153	-	-	8,826,153
Other investments	35,775,145	-	-	35,775,145
Investment in High Desert	38,410,393	-	(38,410,393)	-
Accrued investment income	780,966	-	-	780,966
Split interest agreements	374,137	-	-	374,137
Pledges receivable-long term, net of discount & allowance	839,491	-	-	839,491
Reimbursable land development costs	-	526,572	-	526,572
Real estate	28,801	-	-	28,801
Mariposa Ranch	52,851,221	36,794,030	-	89,645,251
Bond issuance and financing costs, net	290,348	-	-	290,348
Plant, property, and equipment, net	34,766,072	8,948,994	-	43,715,066
Assets held in trust by others	29,185,371	-	-	29,185,371
Deferred tax asset	-	968,001	-	968,001
Other assets	-	244,916	-	244,916
Due (to) from other funds	-	-	-	-
TOTAL ASSETS	\$ 221,062,735	48,569,743	(38,410,393)	231,222,085

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Consolidating Statements of Financial Position - continued

AS OF JUNE 30, 2009

	Albuquerque Academy	High Desert Investment Company	Elimination and Consolidation Entries	Consolidated Total
LIABILITIES, NET ASSETS & STOCKHOLDER'S EQUITY:				
Accounts payable and other liabilities	\$ 2,348,857	539,281	-	2,888,138
Line of Credit	6,006,140	3,999,000	-	10,005,140
Annuity and other split interest obligations	226,317	-	-	226,317
Loan guarantee	25,971	-	-	25,971
Contracts payable	-	9,958	-	9,958
Deferred tuition, fee and other revenue	1,176,849	-	-	1,176,849
Debt	30,343,560	5,611,111	-	35,954,671
Interest rate swap agreement	<u>1,008,463</u>	<u>-</u>	<u>-</u>	<u>1,008,463</u>
TOTAL LIABILITIES	41,136,157	10,159,350	-	51,295,507
NET ASSETS:				
Unrestricted:				
For current operations	(3,029,192)	-	-	(3,029,192)
Scholarships	273,725	-	-	273,725
Funds functioning as endowment	<u>149,533,742</u>	<u>-</u>	<u>-</u>	<u>149,533,742</u>
Total unrestricted	146,778,275	-	-	146,778,275
Temporarily restricted:				
Scholarships	2,333,159	-	-	2,333,159
Other gifts	<u>1,629,773</u>	<u>-</u>	<u>-</u>	<u>1,629,773</u>
Total temporarily restricted	3,962,932	-	-	3,962,932
Permanently restricted – trusts	<u>29,185,371</u>	<u>-</u>	<u>-</u>	<u>29,185,371</u>
TOTAL NET ASSETS	179,926,578	-	-	179,926,578
STOCKHOLDER'S EQUITY:				
Common stock, no par value.				
Authorized 500,000 shares; issued and outstanding 5,000 shares	-	31,800,389	(31,800,389)	-
Retained earnings	<u>-</u>	<u>6,610,004</u>	<u>(6,610,004)</u>	<u>-</u>
TOTAL STOCKHOLDER'S EQUITY	-	38,410,393	(38,410,393)	-
TOTAL NET ASSETS AND STOCKHOLDER'S EQUITY	<u>179,926,578</u>	<u>38,410,393</u>	<u>(38,410,393)</u>	<u>179,926,578</u>
TOTAL LIABILITIES, NET ASSETS AND STOCKHOLDER'S EQUITY	\$ <u>221,062,735</u>	<u>48,569,743</u>	<u>(38,410,393)</u>	<u>231,222,085</u>

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Consolidating Statements of Financial Position - continued

AS OF JUNE 30, 2008

	Albuquerque Academy	High Desert Investment Company	Elimination and Consolidation Entries	Consolidated Total
ASSETS:				
Cash and cash equivalents	\$ 1,287,297	296,480	-	1,583,777
Receivables:				
Students, net of allowance for doubtful receivables	165,587	-	-	165,587
Other	312,020	7,069	-	319,089
Income tax receivable	-	787,724	-	787,724
Deposits and prepaid expenses	861,336	-	-	861,336
Inventories	158,242	-	-	158,242
Investments:				
Temporary cash	6,935,593	-	-	6,935,593
Marketable securities	57,551,352	-	-	57,551,352
Other investments	36,277,747	-	-	36,277,747
Investment in High Desert	37,159,526	-	(37,159,526)	-
Accrued investment income	356,384	-	-	356,384
Split interest agreements	478,898	-	-	478,898
Pledges receivable-long term, net of discount & allowance	708,005	-	-	708,005
Reimbursable land development costs	-	553,066	-	553,066
Real estate	28,801	-	-	28,801
Mariposa Ranch	67,144,220	36,718,162	-	103,862,382
Bond issuance and financing costs, net	333,535	-	-	333,535
Plant, property, and equipment, net	35,784,100	4,062,219	-	39,846,319
Assets held in trust by others	39,566,412	-	-	39,566,412
Deferred tax asset	-	1,062,360	-	1,062,360
Other assets	-	245,213	-	245,213
Due (to) from other funds	-	-	-	-
TOTAL ASSETS	\$ 285,109,055	43,732,293	(37,159,526)	291,681,822

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Consolidating Statements of Financial Position - continued

