OFFICIAL STATEMENT

NEW ISSUE – Book-Entry Only

RATINGS: Moody's: A1
S&P Global Ratings: AA-

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming continuous compliance with certain covenants set forth in the documents relating to the Tax-Exempt Bonds (defined herein) and certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Tax-Exempt Bonds is (a) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code and (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals and corporations, but such interest on the Tax-Exempt Bonds will be included in the adjusted current earnings of certain corporations. The Series 2017B Bonds (defined herein) are not obligations described in Section 103(a) of the Code; accordingly, interest on the Series 2017B Bonds will be includable in gross income for federal income tax purposes. Bond Counsel is also of the opinion based on existing laws of the State of New Mexico as enacted and construed that interest on the Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$73,240,000
THE REGENTS OF NEW MEXICO STATE UNIVERSITY
$40,740,000 Refunding and Improvement Revenue Bonds, Series 2017A
$18,975,000 Taxable Refunding Revenue Bonds, Series 2017B
$13,525,000 Refunding Revenue Bonds, Series 2017C (Crossover Refunding)

Dated: Date of Delivery

Due: As shown on inside front cover

The hereinafter-defined Bonds of the Regents of New Mexico State University (the "Regents") are special obligations of the Regents and shall not constitute a debt or liability of the State of New Mexico (the "State") or of any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and shall not constitute a pledge of the faith and credit of the State. The Bonds are issued in three series as the (i) $40,740,000 Refunding and Improvement Revenue Bonds, Series 2017A (the "Series 2017A Bonds"), (ii) $18,975,000 Taxable Refunding Revenue Bonds, Series 2017B (the "Series 2017B Bonds"), and (iii) $13,525,000 Refunding Revenue Bonds, Series 2017C (Crossover Refunding) (the "Series 2017C Bonds" and collectively with the Series 2017A Bonds and the Series 2017B Bonds, the "Bonds"). The Bonds are payable solely from and secured by a pledge of and a first lien (but not an exclusive first lien) on Pledged Revenues, as more fully described herein, representing certain revenues of the Regents after the payment of certain operating and maintenance expenses except that interest on the Series 2017C Bonds through April 1, 2020 (the "Crossover Date") shall be paid by amounts held in a special trust account funded with proceeds of the Series 2017C Bonds. After the Crossover Date, the Series 2017C Bonds shall be payable solely from and secured by a pledge of and first lien (but not an exclusive first lien) on the Pledged Revenues on a parity with the Regents outstanding Parity Bonds (including the other Bonds). The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The Regents do not have taxing power.

The Bonds will be issued in fully registered form and will initially be registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds will be issued in book-entry form only, in denominations of $5,000 and any integral multiple thereof. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to the Bondholders or registered owners (other than under the caption "Book-Entry Only System" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as aforesaid, principal or, premiums, if any, and interest on the Bonds are payable to Cede & Co., as nominee for DTC.

Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing October 1, 2017. The Bonds will bear interest at the rates set forth on the pages directly following this cover of the Official Statement.

SEE MATURITY SCHEDULES ON THE PAGES DIRECTLY FOLLOWING THE OFFICIAL STATEMENT

The Bonds are issued to: (a) purchase, erect, alter, remodel, expand, improve, repair, furnish and equip buildings, improvements and facilities for the use of the University, including but not limited to student housing facilities; (b) refund, refinance, discharge and pay certain outstanding obligations of the University; (c) pay capitalized interest on the Bonds; and (d) fund the costs of issuance associated therewith (collectively, the "Project").

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. This cover page contains information for convenient and quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential and material to the making of an informed investment decision.

The Bonds are being offered when, as and if issued and delivered by the Regents, subject to the approving legal opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel and Disclosure Counsel, and certain other conditions. Certain legal matters will be passed upon for the Regents by University Counsel, Lizbeth Ellis, Esq. Certain legal matters will be passed upon by Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Disclosure Counsel. RBC Capital Markets, LLC serves as Municipal Advisor to the Regents. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about July 13, 2017, against payment therefor.

Official Statement dated June 16, 2017

J.P. MORGAN

STIFEL, NICOLAUS & COMPANY, INCORPORATED **BofA MERRILL LYNCH**

$40,740,000
THE REGENTS OF NEW MEXICO STATE UNIVERSITY
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2017A

MATURITY SCHEDULE

Maturity Date (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[(1)]
2018	$670,000	3.000%	0.950%	101.459	647429W21
2019	635,000	5.000	1.100	106.612	647429W39
2020	1,410,000	5.000	1.230	110.040	647429W47
2021	1,475,000	5.000	1.390	113.030	647429W54
2022	1,560,000	5.000	1.520	115.779	647429W62
2023	1,635,000	5.000	1.660	118.141	647429W70
2024	1,720,000	5.000	1.810	120.086	647429W88
2025	1,795,000	5.000	1.970	121.589	647429W96
2026	1,890,000	5.000	2.190	122.184	647429X20
2027	1,290,000	5.000	2.320	123.190	647429X38
2028	1,350,000	5.000	2.460	121.829[C]	647429X46
2029	1,420,000	5.000	2.580	120.677[C]	647429X53
2030	1,490,000	5.000	2.680	119.726[C]	647429X61
2031	1,565,000	5.000	2.770	118.879[C]	647429X79
2032	1,640,000	5.000	2.840	118.224[C]	647429X87
2033	1,725,000	5.000	2.910	117.574[C]	647429X95
2034	1,810,000	5.000	2.970	117.020[C]	647429Y29
2035	1,900,000	5.000	3.020	116.561[C]	647429Y37
2036	1,995,000	5.000	3.060	116.195[C]	647429Y45
2037	2,100,000	3.375	3.530	97.807	647429Y52

$9,665,000 5.000% Term Bonds due April 1, 2042 Yield: 3.180% Price: 115.106[C] CUSIP 647429Y60

[C] Yield calculated based on the assumption the Series 2017A Bonds denoted and sold at a premium will be redeemed on April 1, 2027, the first optional redemption date for such Series 2017A Bonds, at a price of par plus accrued interest to such date of redemption.

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$18,975,000
THE REGENTS OF NEW MEXICO STATE UNIVERSITY
TAXABLE REFUNDING REVENUE BONDS, SERIES 2017B

MATURITY SCHEDULE

Maturity Date (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[1]
2018	$525,000	1.750%	1.750%	100.000	647429Y78
2019	740,000	2.000	2.000	100.000	647429Y86
2020	755,000	2.170	2.170	100.000	647429Y94
2021	770,000	2.320	2.320	100.000	647429Z28
2022	790,000	2.500	2.500	100.000	647429Z36
2023	810,000	2.720	2.720	100.000	647429Z44
2024	830,000	2.920	2.920	100.000	647429Z51
2025	855,000	3.020	3.020	100.000	647429Z69
2026	880,000	3.150	3.150	100.000	647429Z77
2027	910,000	3.250	3.250	100.000	647429Z85
2028	940,000	3.400	3.400	100.000	647429Z93
2029	970,000	3.550	3.550	100.000	6474292A6
2030	1,005,000	3.650	3.650	100.000	6474292B4
2031	1,040,000	3.750	3.750	100.000	6474292C2
2032	1,080,000	3.800	3.800	100.000	6474292D0

$6,075,000 3.950% Term Bonds due April 1, 2037 Yield: 3.950% Price: 100.000 CUSIP 6474292E8

$13,525,000
THE REGENTS OF NEW MEXICO STATE UNIVERSITY
REFUNDING REVENUE BONDS, SERIES 2017C (CROSSOVER REFUNDING)

MATURITY SCHEDULE

Maturity Date (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[(1)]
2021	$530,000	5.000%	1.390%	113.030	6474292F5
2022	555,000	5.000	1.520	115.779	6474292G3
2023	585,000	5.000	1.660	118.141	6474292H1
2024	615,000	5.000	1.810	120.086	6474292J7
2025	645,000	5.000	1.970	121.589	6474292K4
2026	675,000	5.000	2.190	122.184	6474292L2
2027	710,000	5.000	2.320	123.190	6474292M0
2028	745,000	5.000	2.460	121.829 [C]	6474292N8
2029	780,000	5.000	2.580	120.677 [C]	6474292P3
2030	820,000	5.000	2.680	119.726 [C]	6474292Q1
2031	860,000	5.000	2.770	118.879 [C]	6474292R9
2032	905,000	4.000	3.140	107.150 [C]	6474292S7
2033	940,000	4.000	3.260	106.116 [C]	6474292T5
2034	980,000	4.000	3.320	105.604 [C]	6474292U2
2035	1,020,000	4.000	3.370	105.179 [C]	6474292V0
2036	1,060,000	4.000	3.410	104.840 [C]	6474292W8
2037	1,100,000	4.000	3.450	104.503 [C]	6474292X6

[C] Yield calculated based on the assumption the Series 2017C Bonds denoted and sold at a premium will be redeemed on April 1, 2027, the first optional redemption date for such Series 2017C Bonds, at a price of par plus accrued interest to such date of redemption.

(1) CUSIP® is a registered trademark of the American Bankers Association. CGS is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Regents nor the Underwriters or their agents or counsel assume any responsibility for the accuracy of such numbers.

NEW MEXICO STATE UNIVERSITY

Hadley Hall, Room 110
2850 Weddell Drive
Las Cruces, New Mexico 88003
(575) 646-2431
www.nmsu.edu

THE REGENTS

Debra P. Hicks, Chair
Mike Cheney, Vice Chair*
Jerean Camúñez-Hutchinson, Secretary/Treasurer
Kari Mitchell, Member
Amanda López-Askin, Student Regent*

* Regents continue to serve past expiration of their term until the Governor nominates and the legislature confirms their successors.

ADMINISTRATIVE OFFICERS

Garrey E. Carruthers, Ph.D., Chancellor and President
Daniel J. Howard, Ph.D., Executive Vice President and Provost
Angela Throneberry, Senior Vice President for Administration and Finance*
D'Anne Stuart, Associate Vice President for Administration and Finance
Lizbeth Ellis, J.D., University Counsel

* Scheduled to retire August 1, 2017. Dr. Andrew Burke will succeed Ms. Throneberry in this role.

BOND AND DISCLOSURE COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A.

ESCROW AGENT

Wells Fargo Bank, National Association

MUNICIPAL ADVISOR

RBC Capital Markets, LLC

UNDERWRITERS

J.P. Morgan Securities LLC
Stifel, Nicolaus & Company, Incorporated
Merrill Lynch, Pierce, Fenner and Smith Incorporated

UNDERWRITERS' COUNSEL

Norton Rose Fulbright US LLP

No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than as contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the Regents or the Underwriters. 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.

The Bonds have not been registered under the Securities Act of 1933 (the “Act”), as amended, in reliance upon exemptions contained in such Act. The registration and qualification of the Bonds in accordance with applicable provisions of the securities laws of the states in which the 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 United States 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 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement contains statements relating to future results that are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Official Statement, the words “estimate,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

None of the University, the Municipal Advisor, Bond Counsel, Disclosure Counsel, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (“DTC”) or its Book-Entry-Only

System as described herein (or incorporated by reference) under the caption "DESCRIPTION OF THE BONDS – Book-Entry-Only System", as such information was provided by DTC.

References to website addresses presented herein are for informational purposes only and may be in the form of hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in the Rule 15c2-12.

TABLE OF CONTENTS Page

OFFICIAL STATEMENT

related to

$73,240,000
THE REGENTS OF NEW MEXICO STATE UNIVERSITY
Refunding and Improvement Revenue Bonds
Series 2017

consisting of:

$40,740,000 Refunding and Improvement Revenue Bonds, Series 2017A
$18,975,000 Taxable Refunding Revenue Bonds, Series 2017B
$13,525,000 Refunding Revenue Bonds, Series 2017C (Crossover Refunding)

INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including its cover page, the pages directly following the cover containing maturity schedules and appendices, is to provide information in connection with The Regents of New Mexico State University (the "Regents"), a body corporate created and existing pursuant to Article XII, Section 13 of the Constitution of the State of New Mexico (the "State") and Sections 21-8-1 to 21-8-36, NMSA 1978, issuance and sale of the Regents' Refunding and Improvement Revenue Bonds, Series 2017A, in the aggregate principal amount of $40,740,000 (the "Series 2017A Bonds"), Taxable Refunding Revenue Bonds, Series 2017B, in the aggregate principal amount of $18,975,000 (the "Series 2017B Bonds"), and Refunding Revenue Bonds, Series 2017C (Crossover Refunding), in the aggregate principal amount of $13,525,000 (the "Series 2017C Bonds," and together with the Series 2017A Bonds and the Series 2017B Bonds, the "Series 2017 Bonds" or "Bonds"; the Series 2017A Bonds and the Series 2017C Bonds are sometimes collectively referred to herein as the "Tax-Exempt Bonds"). The Series 2017 Bonds will be issued in accordance with the provisions of the parameters Bond Resolution, adopted by the Regents on March 6, 2017 and the Sale Resolution, adopted by the Regents on June 16, 2017 (the parameters Bond Resolution and the Sale Resolution are collectively referred to herein as the "Bond Resolution"). In addition, the issuance and sale of the Series 2017 Bonds was approved by a resolution adopted by the State Board of Finance of the State of New Mexico (the "State Board of Finance") on May 16, 2017. The final sale results have been reported to the State Board of Finance for final approval prior to the Date of Delivery.

During the initial offering period for the Bonds, copies of the Bond Resolution and other documents related to the Bonds will be available for inspection at the Office of the Senior Vice President for Administration and Finance, Hadley Hall, Room 110, 2850 Weddell Drive, Las Cruces, New Mexico 88003, (575) 646-2431.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the final Official Statement and the hereinafter-referenced Escrow Agreements will be filed with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE UNDERTAKING" herein for a description of the Regents' undertaking to provide certain information on a continuing basis.

The following is a brief description of certain information concerning the Bonds and the University. A more complete description of such information and additional information that may affect decisions to invest in the Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain capitalized terms used in the Official Statement which are not otherwise defined are defined in Appendix C "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."

The University

New Mexico State University, a State educational institution created pursuant to the State Constitution, is a fully accredited coeducational university offering associate, undergraduate and graduate degree-granting programs. The University, a land grant institution of New Mexico, which was founded in 1888 near Las Cruces, New Mexico, maintains educational facilities on the main campus in Las Cruces, New Mexico and four branch campuses in the cities of Alamogordo, Carlsbad, Grants and Las Cruces, New Mexico (being Doña Ana Community College). The main campus encompasses approximately 3,500 acres. The University is classified as a Carnegie "Doctoral Universities: High Research Activity" and has earned the Carnegie Foundation's Community Engagement classification. See "THE UNIVERSITY" and Appendix A of this Official Statement for further information regarding the University.

Parity Bonds and Subordinate Lien Obligations

The Regents have previously issued certain other bonds payable from and secured by a first lien (but not an exclusive first lien) on the Pledged Revenues on parity with the Series 2017 Bonds. These outstanding parity obligations include: (i) $5,680,000 The Regents of New Mexico State University Improvement Revenue Bonds, Series 2006 (the "Series 2006 Bonds"), (ii) $2,535,000 The Regents of New Mexico State University Improvement Revenue Bonds, Series 2010A (the "Series 2010A Bonds"), (iii) $38,245,000 The Regents of New Mexico State University Improvement Revenue Bonds (Taxable Direct Payment Build America Bonds), Series 2010B (the "Series 2010B Bonds"), (iv) $9,775,000 The Regents of New Mexico State University Taxable Improvement Revenue Bonds, Series 2010C (the "Series 2010C Bonds"), (v) $4,255,000 The Regents of New Mexico State University Refunding Revenue Bonds, Series 2010D (the "Series 2010D Bonds"), (vi) $13,065,000 The Regents of New Mexico State University Improvement Revenue Bonds, Series 2013A (the "Series 2013A Bonds"), (vii) $28,085,000 The Regents of New Mexico State University Refunding Revenue Bonds, Series 2013B (the "Series 2013B Bonds"), and (viii) $545,000 The Regents of New Mexico State University Taxable Refunding and Improvement Revenue Bonds, Series 2013C (the "Series 2013C Bonds"). The bonds listed in this paragraph, the Series 2017 Bonds and all other bonds which may hereafter be issued on parity therewith pursuant to the Bond Resolution are hereinafter collectively referred to as "Parity Bonds." Certain maturities of the Series 2006 Bonds, the Series 2010A Bonds, the Series 2010B Bonds, the Series 2010D Bonds, and the Series 2013B Bonds will be refunded with proceeds from the Bonds. See "THE PROJECT – Refunding Bonds" herein for a description of these anticipated refundings.

The Regents also have an outstanding obligation with a subordinate lien (but not an exclusive subordinate lien) on Pledged Revenues subordinate to the lien thereon and pledge thereof securing the Parity Bonds, the $12,985,000 The Regents of New Mexico State University Subordinate Lien Improvement Revenue Note, Series 2014 (the "Series 2014 Note"). The Series 2014 Note was privately placed with a local bank and the proceeds therefrom used for capital improvements undertaken pursuant to an energy performance savings contract. The cost savings realized from these capital improvements are intended to exceed the annual debt service payments on the Series 2014 Note.

Purpose of Issue

The Series 2017 Bonds are issued to: (a) purchase, erect, alter, remodel, expand, improve, repair, furnish and equip buildings, improvements and facilities for the use of the University, including but not limited to student housing facilities; (b) refund, refinance, discharge and pay certain outstanding obligations of the University as discussed herein, planned in accordance with the University's finance objectives; (c) pay capitalized interest on the Series 2017 Bonds; and (d) fund the costs of issuance associated therewith (collectively, the "Project").

Security for the Bonds

The Bonds are special obligations of the Regents and shall not constitute a debt or liability of the State or of any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and shall not constitute a pledge of the faith and credit of the State. The Bonds are payable solely from and secured by a pledge of and a first lien (but not an exclusive first lien) on Pledged Revenues, except that interest on the Series 2017C Bonds through April 1, 2020 (the "Crossover Date") shall be paid by amounts held in a special trust account funded with proceeds of the Series 2017C Bonds and shall not have a lien on the Pledged Revenues prior to the Crossover Date. On and prior to the Crossover Date, the Series 2010B Bonds will remain obligations of the Regents payable from Pledged Revenues. After the Crossover Date, the Series 2017C Bonds shall be payable solely from and secured by a pledge of and first lien (but not an exclusive first lien) on the Pledged Revenues on parity with the Regents' then-outstanding Parity Bonds. The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The Regents do not have taxing power.

For more information with respect to the security for the Bonds, see "SECURITY AND SOURCE OF PAYMENT."

Investment Considerations

There are a number of factors affecting institutions of higher education in general, including the University, that could have an adverse effect on the University's ability to make the payments required under the Bond Resolution. The remedies available upon an event of default under the Bond Resolution are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions the remedies provided for under the Bond Resolution may not be readily available or may be limited. See "INVESTMENT CONSIDERATIONS."

Tax Matters

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2017A Bonds and the Series 2017C Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2017B Bonds is included in gross income for federal income tax purposes. In the further opinion of Bond Counsel, assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on all of the Bonds is free and exempt from taxation by the State of New Mexico or any subdivision thereof. For a more complete description of such opinions of Bond Counsel, see "TAX MATTERS" herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, will deliver the bond opinion in substantially the form included as Appendix D hereto. Certain legal matters relating to the University will be passed upon by University Counsel, Lizbeth Ellis, Esq. Certain legal matters relating to the Bonds will be passed upon by Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP. See "LEGAL MATTERS." RBC Capital Markets, LLC serves as Municipal Advisor to the University. Certain fees that are payable by the Regents with respect to the Bonds to various counsel, the Underwriters, the Municipal Advisor and the Escrow Agent are contingent upon the issuance and delivery of the Bonds.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval of Bond Counsel and certain other conditions. It is anticipated that the Bonds will be delivered in book-entry only form through the facilities of The Depository Trust Company, New York, New York, on or about July 13, 2017 against payment therefor. See "DESCRIPTION OF THE BONDS - Book-Entry Only System."

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this official statement, the words "estimate," "forecast," "intend," "expect," "project," "budget," "plan" and similar expressions identify forward-looking statements.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Regents do not plan to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions or circumstances, on which such statements are based, occur.

Assumptions related to the foregoing involve judgements with respect to, among other things, future economic, competitive, and market conditions of future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the University. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The quotations from, and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to such laws, regulations and documents for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Regents and the Underwriters or subsequent purchasers or holders of any of the Bonds.

APPLICATION OF BOND PROCEEDS

Sources and Uses of Funds

The proceeds of the Bonds when received by the University are expected to be used for the Project, including to pay the costs of issuing the Bonds, as shown below:

Sources of Funds	Series 2017A Bonds	Series 2017B Bonds	Series 2017C Bonds	Total
Principal Amount	$40,740,000.00	$18,975,000.00	$13,525,000.00	$73,240,000.00
Net Reoffering Premium	6,519,163.00	-0-	1,818,725.40	8,337,888.40
University Cash Contribution	-0-	65,037.50	-0-	65,037.50
Total Sources of Funds	$47,259,163.00	$19,040,037.50	$15,343,725.40	$81,642,925.90
Uses of Funds				
Improvement Project	$32,500,000.00	$ -0-	$ -0-	$32,500,000.00
Deposit to 2017 Capitalized Interest Account	2,565,912.41	-0-	-0-	2,565,912.41
Refunding Project	11,782,776.85	18,849,308.84	15,207,049.13	45,839,134.82
Underwriters' Discount(1)	123,935.13	55,773.25	41,838.09	221,546.47
Costs of Issuance(2)	281,352.96	131,042.51	93,404.47	505,799.94
Deposit to 2017 Debt Service Accounts	5,185.65	3,912.90	1,433.71	10,532.26
Total Uses of Funds	$47,259,163.00	$19,040,037.50	$15,343,725.40	$81,642,925.90

(1) See "UNDERWRITING" herein.
(2) Includes legal fees, municipal advisor fees, verification agent fees, ratings fees, printing and posting costs and miscellaneous costs.

THE PROJECT

Improvement Project

The University seeks to improve its position in the higher education market through enhanced academic programs, strengthened entry requirements, and improved graduation rates. As part of this strategic plan focused on student success, the Regents approved a first-year residency requirement, subject to exemptions, effective Fall 2017. Student housing plays a critical role in the recruitment and retention of students and to ensure students benefit from their on-campus living experience, the University's Housing & Residential Life team has worked diligently to develop the First-Year Residential Experience. Areas of focus for the newly developed program include:

- Staffing for enhanced residential experience.
- Enhanced living and learning communities with peer advisors and residential mentors to provide academic support. Allows interactions with students, staff and faculty sharing common professional or personal interests.
- Faculty in Residence – Faculty live in residence halls and have a meal plan so they actively participate in programs, help residential students with issues and provide overall support.
- Faculty Fellows – Faculty work with freshmen to help them connect with faculty outside of the classroom through informal gatherings, events and one-on-one-conversations.
- Course instruction in residence halls.

To help achieve these goals, the University intends to use proceeds from the Series 2017A Bonds to design, construct and equip a new residence hall as well as remodel, renovate and improve certain existing residential facilities. The new facility will be designed to enhance the First-Year Residential Experience and is scheduled to open Fall 2019. Located in the center of campus and providing an estimated 300 beds, the new facility will support the living and learning communities directly promoting student engagement and academic success. The residential facility will also focus on interior amenities and the creation of community and academic spaces. The University estimates the new facility will cost approximately $21.5 million.