AS OF JUNE 30, 2008

	Albuquerque Academy	High Desert Investment Company	Elimination and Consolidation Entries	Consolidated Total
LIABILITIES, NET ASSETS				
& STOCKHOLDER'S EQUITY:				
Accounts payable and other liabilities	\$ 2,347,683	678,137	-	3,025,820
Line of Credit	-	3,398,983	-	3,398,983
Annuity and other split interest obligations	272,055	-	-	272,055
Loan guarantee	34,628	-	-	34,628
Contracts payable	-	95,647	-	95,647
Deferred tuition, fee and other revenue	1,167,708	-	-	1,167,708
Debt	30,945,930	2,400,000	-	33,345,930
Interest rate swap agreement	<u>844,492</u>	<u>-</u>	<u>-</u>	<u>844,492</u>
TOTAL LIABILITIES	35,612,496	6,572,767	-	42,185,263
NET ASSETS:				
Unrestricted:				
For current operations	3,657,784	-	-	3,657,784
Scholarships	740,257	-	-	740,257
Funds functioning as endowment	<u>200,022,385</u>	<u>-</u>	<u>-</u>	<u>200,022,385</u>
Total unrestricted	204,420,426	-	-	204,420,426
Temporarily restricted:				
Scholarships	3,921,395	-	-	3,921,395
Other gifts	<u>1,588,326</u>	<u>-</u>	<u>-</u>	<u>1,588,326</u>
Total temporarily restricted	5,509,721	-	-	5,509,721
Permanently restricted – trusts	<u>39,566,412</u>	<u>-</u>	<u>-</u>	<u>39,566,412</u>
TOTAL NET ASSETS	249,496,559	-	-	249,496,559
STOCKHOLDER'S EQUITY:				
Common stock, no par value.				
Authorized 500,000 shares; issued and outstanding 5,000 shares	-	29,375,389	(29,375,389)	-
Retained earnings	<u>-</u>	<u>7,784,137</u>	<u>(7,784,137)</u>	<u>-</u>
TOTAL STOCKHOLDER'S EQUITY	<u>-</u>	<u>37,159,526</u>	<u>(37,159,526)</u>	<u>-</u>
TOTAL NET ASSETS AND STOCKHOLDER'S EQUITY	<u>249,496,559</u>	<u>37,159,526</u>	<u>(37,159,526)</u>	<u>249,496,559</u>
TOTAL LIABILITIES, NET ASSETS AND STOCKHOLDER'S EQUITY	\$ 285,109,055	43,732,293	(37,159,526)	291,681,822

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Consolidating Statements of Changes in Net Assets and Retained Earnings

AS OF JUNE 30, 2009

	Albuquerque Academy	High Desert Investment Company	Elimination and Consolidation Entries	Consolidated Total
REVENUES AND OTHER ADDITIONS:				
Revenues	\$ 25,887,964	163,854	-	26,051,818
Net realized and unrealized gain on investments and assets held in trust by others	(56,025,436)	-	-	(56,025,436)
City of Albuquerque land sales	345	-	-	345
Net income from subsidiary	(1,174,133)	-	1,174,133	-
Real estate development sales	-	34,200	-	34,200
TOTAL REVENUES AND OTHER ADDITIONS	(31,311,260)	198,054	1,174,133	(29,939,073)
EXPENDITURES AND OTHER DEDUCTIONS:				
Educational expenditures	34,652,504	-	-	34,652,504
Debt-related expenditures:				
Interest	958,101	-	-	958,101
Bond management fees	94,082	-	-	94,082
Amortization of bond issuance and financing costs	43,188	-	-	43,188
Renewal and replacement expenditures	122,349	-	-	122,349
Depreciation expense	2,224,526	210,690	-	2,435,216
Change in fair value of interest rate swap agreement	163,971	-	-	163,971
Cost of real estate development sales	-	-	-	-
Other subsidiary expenses	-	1,873,739	-	1,873,739
Income tax expense	-	(712,242)	-	(712,242)
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	38,258,721	1,372,187	-	39,630,908
TRANSFERS - ADDITIONS (DEDUCTIONS):				
Quasi-endowment income	-	-	-	-
Retirement of indebtedness	-	-	-	-
Renewals and replacements	-	-	-	-
Other	-	-	-	-
TOTAL TRANSFERS - ADDITIONS (DEDUCTIONS)	-	-	-	-
NET INCREASE (DECREASE) FOR THE YEAR	(69,569,981)	(1,174,133)	1,174,133	(69,569,981)
BALANCE, BEGINNING OF YEAR	249,496,559	7,784,137	(7,784,137)	249,496,559
BALANCE, END OF YEAR	\$ 179,926,578	6,610,004	(6,610,004)	179,926,578

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Consolidating Statements of Changes in Net Assets and Retained Earnings - continued

AS OF JUNE 30, 2008

	Albuquerque Academy	High Desert Investment Company	Elimination and Consolidation Entries	Consolidated Total
REVENUES AND OTHER ADDITIONS:				
Revenues	\$ 26,025,797	309,019	-	26,334,816
Net realized and unrealized gain on investments and assets held in trust by others	(33,545,595)	-	-	(33,545,595)
City of Albuquerque land sales	86,499	-	-	86,499
Net income from subsidiary	(700,936)	-	700,936	-
Real estate development sales	-	2,730,207	-	2,730,207
TOTAL REVENUES AND OTHER ADDITIONS	(8,134,235)	3,039,226	700,936	(4,394,073)
EXPENDITURES AND OTHER DEDUCTIONS:				
Educational expenditures	34,530,027	-	-	34,530,027
Debt-related expenditures:				
Interest	1,201,957	-	-	1,201,957
Bond management fees	102,578	-	-	102,578
Amortization of bond issuance and financing costs	43,188	-	-	43,188
Renewal and replacement expenditures	206,446	-	-	206,446
Depreciation expense	2,091,350	173,159	-	2,264,509
Change in fair value of interest rate swap agreement	429,510	-	-	429,510
Cost of real estate development sales	-	1,571,727	-	1,571,727
Other subsidiary expenses	-	2,480,411	-	2,480,411
Income tax expense	-	(485,135)	-	(485,135)
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	38,605,056	3,740,162	-	42,345,218
TRANSFERS - ADDITIONS (DEDUCTIONS):				
Quasi-endowment income	-	-	-	-
Retirement of indebtedness	-	-	-	-
Renewals and replacements	-	-	-	-
Other	-	-	-	-
TOTAL TRANSFERS - ADDITIONS (DEDUCTIONS)	-	-	-	-
NET INCREASE (DECREASE) FOR THE YEAR	(46,739,291)	(700,936)	700,936	(46,739,291)
BALANCE, BEGINNING OF YEAR	296,235,850	8,485,073	(8,485,073)	296,235,850
BALANCE, END OF YEAR	\$ 249,496,559	7,784,137	(7,784,137)	249,496,559