In conjunction with the new facility, the University has a comprehensive plan to renovate existing residence halls. These renovations will complement the University's housing portfolio and help alleviate deferred maintenance needs and include light renovations for Piñon Hall, Rhodes-Garrett-Hamiel Hall, Garcia Hall, Chamisa and Vista del Monte. The University estimates the renovations will cost approximately $11 million.

Refunding Project

Proceeds of the Series 2017A Bonds will be used, in part, to currently refund at par the Series 2006 Bonds in the principal amount of $5,680,000, plus accrued interest, on or about July 13, 2017 upon issuance of the Series 2017A Bonds. The University is undertaking the current refunding of the Series 2006 Bonds for economic savings.

The University seeks to refund certain portions of its outstanding Parity Bonds, which are associated with the University's student housing facilities, to restructure the existing debt to enable the University to provide affordable and competitive student housing to achieve its student recruitment and retention goals. The restructuring assumes extending the final maturity of these refunded Parity Bonds within the useful life of the housing facilities and leveling the debt service to benefit the University's housing cash flow and rental rates for students.

Proceeds of the 2017A Bonds will be also used to advance refund (such advance refunded bonds are referred to as the "Advance Refunded Bonds") (i) $1,075,000 of the principal amount outstanding for the Series 2010A Bonds; (ii) $2,265,000 of the principal amount outstanding for the Series 2010B Bonds (2019 and 2020 maturities); (iii) $1,795,000 of the principal amount outstanding for the Series 2010D Bonds (2018-2020 maturities inclusive); and (iv) $505,000 of the principal amount outstanding for the Series 2013B Bonds (2018-2023 maturities inclusive).

Proceeds of the Series 2017B Bonds will be used to advance refund, on a taxable basis, the Series 2010D Bonds outstanding in the principal amount of $730,000 (2018-2021 maturities) of which the University is defeasing $60,000 of the $730,000 of the outstanding Series 2010D Bonds with legally available University cash on hand. The Series 2010D Bonds subject to the taxable refunding are callable at the option of the University on April 1, 2020, or at any time thereafter. The proceeds of the Series 2017B Bonds will also be used to advance refund, on a taxable basis, $15,760,000 of outstanding principal amount of the Series 2013B Bonds (2018-2025 maturities). The Series 2013B Bonds subject to the taxable refunding are callable at the option of the University on April 1, 2023, or at any time thereafter. The Series 2010D Bonds and Series 2013B Bonds refunded with the proceeds of the Series 2017B Bonds are referred to herein as the "Taxable Refunded Bonds." The restructuring assumes extending the final maturity of these refunded Parity Bonds within the useful life of the housing facilities and leveling the debt service to benefit the University's housing cash flow and rental rates for students, as previously planned by the University.

Proceeds of the Series 2017C Bonds will be used to advance refund, on a crossover basis, $14,005,000 of the principal outstanding for the Series 2010B Bonds (2021, 2022, 2025, and 2030 maturities) (the “Crossover Refunded Bonds”). On and prior to the Crossover Date, the Series 2010B Bonds will remain obligations of the Regents payable from and secured by the Pledged Revenues.

Proceeds from the sale of the Series 2017A Bonds, in part, the Series 2017B Bonds and the Series 2017C Bonds will be deposited to Escrow Accounts held by the Escrow Agent under Escrow Agreements. Moneys deposited in the Escrow Accounts will be invested in non-callable direct general obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America (“Governmental Obligations”). Principal of and interest on the Governmental Obligations will be used, together with any cash balance (the “Cash Deposits”) in the Escrow Agreements, to (i) pay the regularly scheduled interest and principal on the Advance Refunded Bonds and the Taxable Refunded Bonds to the first optional redemption date, respectively, therefor at a redemption price equal to the par amount thereof plus accrued interest to the redemption date, and (ii) pay interest on the Series 2017C Bonds through the Crossover Date and the redemption price of the Crossover Refunded Bonds. On and prior to the Crossover Date, the Series 2010B Bonds will remain obligations of the Regents payable from Pledged Revenues and shall not be defeased. Upon deposit of the Governmental Obligations and Cash Deposits in the Escrow Accounts, the University will have effected the legal defeasance of the Advance Refunded Bonds and the Taxable Refunded Bonds, but not the Crossover Refunded Bonds.

Verification of the accuracy of the mathematical computations of the adequacy of cash and securities to be held in the Escrow Accounts, together with the interest to be earned thereon, to pay the principal of, premium, if any, and interest on these refunded Parity Bonds according to the schedule established in the Escrow Agreements, and the computations supporting the conclusion of Bond Counsel that the Advance Refunded Bonds and the Crossover Refunded Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, were verified by Causey Demgen & Moore Inc., Denver, Colorado, certified public accountants.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as registered bonds without coupons in the denomination of $5,000 principal amount or any integral multiple thereof. The Bonds will be dated the date of delivery, and the Bonds will accrue interest from such date. Interest on the Bonds will be payable semiannually on each April 1 and October 1 (each an “Interest Payment Date”), commencing October 1, 2017. A portion of the proceeds of the 2017A Bonds will be used to pay a portion of the interest on the 2017A Bonds through April 1, 2019. The Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover hereof.

Book-Entry-Only System

The following information concerning The Depository Trust Company, New York, New York (“DTC”) and the DTC book-entry only system was obtained from DTC and believed to be reliable; however, the Regents are not responsible for DTC’s relationship with the Participants or for the relationships to their customers or the Participant’s rules and procedures. Neither the Regents nor the Underwriters are responsible DTC’s rules and procedures.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of bonds certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P Global Ratings' rating of AA+. The DTC Rules applicable to its Participants are on file with the Bonds and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Paying Agent (defined herein), on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the University or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The University may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the University and the Underwriters believe to be reliable, but neither the University nor the Underwriters take any responsibility for the accuracy thereof.

THE UNIVERSITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO THE BONDHOLDERS OF THE BONDS WILL MEAN CEDE & CO., AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE 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, and the University does not have responsibility for distributing such notices to the Beneficial Owners.

The University does not have any responsibility or obligation to the DTC Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Bonds.

Redemption

Optional Redemption.

The Tax-Exempt Bonds. The Tax-Exempt Bonds maturing on and after April 1, 2028 shall be subject to redemption prior to maturity, at the option of the Regents, at any time on or after April 1, 2027, in whole or in part, and if in part, the Tax-Exempt Bonds to be prepaid or redeemed shall be selected in order of maturities as the Regents shall determine and if less than all of the Tax-Exempt Bonds of a particular maturity are to be redeemed, then by lot in such manner as the Paying Agent/Registrar shall determine, at a price equal to the principal amount being redeemed plus accrued interest to the redemption date.

The Series 2017B Bonds. Redemption Option. The Series 2017B Bonds maturing on and after April 1, 2028 are subject to redemption prior to maturity, at the option of the Regents, at any time on or after April 1, 2027, in whole or in part.

Selection of Series 2017B Bonds to be Redeemed. If less than all of the Series 2017B Bonds are to be redeemed, the particular maturities of Series 2017B Bonds to be redeemed at the option of the University will be determined by the University in its sole discretion.

If the Series 2017B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Series 2017B Bonds, if less than all of the Series 2017B Bonds of a maturity are called for prior redemption, the particular Series 2017B Bonds or portions thereof to be redeemed shall be allocated on *a pro rata pass-through distribution* of principal basis in accordance with DTC procedures, provided that, so long as the Series 2017B Bonds are held in book-entry form, the selection for redemption of such Series 2017B Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2017B Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The University intends that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the University nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Series 2017B Bonds on such basis.

In connection with any repayment of principal, including payments of scheduled mandatory sinking fund payments, the Paying Agent/Registrar will direct DTC to make a pass-through distribution of principal to the holders of the Series 2017B Bonds. A Pro Rata Pass-Through Distribution of Principal table is included as Appendix F to this Official Statement and reflects the current schedule of mandatory sinking fund redemptions applicable to the Series 2017B Bonds and the factors applicable to such redemption amounts and remaining bond balances, which is subject to change upon certain optional redemptions. See "APPENDIX F – Principal Paydown Factor Table – Pro Rata Pass-Through Distribution of Principal."

For purposes of calculation of the "pro rata pass-through distribution of principal," "pro rata" means, for any amount of principal to be paid, the application of a fraction to each denomination of the respective Series 2017B Bonds where (a) the numerator of which is equal to the amount due to the respective bondholders on a payment date, and (b) the denominator of which is equal to the total original par amount of the respective Series 2017B Bonds.

If the Series 2017B Bonds are no longer registered in book-entry-only form, each owner will receive an amount of Series 2017B Bonds equal to the original face amount then beneficially held by that owner, registered in such investor's name. Thereafter, any redemption of less than all of the Series 2017B Bonds of any maturity will continue to be paid to the registered owners of such Series 2017B Bonds on a pro-rata basis, based on the portion of the original face amount of any such Series 2017B Bonds to be redeemed.

Notice of Redemption of Bonds.

Notice of redemption shall be given by the Paying Agent/Registrar by sending a copy of such notice by electronic means or by first-class, postage prepaid mail at least thirty (30) days prior to the redemption date to the registered owner of each Bond, or portion thereof, to be redeemed at the address shown as of the close of business of the Paying Agent/Registrar on the 45th day prior to the redemption date. Except for Bonds to be redeemed pursuant to the sinking fund provisions, if any, of the Sale Resolution, the University shall give the Paying Agent/Registrar written instructions to give notice of redemption to the owners of the bonds to be redeemed at least forty-five (45) days prior to such redemption date. Neither the University's failure to give such notice nor the Paying Agent/Registrar's failure to give such notice to the registered owner of any Bond, or any defect therein, shall affect the validity of the proceedings for the redemption of any Bonds for which proper notice was given. Notices of redemption shall specify the maturity dates and the number or numbers of the Bonds to be redeemed (if less than all are to be redeemed) and if less than the full amount of any Bond is to be redeemed, the amount of such Bonds to be redeemed, the date fixed for redemption, and that on such redemption date there will become and be due and payable upon each Bond to be redeemed at the office of the Paying Agent/Registrar the principal amount to be redeemed plus accrued interest to the redemption date and that from and after such date interest will cease to accrue on such amount. Notice having been given in the manner hereinbefore provided, the Bond or Bonds so called for redemption shall become due and payable on the redemption date so designated and if an amount of money sufficient to redeem all Bonds called for redemption shall on the redemption date be on deposit with the Paying Agent/Registrar, the Bonds to be redeemed shall be deemed not outstanding and shall cease to bear interest from and after such redemption date. Upon presentation of the Bonds to be redeemed at the office of the Paying Agent/Registrar, the Paying Agent/Registrar will pay the Bond or Bonds so called for redemption with funds deposited with the Paying Agent/ Registrar by the University.

Conditional Redemption.

If money or Government Obligations sufficient to pay the optional redemption price of the Bonds to be called for optional redemption are not on deposit with the Paying Agent/Registrar prior to the giving of notice of optional redemption pursuant to paragraph B of this Section, such notice shall state such Bonds will be redeemed in whole or in part on the optional redemption date in a principal amount equal to that part of the optional redemption price received by the Paying Agent/Registrar by 2:00 p.m. on the applicable optional redemption date. If the full amount of the optional redemption price is not received as set forth in the preceding sentence, the notice shall be effective only for those

Bonds for which the optional redemption price is on deposit with the Paying Agent/Registrar. If all of the Bonds called for optional redemption cannot be redeemed, the Bonds to be redeemed shall be selected in a manner deemed reasonable and fair by the University and the Paying Agent/Registrar shall give notice, in the manner in which the original notice of optional redemption was given, that such money was not received. In that event, the Paying Agent/Registrar shall promptly return to the Owners thereof the Bonds or certificates which it has received evidencing the part thereof which have not been redeemed.