ALBUQUERQUE ACADEMY AND SUBSIDIARY

**Statements of Current Funds Revenues,
Expenditures and Transfers**

YEARS ENDED JUNE 30,	2009	2008
EDUCATIONAL REVENUES:		
Tuition and fees	\$ 16,818,754	16,019,472
Student support and activities	<u>1,884,985</u>	<u>1,807,377</u>
TOTAL EDUCATIONAL REVENUES	18,703,739	17,826,849
EDUCATIONAL EXPENDITURES:		
Salaries	15,956,316	15,392,750
Benefits and payroll taxes	5,982,034	5,559,008
Financial aid	3,810,916	3,576,950
Maintenance and grounds	1,679,732	1,788,369
General	1,256,141	1,353,240
Administrative	851,731	858,244
Food service and bookstore	846,088	763,895
Instructional expenditures	516,386	673,614
Athletics	286,219	306,821
Student activities	<u>221,279</u>	<u>238,751</u>
TOTAL EDUCATIONAL EXPENDITURES	<u>31,406,842</u>	<u>30,511,642</u>
EXCESS OF EDUCATIONAL EXPENDITURES OVER EDUCATIONAL REVENUES	(12,703,103)	(12,684,793)
OTHER REVENUES (EXPENDITURES):		
Endowment and quasi-endowment income	3,305,002	4,151,369
Gifts	1,246,100	1,270,322
Interest	2,749	60,344
Investment activities:		
Salaries and benefits	(653,413)	(772,063)
Professional fees	(124,730)	(258,304)
Real estate taxes	(15,715)	(18,919)
Other	(262,644)	(569,893)
Summer school, media literacy, day camp, and sports camps, net	<u>434,456</u>	<u>267,548</u>
TOTAL OTHER REVENUES	<u>3,931,805</u>	<u>4,130,404</u>
EXCESS OF EXPENDITURES OVER REVENUES BEFORE TRANSFERS	(8,771,298)	(8,554,389)
NET TRANSFERS FROM OTHER FUNDS	<u>4,168,756</u>	<u>6,489,403</u>
NET EXPENDITURES OVER REVENUES AND TRANSFERS	\$ <u>(4,602,542)</u>	<u>(2,064,986)</u>

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Schedule of Changes in Principal of
Quasi-Endowment Funds

YEAR ENDED JUNE 30, 2009

	Balance, Beginning of Period	Net Realized and Unrealized Gains (losses)	Transfers (including Endowment Funds)			Net Balance, End of Period
			from (to) Other Funds	to Other Accounts	from Other Accounts	
Cash and equivalents:						
Kirr Marbach & Company	\$ 194,217	-	2,819,083	(3,013,300)	-	-
Shapiro Capital	315,357	-	(76,037)	-	-	239,320
Fountain Capital High Yield	-	-	(931,145)	(4,228,932)	6,000,000	839,923
KDP Asset Defensive High Yield	-	-	(1,720,154)	(3,510,216)	6,000,000	769,630
Penn Asset Defensive High Yield	-	-	(674,868)	(5,210,349)	6,000,000	114,783
Commonfund Short-Term Investment Account (old)	6,796,141	-	(4,323,045)	(4,059,387)	1,586,292	-
Commonfund Short-Term Investment Account (new)	-	-	(13,815)	(2,433,409)	2,447,224	-
Commonfund Short-Term Law Debenture	-	(10,346)	21,856	(582,316)	870,706	299,900
CF Governmental Securities Account	-	1,514	(2,074,270)	(492)	2,073,249	-
Short-Term Investment-Bank of America #412145	-	-	6,439	(4,000,000)	4,336,081	342,520
Short-Term Investment-Bank of America #412139	-	-	1,617,620	(15,147,813)	13,695,161	164,968
Short-Term Investment-Bank of America #412138	-	-	-	-	13,639,592	13,639,592
Marketable securities:						
Kirr Marbach & Company	5,281,492	(2,491,380)	(2,790,112)	-	-	-
Shapiro Capital	9,334,566	(1,038,784)	116,397	-	-	8,412,179
Penn Asset Defensive High Yield Stock	-	12,052	31,500	-	85,968	129,520
United Educators	303,627	10,373	(29,546)	-	-	284,454
Other investments:						
Fountain Capital High Yield Bonds	-	25,738	870,868	-	4,228,932	5,125,538
KDP Asset Defensive High Yield Bonds	-	39,507	1,665,681	-	3,510,216	5,215,404
Penn Asset Defensive High Yield Bonds	-	31,182	594,766	-	5,124,381	5,750,329
Commonfund - Multistrategy Bond Fund (General Scholarship)	3,950,667	(472,390)	574,500	(4,052,777)	-	-
Commonfund - Multistrategy Bond Fund	4,120,817	(446,876)	140,724	(3,814,666)	-	-
Commonfund - Global Bond	7,289,099	(655,735)	345,099	(6,978,464)	-	-
Commonfund - Equity Index	1,517,519	(644,973)	16,120	(888,667)	-	-
Commonfund - Intermediate Fund (Tranche 1)	78,990	(2,732)	999	(83,533)	6,275	-
Commonfund - Intermediate Fund (Tranche 2)	-	(6,004)	1,640	(24,843)	53,014	23,807
Commonfund - Institutional Real Return Bond	3,986,611	(128,261)	96,466	(3,954,816)	-	-
Commonfund - Multistrategy Commodities	17,499,167	(9,394,929)	(2,761,060)	(5,343,179)	-	-
Dodge & Cox	13,533,093	(7,131,094)	-	(6,402,000)	-	-
DFA Emergency Market Fund	3,572,298	(2,117,383)	91,711	(1,546,626)	-	-
DFA International Fund	6,509,584	(3,160,069)	152,669	(3,502,184)	-	-
Endowment Equity Partners, L.P.	3,727	(305)	-	-	-	3,422
Endowment Venture Partners I, L.P.	109,105	(9,046)	(24,592)	-	-	75,467
Endowment Venture Partners III, L.P.	677,378	(166,557)	(28,130)	-	-	482,691
Endowment Venture Partners IV, L.P.	1,081,072	(152,965)	(47,420)	-	7,500	888,187
Endowment Venture Partners VIII, L.P.	136,398	(42,865)	40,000	-	170,000	303,533
Northstar Mezzanine Partners III, L.P.	1,391,139	(227,485)	(73,608)	-	-	1,090,046
Northstar Mezzanine Partners IV, L.P.	6,510,485	(892,121)	(1,183,434)	-	130,249	4,565,179
Northstar Mezzanine Partners V, L.P.	925,640	(284,965)	(187,811)	-	769,291	1,222,155
Arch Venture Fund IV, L.P.	282,105	(64,593)	(47,520)	-	-	169,992
Paul Capital Royalty Fund	648,043	(101,492)	(70,069)	-	44,864	521,346
International Partners VI	344,435	(132,936)	-	-	262,500	473,999
Private Equity Partners VII	188,566	(66,252)	-	-	172,500	294,814
River Associated Investment	1,145,868	39,772	535,106	-	138,974	1,859,720
Commonfund Realty Investors, LLC	3,378,510	(1,834,624)	-	-	-	1,543,886
Shenkman Capital Floating Rate Fund	-	165,630	-	-	6,000,000	6,165,630
High Desert Investment Corporation	37,159,526	(1,174,133)	1,000,000	-	1,425,000	38,410,393
Real estate	28,801	-	-	-	-	28,801
Mariposa real estate	67,144,220	(14,292,999)	-	-	-	52,851,221
Assets held in trust by others	39,566,412	(10,381,041)	-	-	-	29,185,371
TOTAL	\$ 245,004,675	(57,199,567)	(6,317,392)	(78,777,969)	78,777,969	181,487,720

YEAR ENDED JUNE 30, 2009

Net quasi-endowment income is reflected net of investment advisory and custodial fees as follows:

Kirk Marbach & Company	\$	28,552
Shapiro Capital		81,823
Shenkman Capital Floating Rate		5,000
Fountain Capital		5,214
KDP Asset		8,126
Penn Capital		5,410
Common Fund - Bond Fund		4,238
Common Fund - Equity Index (I.H)		379
Common Fund - Multistrategy Bond		4,406
Common Fund - Global Bond		7,693
Common Fund - Multistrategy Commodities		15,838
Common Fund - Intermediate Bond		52
Common Fund - Institutional Real Return		<u>4,183</u>
	\$	<u>170,914</u>

ALBUQUERQUE ACADEMY AND SUBSIDIARY

Schedule of Selected Albuquerque Academy Assets

YEAR ENDED JUNE 30, 2009

	<u>Carrying</u> <u>Value</u>	<u>Estimated</u> <u>Fair</u> <u>Value</u>
ASSETS DIRECTLY HELD BY THE ACADEMY:		
Investments:		
Temporary cash	\$ 16,421,065	16,421,065
Marketable securities	8,826,153	8,826,153
Partnerships	35,775,145	35,775,145
High Desert Investment Company	38,410,393	38,410,393
Real estate and land development costs	<u>52,880,022</u>	<u>52,880,022</u>
 Total investments	 152,312,778	 152,312,778
 Plant, principally education facilities:		
Land	397,023	80,000,000 (1)
Land improvements	6,579,985	5,600,000 (1)
Buildings	53,585,226	78,400,000 (1)
Furniture, fixtures, and equipment	9,433,754	7,600,000 (1)
Library and art collection	3,720,962	2,000,000 (1)
Less accumulated depreciation	<u>(38,950,878)</u>	<u>-</u>
 Total plant	 <u>34,766,072</u>	 <u>173,600,000 (1)</u>
 TOTAL SELECTED ASSETS DIRECTLY HELD BY THE ACADEMY	 \$ <u>187,078,850</u>	 <u>325,912,778</u>
 ASSETS HELD IN TRUST FOR THE BENEFIT OF THE ACADEMY:		
Cash	\$ 16,477,039	16,477,039
Securities	<u>12,708,332</u>	<u>12,708,332</u>
 TOTAL ASSETS HELD IN TRUST FOR THE BENEFIT OF THE ACADEMY	 \$ <u>29,185,371</u>	 <u>29,185,371</u>

(1) Unaudited, fair value estimated by management

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APPENDIX C

FORM OF BOND COUNSEL OPINION

Upon delivery of the Bonds, Brownstein Hyatt Farber Schreck, LLP, Bond Counsel, proposes to render its final opinion with respect to the Series 2010 Bonds in substantially the following form:

[Date of Issuance]

Village of Los Ranchos de Albuquerque
Los Ranchos de Albuquerque, New Mexico

Wells Fargo Bank, N.A., Trustee
Denver, Colorado

Re: \$36,000,000 Village of Los Ranchos de Albuquerque, New Mexico Educational Facilities Refunding and Improvement Revenue Bonds (Albuquerque Academy Project) Series 2010

Ladies and Gentlemen:

We have acted as bond counsel to Albuquerque Academy in connection with the issuance by the Village of Los Ranchos de Albuquerque, New Mexico (the "Issuer") of its \$36,000,000 Educational Facilities Refunding and Improvement Revenue Bonds (Albuquerque Academy Project), Series 2010 (the "Series 2010 Bonds"). The Series 2010 Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the "State"), including Sections 3-32-1 NMSA 1978, et seq., as amended (the "Act"), Ordinance No. 227 adopted by the Issuer on July 14, 2010 (the "Bond Ordinance"), Resolution No. 2010-9-1 adopted by the Issuer on September 8, 2010 (the "Sale Resolution" and, collectively with the Bond Ordinance, the "Bond Legislation"), and a Trust Indenture dated as of September 1, 2010 (the "Indenture") by and between the Issuer and Wells Fargo Bank, N.A. (the "Trustee"). Capitalized terms used but not defined herein have the meanings attributed to them in the Bond Legislation.

The proceeds of the Series 2010 Bonds will be used (i) to refund the outstanding City of Albuquerque, New Mexico Educational Facilities Refunding Revenue Bonds (Albuquerque Academy Project), Series 1999 (the "Series 1999 Bonds") and City of Albuquerque, New Mexico Educational Facilities Revenue Bonds (Albuquerque Academy Project), Series 2002 (the "Series 2002 Bonds" and, collectively with the Series 1999 Bonds, the "Refunded Bonds"), (ii) to pay the termination payment in connection with a swap agreement entered into by the Academy in connection with the Series 2002 Bonds, (iii) to finance the cost of acquiring, constructing, remodeling and installing certain facilities located on the Academy campus, and (iv) to pay costs incidental to the issuance of the Series 2010 Bonds (collectively, the "Project").

The Issuer and the Academy have entered into an Installment Sale Agreement, dated as of September 1, 2010 (the "Agreement"), pursuant to which the Issuer has agreed to use the proceeds of the Series 2010 Bonds to finance the Project. Pursuant to the Agreement, the Academy has agreed to make payments in installments (the "Installment Sale Payments") in amounts sufficient to provide for the payment of the principal of, premium, if any, and interest on the Series 2010 Bonds as the same become due and payable and to make certain other payments. Substantially all of the rights of the Issuer under the Agreement

have been assigned to the Trustee, pursuant to the Indenture. As further security for the payment of the Series 2010 Bonds, the Academy has executed and delivered to the Trustee a Guaranty Agreement dated as of September 1, 2010 (the "Guaranty") pursuant to which the Academy has guaranteed to the Trustee the timely payment of the principal of, premium, if any, and interest on the Series 2010 Bonds and other bonds issued under the Indenture as the same become due and payable.

The Indenture provides that the Installment Sale Payments shall be deposited to the credit of a special fund created by the Indenture. Except as otherwise provided in the Indenture, the principal of, premium, if any, and interest on the Series 2010 Bonds are payable solely from the Installment Sale Payments and other Revenues (defined in the Indenture), including payments made by the Academy pursuant to the Guaranty.

The Issuer and the Academy have entered into a Bond Purchase Agreement dated September 8, 2010 (the "Bond Purchase Agreement") with Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Purchaser") pursuant to which the Purchaser has agreed to purchase the Series 2010 Bonds on the terms and conditions stated in the Bond Purchase Agreement.

The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements that must be met subsequent to the issuance and delivery of the Series 2010 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2010 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2010 Bonds. The Issuer has covenanted in the Indenture and the Tax Certificate dated the date hereof (the "Tax Certificate"), and the Academy has covenanted in the Agreement and the Tax Certificate, to comply with certain requirements to assure that interest on the Series 2010 Bonds will not be includable in gross income for federal income tax purposes and that any required rebate shall be provided to the United States.

In our capacity as Bond Counsel, we have examined such proceedings of the Issuer, the Academy and the Trustee; and other documents, including counterparts or certified copies of the Bond Legislation, the Indenture, the Agreement, the Guaranty, and the Bond Purchase Agreement; and certain other documents as we deemed necessary to enable us to express the opinions set forth below. Our opinions regarding procedures and actions of the Issuer are, with your consent, based and made in reliance upon an examination of certificates and certified extracts of the proceedings of the Issuer relating to its authorization, approval, execution and delivery of the Series 2010 Bonds and an opinion of counsel to the Issuer of even date herewith as to the authority, procedures and actions of the Issuer in connection with the authorization and issuance of the Series 2010 Bonds.

We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to authentic original documents of all documents submitted to us as certified, conformed, or photostatic copies, and the accuracy of the facts and conclusions stated therein, including without limitation those in the Tax Certificate, and without undertaking to verify the same by independent investigation. We also have relied upon and assumed the accuracy of representations and certifications of the Academy regarding its activities in concluding that it is an organization described in Section 501(c)(3) of the Code and that it will use proceeds of the Bonds in its activities that do not constitute an unrelated trade or business, determined by applying Section 513(a) of the Code.