Mandatory Sinking Fund Redemption.

The Series 2017A Bonds maturing on April 1, 2042 are subject to mandatory sinking fund redemption, by lot, and shall be redeemed on April 1 in the years set forth below in the amount of the corresponding mandatory sinking fund requirement for such Series 2017A Bonds at a redemption price of the principal amount of such Series 2017A Bonds called for redemption plus interest accrued to the date fixed for redemption, as follows:

$9,665,000 Term Bonds Due April 1, 2042

Year	Sinking Fund Requirement
2038	$1,750,000
2039	1,835,000
2040	1,930,000
2041	2,025,000
2042	2,125,000*

* Final Maturity

The Series 2017B Bonds maturing on April 1, 2037 are subject to mandatory sinking fund redemption, on a *pro rata pass-through distribution of principal basis*, and shall be redeemed on April 1 in the years set forth below in the amount of the corresponding mandatory sinking fund requirement for such Series 2017B Bonds at a redemption price of the principal amount of such Series 2017B Bonds called for redemption plus interest accrued to the date fixed for redemption, as follows:

$6,075,000 Term Bonds Due April 1, 2037

Year	Sinking Fund Requirement
2033	$1,125,000
2034	1,165,000
2035	1,215,000
2036	1,260,000
2037	1,310,000*

* Final Maturity

Not more than 70 days nor less than 40 days prior to each mandatory sinking fund redemption date, the Paying Agent/Registrar shall proceed to select for redemption (by lot in such manner as the Paying Agent/Registrar may determine) from all Series 2017A Bonds outstanding a principal amount of Series 2017A Bonds equal to the aggregate principal amount of Series 2017A Bonds redeemable with the required mandatory sinking fund payment, shall call such Series 2017A Bonds or portions thereof ($5,000 or any integral multiple thereof) for such redemption on such mandatory sinking fund redemption date, and shall give notice of such call.

In connection with any payments of scheduled mandatory sinking fund payments, the Paying Agent/Registrar will direct DTC to make a *pro rata pass-through distribution of principal basis* to the holders of the Series 2017B Bonds in accordance with the DTC procedures. If the DTC operational arrangements do not allow for the redemption of the Series 2017B Bonds on a *pro rata pass-through distribution of principal basis,* then the 2017B Bonds will be selected for redemption, in accordance with the DTC procedures, by lot.

<u>Credits Against Mandatory Sinking Fund Requirements.</u>

At the option of the University to be exercised by delivery of a written certificate to the Paying Agent/Registrar on or before the sixtieth day next preceding any mandatory sinking fund redemption date, the University may (i) deliver to the Paying Agent/Registrar for cancellation Series 2017A or 2017B Bonds in an aggregate principal amount desired by the University, or (ii) specify a principal amount of Series 2017A or 2017B Bonds subject to mandatory redemption on such sinking fund redemption date which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled by the Paying Agent/Registrar at the request of the University and not theretofore applied as a credit against any sinking fund redemption obligation for any Bonds maturing on the same date. Each Series 2017A or 2017B Bond so delivered or previously redeemed shall be credited by the Paying Agent/Registrar at 100% of the principal amount thereof against the obligation of the University on such sinking fund redemption date for the Series 2017A or 2017B Bonds and any excess over such amount shall be credited against the next succeeding sinking fund obligation, if any, for the Series 2017A or 2017B Bonds of such maturity in chronological order. In the event the University shall avail itself of the provisions of clause (i) of the first sentence of this paragraph, the certificate required by the first sentence of this paragraph shall be accompanied by the Series 2017A or 2017B Bonds or portions thereof to be cancelled.

Transferability and Registration

So long as DTC acts as the depository for the Bonds, Beneficial Owners may only transfer their interests in the Bonds through entries made on the books of DTC Participants.

Any Bond may be transferred at the principal office of the Paying Agent/Registrar, by surrender of such Bond accompanied by an assignment in form satisfactory to the Paying Agent/Registrar duly executed by the registered owner or his attorney duly authorized in writing. Thereupon, the Paying Agent/Registrar will authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of like aggregate principal amount and of the same maturity.

The Paying Agent/Registrar shall not be required to transfer or exchange (i) any Bond during the fifteen-day period preceding the mailing of notice calling Bonds for redemption; and (ii) any Bond called for redemption.

The registered owner of any Bond shall be deemed and regarded as the absolute owner of such Bond for the purpose of making payment thereof (except as otherwise provided in the Bond Resolution with respect to interest payments) and for all other purposes. All payments of or on account of interest or principal to any registered owner of any Bonds will be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums paid.

If any Bond shall be lost, stolen, destroyed or mutilated, the Paying Agent/Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it or the Regents may reasonably require, and upon payment of all expenses in connection therewith, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same maturity.

If such lost, stolen, destroyed or mutilated Bond shall have matured or shall have been called for redemption, the Paying Agent may pay such Bond in lieu of replacement.

Whenever any bond shall be surrendered to the Paying Agent upon payment thereof, or to the Registrar for transfer, exchange or replacement, such bond shall be promptly cancelled by the Paying Agent or Registrar.

Additional Bonds

The Regents may issue Additional Parity Bonds for the purpose of extending, enlarging, expanding, bettering or otherwise improving the System, payable from the Pledged Revenues and constituting a lien on the Pledged Revenues on a parity with, but not prior or superior to, the lien of the Series 2017 Bonds, nor to prevent the issuance of bonds or other obligations refunding all or a part of the Series 2017 Bonds. The payment of principal of and interest on any Parity Bonds hereafter issued may be made on any date established by the Regents. Before any Additional Parity Bonds are authorized or actually issued (excluding refunding bonds or refunding obligations which refund Parity Bonds but including parity refunding bonds and obligations which refund subordinate obligations) all of the following conditions are required to be met:

(a) The senior financial officer of the University shall sign a written certificate to the effect that the Regents are not in default in any covenant, condition, or obligation relating to any outstanding Parity Bonds, and the resolutions authorizing the issuance thereof, and that the Interest and Retirement Fund contains the amount then required to be on deposit therein.

(b) The senior financial officer of the University shall sign a written certificate to the effect that, during either the University's Fiscal Year immediately preceding the date of the adoption of the resolution authorizing the Parity Bonds proposed to be issued or a twelve consecutive calendar month period, ending not more than ninety days prior to the passage of the resolution authorizing the issuance of the proposed Parity Bonds, the Pledged Revenues, after deducting Operating and Maintenance Expenses for such Fiscal Year or twelve month period, actually received by the Regents were at least equal to 175 percent of the average annual principal and interest requirements on all outstanding Parity Bonds, but excluding the Parity Bonds proposed to be issued.

(c) The senior financial officer of the University shall sign a written certificate to the effect that during each Fiscal Year of the University (commencing with the Fiscal Year which includes the date of the adoption of the resolution authorizing the issuance of the proposed Parity Bonds), while any Parity Bonds, including the proposed Parity Bonds, are scheduled to be outstanding, the Pledged Revenues reasonably estimated by such officer to be received during each of said Fiscal Years (after deducting estimated Operating and Maintenance Expenses for each such Fiscal Year), respectively, will be at least equal to 175 percent of the annual principal and interest requirements on all then outstanding Parity Bonds, including the proposed Parity Bonds, during such Fiscal Year.

The Regents may issue bonds or other obligations payable from the Pledged Revenues having a lien thereon subordinate, inferior and junior to the lien of the Series 2017 Bonds and the Parity Bonds in accordance with the resolutions authorizing the issuance of the outstanding Subordinate Lien Obligations. The Regents may not issue bonds or other obligations payable from the revenues of the System having a lien thereon prior and superior to the Series 2017 Bonds and the other Parity Bonds.

With respect to the issuance of additional refunding bonds payable from Pledged Revenues, see "APPENDIX C—CERTAIN PROVISIONS FROM THE BOND RESOLUTION—Refunding Bonds" herein.

TOTAL COMBINED DEBT SERVICE REQUIREMENTS*

The following table presents debt service requirements for the University, including the Series 2017 Bonds, and debt service coverage ratios based on Fiscal Year ended June 30, 2016 Pledged Revenues of $149,538,026 and 2016 Pledged Revenues available for debt service of $114,000,448 (Pledged Revenues after deducting Operating and Maintenance Expenses, as defined in the Bond Resolution). Coverage ratios are based on assumptions that may not be realized.

Period Ending 30-June	Outstanding Parity Bonds(1)(2)	Series 2017(3)*	Total Parity Debt Service Requirements	Outstanding Subordinate Obligations (1)	Total Debt Service Requirements	Gross Pledged Revenues Debt Service Coverage(4)*	Net Pledged Revenues Parity Debt Service Coverage(5*)	Gross Pledged Revenues Total Debt Service Coverage(4)*	Net Pledged Revenues Total Debt Service Coverage(4)*
2018	$8,329,793	$2,001,406	$10,331,199	$1,218,640	$11,549,839	14.46	11.03	12.93	9.87
2019	8,301,537	2,470,930	10,772,467	1,253,466	12,025,933	12.05	9.19	12.42	9.48
2020	8,322,511	4,709,087	13,031,598	1,291,450	14,323,048	10.08	7.69	10.43	7.96
2021	7,569,064	5,848,403	13,417,467	1,332,438	14,749,905	9.84	7.5	10.13	7.73
2022	7,167,650	5,860,289	13,027,939	1,376,278	14,404,217	10.08	7.69	10.37	7.91
2023	6,738,858	5,859,789	12,598,647	1,417,815	14,016,462	10.28	7.84	10.66	8.13
2024	5,747,704	5,861,757	11,609,461	1,457,049	13,066,510	11.02	8.4	11.43	8.72
2025	5,703,234	5,850,771	11,554,005	1,503,981	13,057,986	11.04	8.42	11.44	8.73
2026	4,769,846	5,852,950	10,622,796	1,548,304	12,171,100	11.83	9.02	12.27	9.37
2027	4,721,053	5,161,980	9,883,033	1,595,017	11,478,050	12.6	9.6	13.01	9.93
2028	4,682,841	5,157,405	9,840,246	1,643,967	11,484,213	12.62	9.62	13.01	9.93
2029	4,634,220	5,155,695	9,789,915		9,789,915	14.76	11.25	15.26	11.64
2030	4,586,301	5,156,260	9,742,561		9,742,561	14.88	11.34	15.33	11.70
2031	1,118,463	5,154,078	6,272,541		6,272,541	22.84	17.41	23.81	18.17
2032	1,119,375	5,153,828	6,273,203		6,273,203	22.82	17.4	23.81	18.17
2033	1,117,800	5,159,588	6,277,388		6,277,388	22.82	17.4	23.79	18.16
2034		5,156,300	5,156,300		5,156,300	27.51	20.97	28.97	22.11
2035		5,160,583	5,160,583		5,160,583	27.55	21	28.94	22.09
2036		5,156,790	5,156,790		5,156,790	27.57	21.01	28.96	22.11
2037		5,159,870	5,159,870		5,159,870	27.56	21.01	28.95	22.09
2038		2,233,250	2,233,250		2,233,250	63.12	48.12	66.88	51.05
2039		2,230,750	2,230,750		2,230,750	63.18	48.17	66.95	51.10
2040		2,234,000	2,234,000		2,234,000	63.08	48.09	66.86	51.03
2041		2,232,500	2,232,500		2,232,500	63.1	48.1	66.90	51.06
2042		2,231,250	2,231,250		2,231,250	63.1	48.1	66.94	51.09
TOTAL	$84,630,249	$112,209,507	$196,839,756	$15,638,405	$212,478,161				

* Totals may not foot due to rounding.

(1) Assumes no optional redemption.