Based on the foregoing and subject to the limitations and qualifications set forth herein, we are of the opinion that, under existing law:

1. The Indenture and the Agreement have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, each

constitutes the valid and binding obligation of the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2010 Bonds, of the Agreement and the rights of the Issuer in the Agreement, and all payments, revenues and receipts receivable by the Issuer thereunder (except amounts payable to the Issuer under Sections 4.6 and 5.4 of the Agreement) and all other Revenues and the Funds and accounts maintained under the Indenture, other than the Rebate Fund.

2. The Series 2010 Bonds have been validly authorized and executed and, when authenticated and delivered, will be validly issued and entitled to the benefit of the trust created by the Indenture.
3. The Series 2010 Bonds constitute the valid and binding special and limited obligations of the Issuer. The Series 2010 Bonds are not general obligations of the Issuer and do not constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers.
4. Interest on the Series 2010 Bonds is not includable in gross income for federal income tax purposes. The Series 2010 Bonds are not “specified private activity bonds” within the meaning of Section 57(a)(5) of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Interest on the Series 2010 Bonds owned by corporations will, however, be taken into account in determining the alternative minimum tax imposed by Section 55 of the Code on 75 percent of the excess of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction).
5. Interest on the Series 2010 Bonds is exempt from taxation by the State of New Mexico.

In giving the foregoing opinion, we have assumed and relied upon the accuracy of the opinion of Hughes Law, LLC, compliance with the Issuer’s and the Academy’s covenants, and the accuracy of the Issuer’s and the Academy’s representations and certifications contained in the transcript of proceedings relating to the Series 2010 Bonds. The accuracy of those representations and certifications, which we have not independently verified, and compliance with those covenants may be necessary for the interest on the Series 2010 Bonds to be and to remain excludable from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those requirements subsequent to issuance of the Series 2010 Bonds could cause interest on the Series 2010 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2010 Bonds.

The binding effect and enforceability of the Series 2010 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally, now or hereafter in effect, and to the exercise of judicial discretion and the application of other judicial or equitable remedies.

This letter is issued to and for the sole benefit of the above addressees and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressees may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent, except that this opinion may be included in the transcript of proceedings relating to the Series 2010 Bonds.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein, and we are not passing upon the accuracy or completeness of any information furnished

to any person in connection with the offer or sale of the Series 2010 Bonds. The opinions expressed herein are based on existing law as of the date hereof, and we express no opinion herein as of any subsequent date or with respect to any pending legislation or as to any other matters. The opinions expressed in this letter are limited only to the matters expressly set forth herein. We do not undertake to advise you on any other matters or any matters that may come to our attention subsequent to the date hereof that may affect our legal opinions expressed herein. We call your attention to the fact that our opinions are an expression of professional judgment and not a guarantee of a result. No attorney-client relationship between us and any other party to the transactions involving the issuance and sale of the Series 2010 Bonds exists, except between us and the Academy; we do not represent the Issuer, the Trustee, the Underwriter, or the holders of the Bonds. Our engagement by the Academy as bond counsel with respect to the transaction referred to herein terminates on the date of this letter.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of September 1, 2010, is executed and delivered by the Albuquerque Academy (the “Academy”) and Wells Fargo Bank, N.A., as Dissemination Agent (the “Dissemination Agent”) for the benefit of the Holders (hereinafter defined) of the Series 2010 Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Certificates in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date which is 180 days after the end of the Academy’s Fiscal Year (presently June 30), as such date may be adjusted from time to time pursuant to Section 2(f).

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Sections 3(c), (d) and (e) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Academy for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the MSRB through the EMMA System under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Dissemination Agent by the Academy and include the full name of the Series 2010 Bonds and the 9-digit CUSIP numbers for all Series 2010 Bonds to which the document applies.

“Disclosure Representative” means the Chief Financial Officer or his or her designee, or such other officer or employee as the Academy shall designate in writing to the Dissemination Agent from time to time as the person responsible for providing Information to the Dissemination Agent.

“Dissemination Agent” means Wells Fargo Bank, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Academy pursuant to Section 9 hereof.

“EMMA System” means the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2010 Bonds (including persons holding Series 2010 Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Series 2010 Bonds for federal income tax purposes.

“Information” means the Annual Financial Information, the Audited Financial Statements (if any), the Notice Event notices, and the Voluntary Reports.

“Issuer” means the Village of Los Ranchos de Albuquerque, New Mexico.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or such other entity as may hereafter be designated or authorized by the SEC to receive reports pursuant to the Rule.

“Notice Event” means an event listed in Section 4(a) of this Disclosure Agreement.

“Official Statement” means that Official Statement prepared by the Academy in connection with the Series 2010 Bonds, as listed on Appendix A.

“Series 2010 Bonds” means the Village of Los Ranchos de Albuquerque, New Mexico Educational Facilities Refunding and Improvement Revenue Bonds (Albuquerque Academy Project) Series 2010 as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Trustee” means Wells Fargo Bank, N.A., as trustee under that Trust Indenture, dated as of September 1, 2010 by and between the Issuer and Wells Fargo Bank, N.A., as trustee.

“Voluntary Report” means the information provided to the Dissemination Agent by the Academy pursuant to Section 7.

SECTION 2. Provision of Annual Reports.

(a) The Academy shall provide, annually, an electronic copy in word-searchable pdf form of the Annual Report and Certification to the Dissemination Agent and the Trustee, not later than fifteen (15) days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Dissemination Agent shall provide an Annual Report to the MSRB through the EMMA System not later than the Annual Filing Date, commencing with the report for Fiscal Year 2009-10. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Dissemination Agent has not received a copy of the Annual Report and Certification, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Issuer, to remind the Academy of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Dissemination Agent in writing, with a copy to the Issuer, that the Academy will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to the MSRB through the EMMA System in substantially the form attached as Exhibit B.

(c) If the Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Academy irrevocably directs the Dissemination Agent to immediately send a notice to the MSRB through the EMMA System in substantially the form attached as Exhibit B.

(d) If Audited Financial Statements of the Academy are prepared but not available prior to the Annual Filing Date, the Academy shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Dissemination Agent and the Trustee, accompanied by a Series 2010 Bond, for filing with the MSRB through the EMMA System.

(e) The Dissemination Agent shall:

- (i) determine the address of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with the MSRB through the EMMA System;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB through the EMMA System;
- (iv) upon receipt, promptly file the text of each disclosure to be made with the MSRB through the EMMA System together with a completed copy of the Event Notice Cover Sheet in the form attached as Exhibit D, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:
 1. “Principal and interest payment delinquencies,” pursuant to Sections 4(c) and 4(a)(1);
 2. “Non-Payment related defaults,” pursuant to Sections 4(c) and 4(a)(2);

3. “Unscheduled draws on debt service reserves reflecting financial difficulties,” pursuant to Sections 4(c) and 4(a)(3);
4. “Unscheduled draws on credit enhancements reflecting financial difficulties,” pursuant to Sections 4(c) and 4(a)(4);
5. “Substitution of credit or liquidity providers, or their failure to perform,” pursuant to Sections 4(c) and 4(a)(5);
6. “Adverse tax opinions or events affecting the tax-exempt status of the security,” pursuant to Sections 4(c) and 4(a)(6);
7. “Modifications to rights of securities holders,” pursuant to Sections 4(c) and 4(a)(7);
8. “Bond calls,” pursuant to Sections 4(c) and 4(a)(8);
9. “Defeasances,” pursuant to Sections 4(c) and 4(a)(9);
10. “Release, substitution, or sale of property securing repayment of the securities,” pursuant to Sections 4(c) and 4(a)(10);
11. “Ratings changes,” pursuant to Sections 4(c) and 4(a)(11);
12. “Failure to provide Annual Financial Information as required,” pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement; and
13. “Other material event notice (specify),” pursuant to Section 7 of this Disclosure Agreement, together with the summary description provided by the Disclosure Representative.

- (v) provide the Academy evidence of the filings of each of the above when made, which shall be by means of the EMMA System in an electronic format and accompanied by identifying information all as prescribed by the MSRB.

(f) The Academy may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Dissemination Agent, the Issuer, the Trustee and the MSRB through the EMMA System, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

SECTION 3. Content of Annual Reports.

The Academy's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Academy for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the Academy's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The completed form attached hereto as Exhibit C or such other form which contains substantially the same information.

(c) A calculation showing the Academy's maintenance of Unrestricted Assets with a market value equal to or greater than the par amount of the Funded Debt as required by Section 5.11 of the Agreement.

(d) Information concerning the Academy's compliance with the negative pledge set forth in Section 5.10(c) of the Agreement.

(e) Unless otherwise set forth in the Academy's financial statements filed on or prior to the Annual Filing Date, the financial information and operating data with respect to the Academy for the most recently completed fiscal year of the type set forth under the caption "ALBUQUERQUE ACADEMY" in the Official Statement under the headings "Administrative Officers," "Employee Retirement Plan," "Enrollment and Admission," "Student Body (first two tables only)," "Litigation," "Insurance," "Accreditation," and under the caption "FINANCIAL INFORMATION CONCERNING THE ACADEMY" in the Official Statement under the headings "Budget," "Revenue Sources," "Tuition and Fees," "Academy Assets," and "Other Indebtedness of the Academy."

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Academy is an "obligated person" (as defined by the Rule), which have been previously filed with each of the MSRB through the EMMA System or the Securities Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB through the EMMA System. The Academy will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Series 2010 Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Series 2010 Bonds reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Series 2010 Bonds;
7. Modifications to rights of Series 2010 Bond holders;
8. Series 2010 Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2010 Bonds;
11. Rating changes on the Series 2010 Bonds; and
12. Failure to provide Annual Financial Information as required.

The Academy shall promptly notify the Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Academy desires to make, the written authorization of the Academy for the Dissemination Agent to disseminate such information, and the date the Academy desires for the Dissemination Agent to disseminate the information.

(b) The Dissemination Agent is under no obligation to notify the Academy or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Academy desires to make, the written authorization of the Academy for the Dissemination Agent to disseminate such information, and the date the Academy desires for the Dissemination Agent to disseminate the information.

(c) If the Dissemination Agent has been instructed by the Academy as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the

Dissemination Agent shall promptly file a notice of such occurrence with the MSRB through the EMMA System in accordance with Section 2(e)(iv) hereof.

SECTION 5. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the Academy shall indicate the full name of the Series 2010 Bonds and the 9-digit CUSIP numbers for the Series 2010 Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Academy acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Academy, and that the failure of the Dissemination Agent to so advise the Academy shall not constitute a breach by the Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Academy acknowledges and understands that the duties of the Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Academy may instruct the Dissemination Agent to file information with the MSRB through the EMMA System, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a “Voluntary Report”).

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Academy from disseminating any other information through the Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Academy chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Academy shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Academy and the Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Series 2010 Bonds upon the legal defeasance, prior prepayment or payment in full of all of the Series 2010 Bonds, when the Academy is no longer an obligated person with respect to the Series 2010 Bonds, or upon delivery by the Disclosure Representative to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Dissemination Agent. The Academy has appointed Wells Fargo Bank, N.A. as Dissemination Agent under this Disclosure Agreement. The Academy may, with the prior written consent of the Issuer and upon thirty (30) days’ written notice to the Dissemination

Agent and the Trustee, replace or appoint a successor Dissemination Agent. Upon termination of the services of the Dissemination Agent, whether by notice of the Academy or the Dissemination Agent, the Academy agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Series 2010 Bonds. Notwithstanding any replacement or appointment of a successor, the Academy shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty (30) days' prior written notice to the Academy.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Academy or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Series 2010 Bonds or under any other document relating to the Series 2010 Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Academy has provided such information to the Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Academy and shall not be deemed to be acting in any fiduciary capacity for the Academy, the Holders of the Series 2010 Bonds or any other party. The Dissemination Agent shall have no responsibility for the Academy's failure to report to the Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Academy has complied with this Disclosure Agreement. The Dissemination Agent may conclusively rely upon certifications of the Academy at all times.