(2) Excludes debt service on the Series 2010B Bonds due subsequent to the Crossover Date, at which time such 2010B Bonds are expected to be redeemed with proceeds of the Series 2017C Bonds; excludes debt service on other Parity Bonds refunded with Bond proceeds. Prior to the Crossover Date, the Series 2010B Bonds to be refunded with proceeds of the 2017C Bonds will remain special, limited obligations of the Regents payable solely from Pledged Revenues. The Series 2010B Bonds are designated as "Build America Bonds" pursuant to an irrevocable election by the Regents to have Section 54AA and Section 54AA(g) of the Internal Revenue Code of 1986, as amended, apply thereto. The Regents expect to receive a cash subsidy payment from the United States Department of the Treasury related to the interest payable on such bonds on or about each semi-annual interest payment date (each, a "BAB Subsidy"). This table reflects gross debt service payments with respect to the Series 2010B Bonds and does not reflect the anticipated receipt of the BAB Subsidy which may be reduced from the original 35% when issued in 2010 due to the automatic spending cuts approved by Congress in 2013 and commonly referred to as "sequestration."

(3) Prior to the Crossover Date, interest on the Series 2017C Bonds is payable from proceeds of the Series 2017C Bonds deposited into the Escrow Account. From and after the Crossover Date, debt service on the Series 2017C Bonds shall be payable solely from Pledged Revenues as provided herein.

(4) Projected using 2016 Pledged Revenues of $149,538,026. Pledged Revenues may change in the future. See "INTRODUCTION - Forward-Looking Statements" herein.

(5) Projected using 2016 Pledged Revenues available for debt service of $114,000,448. Calculated based on Pledged Revenues after deducting Operating and Maintenance Expenses. Pledged Revenues and Operating and Maintenance Expenses may change in the future. See "INTRODUCTION - Forward-Looking Statements" herein.

Source: RBC Capital Markets, LLC and New Mexico State University.

INVESTMENT CONSIDERATIONS

Factors Affecting Universities

There are a number of factors affecting institutions of higher education in general, including the University, that could have an adverse effect on the University's financial position and its ability to generate Pledged Revenues and to make the payments required under the Bond Resolution. These factors include, but are not limited to: the continuing rising costs of providing higher education services; rising tuition costs and fees resulting in higher student loan debt; a decline in the number of college-age persons in the country; a decline in enrollment; competition for students from other institutions of higher and post-secondary education, including junior colleges and trade/vocational schools; limited employment opportunities available post-graduation; the failure to maintain or increase in the future the funds obtained by the University from various sources, including gifts and contributions from donors, grants or appropriations from governmental bodies and income from investment of endowment funds; adverse results from the investment of endowment funds; increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating the handicapped; changes in federal governmental policy relating to the reimbursement of overhead costs of government contracts; any further unionization of the University's work force with consequent impact on wage scales and operating costs of the University; and legislation or regulations which may affect student aid and other program funding. Specific factors affecting the University include a decline in the State's population, State fiscal issues, lottery scholarship funding (see "Lottery Scholarships" herein), and declining federal support for research and competition for available awards. The University cannot assess or predict the ultimate effect of these factors on its operations or financial results of operations.

Special Obligations

The Bonds are special obligations of the Regents and shall not constitute a debt or liability of the State or of any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and shall not constitute a pledge of the faith and credit of the State. The Bonds are payable solely from and secured by a pledge of and a first lien (but not necessarily an exclusive first lien) on Pledged Revenues (which represent certain revenues of the University after the payment of certain operating and maintenance expenses). The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The Regents do not have taxing power.

Additional Bonds

The Regents have the right, subject to specified conditions in the Bond Resolution, to issue additional Parity Bonds payable from the Pledged Revenues on parity with the lien of the Series 2017 Bonds. Bonds payable from the Pledged Revenues on a superior basis to the lien of the Series 2017 Bonds may not be issued by the Regents. The Regents may also issue additional Subordinate Lien Obligations, in accordance with the resolutions authorizing the outstanding Subordinate Obligations.

Availability of Remedies

The remedies available upon an event of default under the Bond Resolution are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions the remedies provided for under the Bond Resolution may not be readily available or may be limited. The Bonds are subject to general principles of equity which may permit the exercise of judicial discretion; are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State; are subject, in part, to the provisions of the United States Bankruptcy Code and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; and are subject to the exercise by the United States of America of the powers delegated to it by the federal constitution. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Uncertainty of Pledged Revenues

The future availability of Pledged Revenues and the ability of the Regents to make principal and interest payments on their Parity Bonds, and other obligations depends on the continued operation of the University, which receives substantial funding in the form of State appropriations that are not pledged to the payment of the Bonds. The ability of the University to continue operation is contingent upon, among other things, the receipt of sufficient annual appropriations by the State Legislature. The University's State appropriations for FY18 have been reduced by 6 percent since the original allocation for FY17 including a 1.1 percent reduction resulting from a special session concluding May 30, 2017. A $500,000 non-recurring appropriation to the University's Water Resources Research Institute was also eliminated during the special session. Within the last five years, the State Higher Education Department ("HED") revised the funding formula used for higher education institutions. The foundation of the new formula moves from an input to an output based allocation philosophy. The University believes that, over time, current funding levels will remain constant and may even increase under the new formula as it has several student success initiatives underway that are expected to increase student enrollment.

Future Changes to Law

Future changes to the Act and other statutes by which the University is governed could be adverse to the financial interests of the Regents and could adversely impact the security for the Bonds. There can be no assurance given by the Regents or the Underwriters that the Act and other statutes by which the University is governed will not in the future be amended in a manner which is adverse to the interests of the owners of the Bonds.

Lottery Scholarships

The Lottery Tuition Fund was established by the New Mexico Legislature in 1996 and received 50 percent of net lottery proceeds from sales in New Mexico until legislation was passed in 2001 dedicating 100 percent of net lottery proceeds to lottery scholarships. Lottery tuition scholarships are made available to New Mexico residents graduating from New Mexico high schools or receiving a GED who enroll in a New Mexico public college or university in the first regular semester immediately following high school graduation. Effective Fall 2017, high school graduates will be allowed a 16-month grace period to enroll in a New Mexico public college or university. If a lottery tuition scholarship recipient maintains a 2.5 GPA and meets other criteria, the scholarship may continue for up to seven consecutive semesters. Receiving a lottery scholarship does not mean that the recipient attends college free of charge because the lottery scholarship does not cover the full cost of the attendance. New Mexico lottery's contribution to the Lottery Tuition Fund is subject to fluctuation and volatility in any given year. Although recent adjustments to the Lottery Tuition Fund improved solvency, the Lottery Tuition Fund's growth has not kept pace with rising tuition costs of institutions of higher education. The scholarship award amount is determined by the HED on an annual basis based on the expected level of scholarship funding for the upcoming academic year. For academic year 2016-2017, the lottery scholarship amount for University students (main campus) is equal to 93 percent of tuition only which covers approximately 25 percent of the total cost of attendance at the University. A total of 4,885 students at the University received lottery tuition scholarships during FY17. For the academic year 2017-2018 the HED estimates that the lottery scholarship funding will cover approximately 60 percent of tuition only.

Damage to or Destruction of University Facilities

The Regents insure University facilities against certain risks through the State's risk management program. There can be no assurance that the amount of insurance obtained with respect to University facilities will be adequate or that the cause of any damage or destruction to University facilities will be as a result of a risk which is insured. Further, there can be no assurance of the ongoing financial stability of the State's risk management program for property losses. Damage or destruction of the University facilities could impair the Regents' ability to generate Pledged Revenues sufficient to pay principal of and interest on Parity Bonds and other obligations.

Environmental Regulation

The University facilities are subject to various federal, state and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability to the Regents as the owner of the University facilities for remediating adverse environmental conditions on or relating to the University facilities, whether arising from preexisting conditions or conditions arising as a result of the activities conducted in connection with the ownership and operation of the University facilities. Costs incurred by the Regents with respect to environmental remediation or liability could adversely impact the University's financial condition and its ability to operate and to produce Pledged Revenues sufficient to pay principal of and interest on Parity Bonds and other obligations.

Construction Risks

As with all construction projects, the development and construction of the Improvement Project is susceptible to various risks and uncertainties, such as: inflation of construction costs; general construction risks, including cost overruns, change orders and plan or specification modifications, shortages of equipment, materials or skilled labor, labor disputes, unforeseen environmental, engineering or geological problems, work stoppages, fire and other natural disasters, construction scheduling problems and weather interferences; changes and concessions required by governmental or regulatory authorities; delays in obtaining, or inability to obtain, all licenses, permits, and authorizations required to complete the Improvement Project; and disruption of existing operations and facilities. Such events could result in delayed substantial completion and/or occupancy of the Improvement Project and thus affect the timing and amounts of collection related to the Pledged Revenues. In addition, substantial completion and occupancy of the Improvement Project may be extended by reason of changes authorized by the University, delays due to unforeseen acts or neglect of the Improvement Project, or by independent contractors retained in the construction thereof.

Secondary Market

There is no guarantee that a secondary market will develop for the Series 2017 Bonds. Consequently, prospective purchasers of the Series 2017 Bonds should be prepared to hold their Series 2017 Bonds to maturity or prior redemption. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend but are not obligated to make a market in the Series 2017 Bonds.

SECURITY AND SOURCE OF PAYMENT

Under the Bond Resolution, the Regents have pledged a first lien (but not an exclusive first lien) for the payment of Parity Bonds on the revenues received from the operation of revenue-producing facilities of the University subject to certain reservations and the exclusion of certain revenues, including State appropriations. The Pledged Revenues include the following receipts of the University and the Regents:

(a) The gross income and revenues of whatever nature derived from the operation or ownership of the System, except as may be excluded from the System by the Regents as hereafter described.

(b) All gross proceeds of student tuition and fees of every nature collected from students at the University, except (i) the fees now known as "Student Activity Fees," the "Bus Fees" and "Equipment Maintenance Fees" and (ii) fees expressly imposed for the use or availability of buildings, structures or facilities excluded from the System under the definition thereof.

(c) The gross amounts received by the University from the Income from the Permanent Fund and the Income from the Income Fund.

(d) The proceeds of Debt Service Grants and the proceeds of any interest subsidy with respect to the Parity Bonds (to the extent any such Debt Service Grant or interest subsidy is applicable with respect to a series of Parity Bonds) paid for or on account of the Regents or the University by any governmental body or agency.

(e) All other income or revenues received by the University from proprietary activities carried on by the University, but excluding: (i) the proceeds of ad valorem taxes, (ii) State appropriations and (iii) the proceeds of any University appropriations, gifts, contracts, grants and endowments, whether from or with public, private or governmental sources, which are restricted as to use. If the pledge of any one or more sources of other income or revenue to the payment of the Parity Bonds shall ever be held by final decision of a court of competent jurisdiction to be invalid or to make the Parity Bonds invalid because of constitutional restrictions on State indebtedness, the income or revenue derived from such other source or sources shall no longer be part of the Pledged Revenues. There is not included in the other income or revenue which is the subject of this paragraph any income or revenue excluded under the provisions of paragraphs (a) or (b) above.

The System consists of all housing facilities (student and other) and all other buildings, structures, improvements and facilities located on any campus of the University from the use and availability of which income or revenue (including in the term "income or revenue" the proceeds of student tuition and fees, other than the fees now known as Student Activity Fees, Equipment Maintenance Fees and Bus Fees) is produced, present and future, owned or operated by the University or the Regents, including, without limitation, dormitories, student unions, auditoriums, dining halls, bookstores, stadiums, golf courses, swimming pools, hospitals or infirmaries, utility facilities and printing plants owned or operated by the University or the Regents (the "System"); provided that as additional housing and other facilities are acquired by the University or the Regents from time to time and as existing facilities in the System are improved or extended, such additional, improved or extended facilities shall become part of the System; except that the Regents retain the right to acquire, construct, improve or extend any one or more such facilities and to provide by resolution that any such facility so acquired, constructed, improved or extended shall not become a part of the System, and any such facility so excepted shall not become a part of the System and the income and revenues derived therefrom shall not be part of the Pledged Revenues.

The holders of the Parity Bonds have a first lien (but not an exclusive first lien) on Pledged Revenues to secure the payment of the principal of and premium, if any, and interest on the Parity Bonds. The future availability of Pledged Revenues is dependent upon the continued operation of the University, which is substantially financed by State appropriations which are not pledged to the payment of the Parity Bonds. The ability of the University to make principal and interest payments on the Parity Bonds is contingent upon sufficient annual State appropriations to continue the operations of the University. See "INTRODUCTION—Investment Considerations" herein.

THE BONDS AND THE INTEREST THEREON SHALL CONSTITUTE SPECIAL OBLIGATIONS OF THE REGENTS, PAYABLE SOLELY FROM PLEDGED REVENUES. INTEREST ON THE SERIES 2017C BONDS THROUGH APRIL 1, 2020 (THE "CROSSOVER DATE") SHALL BE PAID BY AMOUNTS HELD IN A SPECIAL TRUST ACCOUNT FUNDED WITH PROCEEDS OF THE SERIES 2017C BONDS. AFTER THE CROSSOVER DATE, THE SERIES 2017C BONDS SHALL BE PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF AND LIEN (BUT NOT AN EXCLUSIVE LIEN) ON THE PLEDGED REVENUES ON A PARITY WITH THE REGENTS OUTSTANDING PARITY BONDS. THE BONDS AND THE INTEREST THEREON SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE BUT SHALL BE PAYABLE BY THE REGENTS SOLELY FROM THE FUNDS PROVIDED IN THE BOND RESOLUTION. THE ISSUANCE OF THE BONDS SHALL NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE REGENTS DO NOT HAVE TAXING POWER.

Subordinate Lien Obligations

The Regents reserve the right to issue bonds or other obligations without limitation as to amount payable from Pledged Revenues having a lien thereon subordinate and junior to the lien of the Bonds and the Parity Bonds and on a parity with the outstanding Subordinate Lien Obligations.

Debt Service Reserve Account

There will be no debt service reserve account funded for the Series 2017 Bonds.

Rate Covenant

The Regents have covenanted in the Bond Resolution and in the resolutions authorizing the issuance of the outstanding Parity Bonds (collectively, the "Prior Resolutions") that they will at all times impose and collect rates and charges for the use of all buildings and facilities comprising the System and for all commodities and services sold or supplied therein or furnished thereby, and will impose and collect such student tuition and fees for the use and availability of the System, as will be fully sufficient, together with the other income and revenue of the University received from sources other than (a) sources excluded from the System; (b) the proceeds of ad valorem taxation; (c) State appropriations; or (d) the proceeds of any University appropriations, gifts, contracts, grants and endowments, whether from or with public, private or governmental sources, which are restricted as to use, to permit the performance of all the covenants in and requirements of the Bond Resolution and the Prior Resolutions, including the prompt payments required to be made into the Senior Lien Debt Service Account, Subordinate Lien Debt Service Account, the Renewal and Replacement Fund, the Rebate Fund and the payment of the Operating and Maintenance Expenses.

LEGAL MATTERS

The Regents have engaged Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, and the opinion of Bond Counsel will be delivered at the time of delivery of the Bonds. Certain legal matters will be passed on for the Regents by University Counsel, Lizbeth Ellis, Esq. Certain legal matters will be passed upon by Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP.

CONTINUING DISCLOSURE UNDERTAKING

The Regents will agree, by means of a Continuing Disclosure Undertaking to be delivered to the purchaser of the Bonds at closing, for the benefit of owners of the Bonds, to provide certain annual financial information on or before March 31 of each year beginning in 2018, and to provide notices of occurrence of certain enumerated events. The Regents will further agree in the Continuing Disclosure Undertaking that if its audited financial statements are not provided as part of the annual financial information, the Regents will provide such audited statements when available. The annual financial information and audited financial statements (when available) will be filed by the Regents with the Municipal Securities Rulemaking Board. The form of the Continuing Disclosure Undertaking is attached as Appendix E hereto.

The Continuing Disclosure Undertaking is being executed by the Regents to assist in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"). The Regents' management believes that they have appropriate staffing levels and adequate policies and associated procedures to assure post issuance compliance with future continuing disclosure filings under the Rule.

The Continuing Disclosure Undertaking will be in effect from and after the issuance and delivery of the Bonds and shall extend to the earliest of: (i) the date the principal and interest on the Bonds is paid or deemed paid; (ii) the date the Regents are no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require the Continuing Disclosure Undertaking are held invalid or repealed.

During the past five years, the University has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

Any failure of the Regents to provide such information will not cause a default under the Bond Resolution.

LITIGATION

At the time of the original delivery of the Series 2017 Bonds, the Regents will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending or, to the knowledge of the appropriate University officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Series 2017 Bonds, the effectiveness of the Bond Resolution, or contesting or questioning the proceedings and authority under which the Series 2017 Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Series 2017 Bonds.

The University is a party to various legal proceedings seeking damages or injunctive relief and generally incidental to its operations. These proceedings are unrelated to the Series 2017 Bonds, the proceedings relating to the issuance of the Series 2017 Bonds or the security therefor. The ultimate disposition of such proceedings is not presently determinable, but will not, in the opinion of counsel for the University, have a material adverse effect on the Series 2017 Bonds or the security for the Series 2017 Bonds.

RATINGS

Moody's Investors Services, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned their municipal bond ratings of "A1" and "AA-", respectively, to the Series 2017 Bonds. Such ratings reflect only the views of such organizations. An explanation of the significance of such ratings may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 and S&P at 55 Water Street, New York, New York 10041. The ratings are not a recommendation to buy, sell or hold the Series 2017 Bonds and there is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings given to the Series 2017 Bonds may have any adverse effect on the market price of the Series 2017 Bonds. The Regents have not undertaken any responsibility, other than the Continuing Disclosure Undertaking, to bring to the attention of the owners of the Series 2017 Bonds any proposed revision or withdrawal of the ratings on the Series 2017 Bonds, or to oppose any such proposed revision or withdrawal.

TAX MATTERS

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with covenants described herein, interest on the Series 2017A Bonds and the Series 2017C Bonds (the "Tax Exempt Bonds") is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for individuals and corporations.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Tax Exempt Bonds. The Regents have made various representations and warranties with respect to, and has covenanted in the Bond Resolution, and other certificates to comply with the applicable provisions of the Code to assure that interest on the Tax Exempt Bonds will remain excludable from gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Tax Exempt Bonds being included in gross income from the date of issue of the Tax Exempt Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel has opined that interest on the Tax Exempt Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Code, interest on the Tax Exempt Bonds will be included in the adjusted current earnings of certain corporations, and such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

Although Bond Counsel has rendered an opinion that interest on the Tax Exempt Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Tax Exempt Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Tax Exempt Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or owning the Tax Exempt Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the Tax Exempt Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending national or State legislation.

Original Issue Discount

Certain of the Tax Exempt Bonds were offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a bond accrues periodically over the term of the bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Tax Exempt Bonds offered at an original issue discount should consult their tax advisors for an explanation of the accrual rules.

Original Issue Premium

Certain of the Tax Exempt Bonds were offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holders' tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the bond rather than creating a deductible expense or loss. Holders of Tax Exempt Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

Internal Revenue Service Audit Program

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Tax Exempt Bonds. If an audit is commenced, under current procedures the Service will treat the Regents as the taxpayer and the Tax Exempt Bond owners will have no right to participate in such procedure. Neither the Underwriters of the Tax Exempt Bonds nor Bond Counsel is obligated to defend the tax-exempt status of the Tax Exempt Bonds. The Regents have covenanted in the Bond Resolution not to take any action that would cause the interest on the Tax Exempt Bonds to lose its exclusion from gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the Regents, the Underwriters or Bond Counsel is responsible to pay or reimburse the costs of any Tax Exempt Bond owner with respect to any audit or litigation relating to the Tax Exempt Bonds.

State of New Mexico Tax Status

Bond Counsel is also of the opinion based on existing laws of the State of New Mexico as enacted and construed that interest on the Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof for present State of New Mexico income tax purposes.

Tax Matters Related to the Series 2017B Bonds

General. The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the Series 2017B Bonds. The discussion is based upon the Code, United States Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Series 2017B Bonds in light of the investor's particular personal investment circumstances (for example, persons subject to alternative minimum tax) or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax-exempt organizations, financial institutions, brokers-dealers, persons who have hedged the risk of owning the Series 2017B Bonds, traders in securities that elect to use a mark-to-market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass-through entities, certain hybrid entities and owners of interests therein, persons who acquire Series 2017B Bonds in connection with the performance of services, or persons deemed to sell Series 2017B Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of State, local, or foreign law or United States federal tax laws other than United States federal income tax law. The summary is therefore limited to certain issues relating to initial investors who will hold the Series 2017B Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such Series 2017B Bonds for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to Beneficial Owners of the Series 2017B Bonds who are United States persons within the meaning of Section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequences to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the Service with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2017B BONDS.

Payments of Stated Interest on the 2017 Taxable Bonds. The stated interest paid on the Series 2017B Bonds will be included in the gross income, as defined in section 61 of the Code, of the Beneficial Owner thereof and be subject to United States federal income taxation when received or accrued, depending on the tax accounting method applicable to the Beneficial Owner thereof as ordinary income for federal income tax purposes at the time it is paid or accrued, depending on the tax accounting method applicable to the Beneficial Owner thereof. Subject to certain exceptions, the stated interest on the Series 2017B Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099 which will reflect the name, address, and taxpayer identification number ("TIN") of the Beneficial Owner. A copy of Form 1099 will be sent to each Beneficial Owner of a Series 2017B Bond for federal income tax purposes.

Original Issue Discount. If the first price at which a substantial amount of the Series 2017B Bonds of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their stated redemption price at maturity (increased in certain cases by interest accrued but not paid for more than a year) by more than one quarter of one percent times the number of complete years to maturity, the Series 2017B Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Series 2017B Bonds at maturity over its Issue Price, and the amount of the original issue discount on the Series 2017B Bonds will be amortized over the life of the Series 2017B Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the Beneficial Owner of the Series 2017B Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the Beneficial Owner of the Series 2017B Bonds that exceeds actual cash distributions to the Beneficial Owner in a taxable year.

The amount of the original issue discount that accrues on the Series 2017B Bonds each taxable year will be reported annually to the Service and to the Beneficial Owner. The portion of the original issue discount included in each Beneficial Owner's gross income while the Beneficial Owner holds the Series 2017B Bonds will increase the adjusted tax basis of the Series 2017B Bonds in the hands of such Beneficial Owner.

Premium. If a Beneficial Owner purchases a Series 2017B Bond for an amount that is greater than its stated redemption price at maturity, such Beneficial Owner will be considered to have purchased the Series 2017B Bonds with "amortizable certificate premium" equal in amount to such excess. A Beneficial Owner may elect to amortize such premium using a constant yield method over the remaining term of the Series 2017B Bonds and may offset interest otherwise required to be included in respect of the Series 2017B Bonds during any taxable year by the amortized amount of such excess for the taxable year. The Series 2017B Bonds premium on a Series 2017B Bond held by a Beneficial Owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Series 2017B Bond. However, if the Series 2017B Bonds may be optionally redeemed after the Beneficial Owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some certificate premium until later in the term of the Series 2017B Bonds. Any election to amortize certificate premium applies to all taxable debt instruments held by the Beneficial Owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the Service.