THE ACADEMY AGREES TO INDEMNIFY AND SAVE THE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISSEMINATION AGENT'S NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Academy under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, prepayment or payment of the Series 2010 Bonds.

(b) The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Academy.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer Responsibility. The Academy and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 13. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Academy and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Academy and the Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Series 2010 Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Academy or the Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Academy. No such amendment shall become effective if the Academy shall, within 10 days following the giving of such notice, send a notice to the Dissemination Agent in writing that it objects to such amendment.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Academy, the Issuer, the Trustee for the Series 2010 Bonds, the Dissemination Agent, the original underwriter, and the Holders from time to time of the Series 2010 Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of New Mexico (other than with respect to conflicts of laws).

SECTION 16. **Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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The Dissemination Agent and the Academy have caused this Continuing Disclosure Agreement to be executed, as of the date first written above, by their respective officers duly authorized.

WELLS FARGO BANK, N.A., as Dissemination Agent

By: _____
Name: _____
Title: _____

ALBUQUERQUE ACADEMY

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF SERIES 2010 BONDS

Name of Issuer: Village of Los Ranchos de Albuquerque, New Mexico

Obligated Person: Albuquerque Academy

Name of Bond Issue: \$36,000,000 Village of Los Ranchos de Albuquerque, New Mexico Educational Facilities Refunding and Improvement Revenue Bonds (Albuquerque Academy Project) Series 2010 as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto. (the “Series 2010 Bonds”)

Date of Issuance: September 21, 2010

Date of Official Statement: September 8, 2010

CUSIP Number:	545610AA5	CUSIP Number:	545610AK3
CUSIP Number:	545610AB3	CUSIP Number:	545610AL1
CUSIP Number:	545610AC1	CUSIP Number:	545610AP2
CUSIP Number:	545610AD9	CUSIP Number:	545610AQ0
CUSIP Number:	545610AE7	CUSIP Number:	545610AR8
CUSIP Number:	545610AF4	CUSIP Number:	545610AS6
CUSIP Number:	545610AG2	CUSIP Number:	545610AM9
CUSIP Number:	545610AH0	CUSIP Number:	545610AN7
CUSIP Number:	545610AJ6		

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: Village of Los Ranchos de Albuquerque, New Mexico

Obligated Person: Albuquerque Academy

Name of Bond Issue: \$36,000,000 Village of Los Ranchos de Albuquerque, New Mexico Educational Facilities Refunding and Improvement Revenue Bonds (Albuquerque Academy Project) Series 2010 as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto (the "Series 2010 Bonds")

Date of Issuance: September 21, 2010

NOTICE IS HEREBY GIVEN that the Albuquerque Academy (the "Academy") has not provided an Annual Report with respect to the above named Series 2010 Bonds as required by the Continuing Disclosure Agreement, dated as of September 1, 2010, between the Academy and Wells Fargo Bank, N.A., as Dissemination Agent. The Academy has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

WELLS FARGO BANK, N.A., as Dissemination
Agent, on behalf of the Academy

cc: Village Clerk, Village of Los Ranchos de Albuquerque, New Mexico
Treasurer, Albuquerque Academy
Wells Fargo Bank, N.A., Corporate Trust Office

EXHIBIT C

ALBUQUERQUE ACADEMY CONTINUING DISCLOSURE ANNUAL REPORT

Operating Data

Non-Financial

Please answer each of the following questions:

- a) Has there been a change in the name and titles of officers since the last annual report? (Check one)
- Yes No If yes, please indicate name and title.
- b) Please describe any new litigation, or a material result in litigation since the date of the last report.
- c) Please describe any significant sale, destruction or loss of real property or other material assets since the date of the last report. In addition, please describe any sale or loss of any collateral since the date of the last report.

Please update the following information for the most recent academic or fiscal year, as appropriate. Only the data for the most recent academic or fiscal year (as appropriate) needs to be included in your annual report:

Financial

- a) Please attach a copy of your most recent financial statements.

Material Events

- a) Please review Section 4 of the Continuing Disclosure Agreement and confirm that no Notice Event has occurred. Please describe any Notice Event that has occurred since the date of the last report.

EXHIBIT D

EVENT NOTICE COVER SHEET

This cover sheet and material event notice will be sent to the MSRB through the Electronic Municipal Market Access system, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

Number of pages of attached: _____

Description of Material Event Notice (Check One):

- 1. Principal and interest payment delinquencies
- 2. Non-Payment related defaults
- 3. Unscheduled draws on debt service reserves reflecting financial difficulties
- 4. Unscheduled draws on credit enhancements reflecting financial difficulties
- 5. Substitution of credit or liquidity providers, or their failure to perform
- 6. Adverse tax opinions or events affecting the tax-exempt status of the security
- 7. Modifications to rights of securities holders
- 8. Certificate calls
- 9. Defeasances
- 10. Release, substitution, or sale of property securing repayment of the securities
- 11. Rating changes
- 12. Other material event notice (specify)

Failure to provide Annual Financial Information as required

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Employer: Wells Fargo Bank, N.A.

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: _____

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▪ ALBUQUERQUE ACADEMY ▪