Defeasance. Persons considering the purchase of a Series 2017B Bond should be aware that a defeasance of a Series 2017B Bond by the University could result in the realization of gain or loss by the Beneficial Owner of the Series 2017B Bonds for federal income tax purposes, without any corresponding receipts of monies by the Beneficial Owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange. Beneficial owners are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8 percent of the lesser of (1) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (2) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Holders of the Series 2017B Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the Series 2017B Bonds as well as gain on the sale of a Series 2017B Bond.

Disposition of Series 2017B Bonds and Market Discount. A Beneficial Owner of Series 2017B Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Certificate equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the Beneficial Owner's adjusted tax basis in the Series 2017B Bonds. Generally, the Beneficial Owner's adjusted tax basis in the Series 2017B Bonds will be the Beneficial Owner's initial cost, increased by the original issue discount previously included in the Beneficial Owner's income to the date of disposition and decreased by any amortized bond premium. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the Beneficial Owner's holding period for the Series 2017B Bonds.

Under current law, a purchaser of Series 2017B Bonds who did not purchase the Series 2017B Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the Series 2017B Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the Series 2017B Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Series 2017B Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Series 2017B Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of Series 2017B Bonds could have a material effect on the market value of the Series 2017B Bonds.

Backup Withholding. Under section 3406 of the Code, a Beneficial Owner of the Series 2017B Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the Series 2017B Bonds. This withholding applies if such Beneficial Owners of Series 2017B Bonds: (1) fails to furnish the payor such Beneficial Owner's social security number or other TIN; (2) furnishes the payor an incorrect TIN; (3) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (4) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such Beneficial Owner is not subject to backup withholding. To establish status as an exempt person, a Beneficial Owner will generally be required to provide certification on Service Form W-9 (or substitute or replacement form).

Backup withholding will not apply, however, with respect to payments made to certain Beneficial Owners of the Series 2017B Bonds. Beneficial owners of the Series 2017B Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption. The backup withholding tax is not an additional tax and taxpayers may use amounts withheld as a credit against their federal income tax liability or may claim a refund as long as they timely provide certain information to the Service.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30 percent on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United

States trade or business. Assuming the interest received by the Beneficial Owner of the Series 2017B Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30 percent withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (1) the Beneficial Owner provides a statement to the pay or certifying, under penalties of perjury, that such Beneficial Owner is not a United States person and providing the name and address of such Beneficial Owner; (2) such interest is treated as not effectively connected with the Beneficial Owner's United States trade or business; (3) interest payments are not made to a person within a foreign country which the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (4) interest payable with respect to the Series 2017B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (5) such Beneficial Owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (6) such Beneficial Owner is not a bank receiving interest on the Series 2017B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business. The treatment described under this section may have been modified by an applicable tax treaty.

Assuming payments on the Series 2017B Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to Beneficial Owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

Foreign Account Tax Compliance Act. Sections 1471 through 1474 of the Code impose a 30 percent withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the United States Treasury to, among other things, undertake to identify accounts held by certain United States persons or United States-owned entities, annually report certain information about such accounts, and withhold 30 percent on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("FATCA") imposes a 30 percent withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial United States owners or the entity furnishes identifying information regarding each substantial United States owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30 percent withholding tax being imposed on payments of interest and principal under the Series 2017B Bonds and sales proceeds of Series 2017B Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of United States source interest (including original issue discount) and will apply to (1) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (2) certain "pass-thru" payments no earlier than January 1, 2017. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the Series 2017B Bonds, including the applicability and effect of any state, local, or foreign tax laws, and of any proposed changes in applicable laws.

MUNICIPAL ADVISOR

RBC Capital Markets, LLC ("RBC") is employed as Municipal Advisor to the University in connection with the issuance of the Series 2017 Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Series 2017 Bonds is contingent upon the issuance and delivery of the Series 2017 Bonds. RBC, in its capacity as Municipal Advisor, has not verified and does not assume any responsibility for the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or assume responsibility for, the accuracy, completeness, or fairness of the information in this Official Statement. The Municipal Advisor may also receive a fee for conducting a competitive bidding process regarding the investment of certain proceeds of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds of either series has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); nor have the Bonds been qualified under the securities acts of any other jurisdiction. The University assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds must not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The University has agreed to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the Underwriters shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

UNDERWRITING

J.P. Morgan Securities LLC, for itself and as representative of Stifel, Nicolaus & Company, Incorporated and Merrill Lynch, Pierce, Fenner and Smith Incorporated, as co-managers (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Series 2017 Bonds from the Regents pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") at the following prices. The Series 2017A Bonds at a price of $47,135,227.87 (being the par amount of the Series 2017A Bonds, plus a net reoffering premium of $6,519,163.00 and less an Underwriters' discount of $123,935.13) and no accrued interest. The Series 2017B Bonds at a price of $18,919,226.75 (being the par amount of the Series 2017B Bonds, less an Underwriters' discount of $55,773.25) and no accrued interest. The Series 2017C Bonds at a price of $15,301,887.31 (being the par amount of the Series 2017C Bonds, plus a reoffering premium of $1,818,725.40 and less an Underwriters' discount of $41,838.09) and no accrued interest. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2017 Bonds if any are purchased. The prices at which the Series 2017 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the initial inside pages of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial prices to dealers and others.

J.P. Morgan Securities LLC ("JPMS"), the Senior and Book Running Manager of the Underwriters of the Series 2017 Bonds, has entered into negotiated dealer agreements (each, a "Dealer

Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2017 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2017 Bonds that such firm sells.

INDEPENDENT ACCOUNTANTS

The University's Financial Statements for the Fiscal Year ended June 30, 2016, were audited by KPMG LLP, Certified Public Accountants. The audit for the Fiscal Year ended June 30, 2016 is attached as Appendix B hereto. Such financial statements are the most recently audited financial statements available at this time. KPMG LLP has not been engaged to perform, and has not performed since June 30, 2016, any procedures on the financial statements shown in the excerpt. Further, KPMG LLP has not been engaged to perform and has not performed any procedures relating to financial information or any other information contained in this Official Statement.

VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS

The mathematical accuracy of (i) the computations of the adequacy of the principal amounts and the interest thereon of the Federal Securities and other funds to be deposited in the Escrow Fund, to provide for the payment, of the principal of and interest on the Advance Refunded Bonds when due or upon early redemption thereof, and (ii) the computations made supporting the conclusion that the yield on the Federal Securities held pursuant to the Escrow Agreement is less than the yield on the Bonds for federal income tax purposes, were verified by Causey Demgen & Moore, P.C., Denver, Colorado. Such verification will be based, in part, upon information supplied to the certified public accountant and consultant by the Municipal Advisor and will be used to support Bond Counsel's opinion that the interest on the Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes.

MISCELLANEOUS

The references herein to the Bond Resolution, statutes, resolutions and contracts are brief outlines or partial excerpts of certain provisions thereof. Such outlines or excerpts do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

The execution and delivery of the Official Statement by the Senior Vice President for Administration and Finance has been duly authorized by the Regents.

THE REGENTS OF NEW MEXICO STATE UNIVERSITY

By /s/ Angela Throneberry

Senior Vice President for Administration and Finance

APPENDIX A

NEW MEXICO STATE UNIVERSITY ORGANIZATION, PROGRAMS AND SUMMARY FINANCIAL INFORMATION

Mission

The New Mexico State University System is the State's land-grant university, serving the educational needs of New Mexico's diverse population through comprehensive programs of education, research, extension education, and public service.

The Regents

The Regents are empowered to issue obligations for the benefit of the University under authority granted by Sections 6-17-1 through 6-17-19, NMSA 1978, as amended, and are charged with administering the University. The Regents direct the disposition of funds belonging to or appropriated to the University and establish rules and regulations necessary for the control and management of the University.

The State legislation establishing the Regents provides for five members (excluding ex-officio members), no more than three of whom shall be of the same political party. Members must be residents of the State and are appointed by the Governor, with the consent of the Senate, for six-year terms. A student Regent is appointed for a two-year term. Members may serve more than one term.

The members of the Regents, the dates of expiration of their terms as members, their occupations and their places of residence are as follows:

Members	Term Expires	Occupation	Residence
Debra P. Hicks, Chair	12/31/2020	Business	Hobbs, New Mexico
Mike Cheney, Vice Chair	12/31/2016*	Business	Las Cruces, New Mexico
Jerean Camúñez-Hutchinson, Secretary/Treasurer	12/31/2020	Business	Mesilla, New Mexico
Amanda López-Askin, Member	12/31/2016*	Student and School Mental Health Advocate	Las Cruces, New Mexico
Kari Mitchell, Member	12/31/2018	Business	Las Cruces, New Mexico

*Regents continue to serve until their successors are nominated by the Governor and confirmed by the legislature.

Executive Officers of the University

The authority for the governance of the corporate affairs of the University is vested in its Regents. The University's administrative officers are selected by the Chancellor as authorized by the Regents.

The persons listed below are currently the executive officers of the University.

Garrey E. Carruthers, Chancellor and President; Ph.D. 1968, Iowa State University. He joined the university as a faculty member in 1968. Dr. Carruthers served as Assistant Secretary of the Interior for Land and Minerals Management and Governor of New Mexico. He was president and CEO of Cimarron Health Plan for 10 years. He returned to the University in 2003 as dean of the College of Business and became the 27th President of the University in 2013. He is the first alumnus to become president of the University.

Daniel J. Howard, Executive Vice President and Provost; Ph.D. 1982, Yale University. Dr. Howard joined the University in August 1988 as an Assistant Professor in biology. He left in 2008 to serve as Dean of the College of Liberal Arts and Sciences at the University of Colorado Denver. He returned to the University as Executive Vice President and Provost in 2013.

Angela Throneberry, Senior Vice President for Administration and Finance; B.A. 1987, New Mexico State University. Ms. Throneberry joined the University in 1991. She is scheduled to retire August 1, 2017, and Dr. Andrew Burke will succeed Ms. Throneberry in this role.

Lizbeth Ellis, General Counsel; J.D. 1984, Arizona State University. She joined the University as a faculty member in 1989 and was named as General Counsel of the University in April of 2014. Ms. Ellis previously served as interim Associate Dean of the College of Business (2013-2014) and Head of the Department of Finance (2004-2013).

Academic Programs

Provided below are the University's colleges, a listing of the major fields of study available and degrees awarded within these colleges.

College of Agricultural, Consumer and Environmental Sciences.

(a) *Bachelor of Science in Agriculture*. Majors in Agricultural Biology; Agricultural Economics and Agricultural Business; Agricultural and Extension Education; Agriculture and Community Development; Soil Science; Animal Science; General Agriculture; Horticulture; Natural Resource Economics and Policy; Rangeland Resources; Turfgrass Science and Management; and Agronomy;

(b) *Bachelor of Science in Family and Consumer Sciences*. Majors in Family and Consumer Science Education; Clothing, Textiles and Fashion Merchandising; Human Nutrition and Dietetic Sciences; and Family and Child Science;

(c) *Bachelor of Science in Environmental Science*;

(d) *Bachelor of Science in Food Science and Technology*;

(e) *Bachelor of Science in Genetics*;

(f) *Bachelor of Science in Fish, Wildlife and Conservation Ecology;*

(g) *Bachelor of Science in Hotel, Restaurant and Tourism Management*;

(h) *Master of Science*. Majors in Agricultural Biology; Agricultural Economics*;

(i) Agronomy; Animal Science; Family and Consumer Sciences; Horticulture; Range Science; Water Science and Management**; Molecular Biology**; and Wildlife Science;

(j) *Master of Arts*. Major in Agricultural and Extension Education:

(k) *Master of Agriculture*. Specialization in Agribusiness; Specialization in Domestic Animal Biology;

(l) *Doctor of Philosophy*. Majors in Agronomy; Animal Science; Range Science; Water Science and Management**; Molecular Biology**; and

(m) *Doctor of Economic Development*.*

Additional Degree Program

MBA with an Emphasis in Agribusiness, also a joint program with the College of Business
*Joint with Department of Economics, College of Business
**Joint with other colleges

College of Arts and Sciences.

(a) *Bachelor of Arts*. Majors in Anthropology; Art; Biology; Chemistry; Communication Studies; Computer Science; Economics; English; Foreign Languages; Government; History; Journalism and Mass Communications; Philosophy; Psychology; Sociology; Theatre Arts; Physics; and Women's Studies;

(b) *Bachelor of Science*. Majors in Biology; Biochemistry; Chemistry; Computer Science; Geography; Geology; Mathematics; Microbiology; and Physics;

(c) *Designated Bachelor's Degree*. Majors in Conservation Ecology; Creative Media; Criminal Justice; Fine Arts; Genetics; Music; and Music Education;

(d) *Bachelor of Individualized Studies*;

(e) *Bachelor of Applied Studies*;

(f) *Master of Arts*. Majors in Anthropology; Art; Communication Studies; English; Government; History; Psychology; Sociology; and Spanish;

(g) *Master of Science*. Majors in Astronomy; Biology; Bioinformatics; Chemistry; Computer Science; Geology; Mathematics; Molecular Biology; and Physics;

(h) *Master of Fine Arts in Studio Art*;

(i) *Master of Fine Arts in Creative Writing*;

(j) *Master of Applied Geography*;

(k) *Master of Music*;

(l) *Master of Public Administration;*

(m) *Master of Criminal Justice*;

(n) *Professional Master of Financial Mathematics*; and

(o) *Doctor of Philosophy*. Majors in Astronomy; Biology; Chemistry; Computer Science; Mathematics; Molecular Biology; Physics; Psychology; Rhetoric and Professional Communication.

College of Business.

(a) *Two-Year Associate Degree*. Associate degree in Prebusiness;

(b) *Bachelor of Accountancy*;

(c) *Bachelor of Arts in Economics*;

(d) *Bachelor of Business Administration*. Majors in Information Systems; Economics; Finance; General Business; International Business; Management; and Marketing;

(e) *Master of Accountancy*;

(f) *Master of Business Administration*;

(g) *Master of Arts*. Major in Economics;

(h) *Master of Science*. Major in Applied Statistics;

(i) *Doctor of Philosophy*. Major in either Marketing or Management; and

(j) *Doctor of Economic Development.*

College of Education.

(a) *Bachelor of Arts in Dance*;

(b) *Bachelor of Science in Education*. Majors in Communication Disorders; Special Education; Elementary Education; Secondary Education (with endorsements in Bilingual Education; Foreign Languages; General Science; Language Arts; Mathematics; Physical Education; Social Studies; and Teaching English as a Second Language) and Early Childhood Education;

(c) *Bachelor of Science in Counseling & Community Psychology*;

(d) *Bachelor of Science in Kinesiology*;

(e) *Bachelor of Science in Athletic Training*;

(f) *Bachelor of Science in Educational Leadership;*

(h) *Bachelor of Applied Studies – concentration in Zero to Four;*

(i) *Master of Arts*. Majors in Education; Educational Administration; and Counseling and Guidance; Communication Disorders; Special Education; Clinical and Mental Health Counseling;

(j) *Master of Arts in Teaching*;

(k) *Specialist in Education*. Majors in School Psychology; and Curriculum and Instruction;

(l) *Doctor of Philosophy*. Majors in Counseling Psychology; Curriculum and Instruction; Educational Administration; and Special Education; and Kinesiology;

(m) *Doctor of Education*. Majors in Curriculum and Instruction; Educational Administration; and Special Education.

College of Engineering.

(a) *Two-Year Associate Degree*. Associate of Science in Engineering Technology;

(b) *Bachelor of Science*. Designated degrees in Aerospace Engineering; Chemical Engineering; Civil Engineering; Electrical Engineering; Industrial Engineering; Engineering Physics; Mechanical Engineering; Engineering Technology; and Surveying Engineering;

(c) *Bachelor of Information and Communication Technology*;

(d) *Master of Science*. Designated degrees in Chemical Engineering; Civil Engineering; Electrical Engineering; Environmental Engineering; Industrial Engineering; Mechanical Engineering; and Aerospace; and

(e) *Doctor of Philosophy*. Major in Engineering (Specializations in Chemical Engineering; Civil Engineering; Electrical Engineering; Industrial Engineering; Mechanical Engineering). A designated degree in Aerospace Engineering.

College of Health and Social Services.

(a) *Bachelor of Science in Nursing*;

(b) *Bachelor of Social Work*;

(c) *Bachelor of Public Health;*

(d) *Master of Science in Nursing*;

(e) *Master of Public Health*;

(f) *Master of Social Work*;

(g) *Joint Master of Public Health; Master of Social Work*;

(h) *Ph.D.in Nursing*; and

(i) *Doctorate in Nursing Practice*.

Graduate School.

(a) *Interdisciplinary Doctor of Philosophy*; and

(b) *Interdisciplinary Master's Degree including the Master of Art and Master of Science.*

Accreditation

The University is accredited by the Higher Learning Commission ("HLC") regional accrediting body. The main campus (NMSU-Las Cruces) and its four community colleges – three of which are independently accredited by HLC – are in good standing with the HLC. In the University's last comprehensive site visit in 2008, the University's accreditation was successfully re-affirmed with no required interim monitoring or reporting to the HLC. The University is on HLC's Open Pathway for re-affirmation of accreditation, which is the Pathway reserved for institutions with the highest standing regarding their accreditation status. The University's next comprehensive site visit for reaffirmation of accreditation is in Fall 2017. In addition, the University's main campus maintains oversight of approximately 60 specialized/professional accreditations system-wide.

Vision 2020

In 2013, the University's Chancellor began the process to implement a long-range strategic plan, known as Vision 2020, to propel the University on the path toward a goal of achieving the status of a premier university. The strategic plan, adopted in July 2015, outlines the University's goals in the areas of academics and graduation, diversity, research, economic development and community engagement, and resource stewardship.

Faculty

For the 2015-2016 academic year, the University's main campus had a distinguished faculty of 674, of whom 69 percent have tenure. Approximately 541 faculty members held doctorate degrees in their respective fields of study.

The University continues to build inter-disciplinary research teams and provide faculty incentives for engaging and cultivating research generated from these teams.

Employees

As of September 2016, the University employed approximately 3,552 regular and temporary full-time and part-time staff and faculty, excluding student assistants. Of these employees, 741 are members of the American Federation of State, County and Municipal Employees collective bargaining union, which recently extended its collective bargaining agreement through June 30, 2019.

Land, Buildings and Improvements

The University's campuses in Las Cruces, New Mexico encompass approximately 3,500 acres and consist of more than 200 academic, research and auxiliary buildings and more than 400 individual stand-alone housing buildings, individual apartments and group complexes. The library general holdings contains in excess of 1,830,000 volumes of books (including government documents); 1,493,636 volumes of microforms; 17,644 of audio/visual units; and 160,068 e-Books. The value of the University's plant (including branch campuses) for the past five fiscal years ended June 30 was as follows:

Year	Land and Improvements	Buildings	Equipment and Furnishings[(1)]	Library Books	Construction in Progress[(2)]	Total [(3)]
2016	$90,917,139	$738,367,241	$140,759,674	$82,618,969	$16,951,174	$1,069,614,197
2015	87,838,836	697,528,475	140,354,682	79,509,070	35,997,464	1,041,228,528
2014	85,194,585	677,194,196	139,026,941	76,397,977	25,392,643	1,003,206,342
2013	78,680,474	670,834,320	134,843,628	73,390,141	8,388,328	966,136,891
2012	74,995,702	612,489,364	135,208,284	70,503,771	42,627,197	935,824,318

(1) Includes Software.

(2) Includes Software Implementation in Progress.

(3) All assets are valued at cost or acquisition value, if donated, as of the date of acquisition.

Admissions

The following table summarizes undergraduate applications, admissions and actual enrollments for the University's main campus for the fall semesters of the last five academic years:

Admissions[(1)]

Fall	Applications	Accepted for Admission[(2)]	Enrolled[(3)]
2016	10,490	6,635	2,427
2015	9,176	5,979	2,643
2014	8,472	5,640	2,591
2013	6,628	5,685	2,585
2012	7,376	5,984	2,749

(1) Each column includes all new degree-seeking undergraduate admissions' categories (new and transfer).

(2) For Fall 2016, the University accepted approximately 63 percent of the applicants who applied as entering Freshmen.

(3) Approximately 72 percent of the University's undergraduate students are from New Mexico (8,618). The remaining students are from 46 other states, the District of Columbia and two U.S. Territories (23 percent), and from 57 foreign countries (5 percent).

Recent recruitment efforts in key markets have resulted in increased admission applications to the University. For example, the University has received an increase in applications of approximately 44 percent from the El Paso area over last year's application submissions.

Enrollment

The following table, based on fall semester registration, sets forth full-time enrollments, part-time enrollments and full-time equivalent enrollments for the University for the last five academic years:

	Main Campus–Head Count (NM HED)[1]				Total All Campuses	
	Undergraduate		Graduate			
Fall	FT[2]	PT	FT	PT	Head Count	Full-Time Equivalent [3]
2016	9,992	1,941	1,507	1,412	25,312	19,242
2015	10,557	1,888	1,567	1,478	25,951	19,687
2014	10,845	1,868	1,603	1,513	26,694	20,465
2013	11,543	1,953	1,717	1,552	28,262	21,611
2012	12,012	2,171	1,737	1,731	29,768	22,535

(1) Post-baccalaureate students are reported with the graduate students.
(2) Full-Time/Part-Time status is based on all hours enrolled in the University system.
(3) Full-Time Equivalent equals the total number of credit hours divided by 15 hours for undergraduate students and 12 hours for graduate students.

	Main Campus–Head Count (Moody's)[1]				Total All Campuses	
	Undergraduate		Graduate			
Fall	FT[2]	PT	FT	PT	Head Count	Full-Time Equivalent[3]
2016	9,874	2,153	1,499	1,326	25,312	20,828
2015	10,419	2,107	1,559	1,405	25,951	21,418
2014	10,668	2,116	1,599	1,446	26,694	22,262
2013	11,297	2,285	1,709	1,474	28,262	23,802
2012	11,673	2,603	1,731	1,644	29,768	24,912

(1) Post-baccalaureate students are reported with the undergraduate students.
(2) Full-Time/Part-Time status is based on total hours for NMSU-LC students and Las Cruces hours for all other students.
(3) Full-Time Equivalent equals count of full-time students in the University system (based on all hours) plus part-time student hours divided by 12 for undergraduates and 9 for graduate students.

Although the University recently experienced a downward trend in enrollment, University officials implemented several initiatives aimed at addressing enrollment declines and directly supporting strategic goals for recruitment, retention, and graduation.

Beginning Freshman Class Profile

The following table sets forth the average American College Test ("ACT") composite score of the beginning undergraduate freshman class of the University for the past five fall semesters:

	Fall 2016	Fall 2015	Fall 2014	Fall 2013	Fall 2012
ACT Composite Score	21.0	20.9	20.9	21.1	21.1

Admission Criteria

The University requires that freshman applicants graduate from any high school or academy in the United States accredited by a regional accrediting association or approved by a State department of education or State universities. They must also meet the following recently-amended increased standards for admission:

Freshman Admission Requirements

The following high school unit requirements became effective with the class of 2016:

English	4 units*
Science	2 units beyond general science
Mathematics	4 units**
Foreign languages or fine arts	1 unit

*Must include at least 2 units of writing-intensive courses, one of which must be a junior or senior-level course.
**From Algebra 1, Geometry, Algebra 2, and one additional math course.

Students meeting the minimum high school course requirements listed above, must meet one of the following criteria below in order to be admissible:

- Cumulative high school grade point average of at least 2.75
- Ranked in the top 20 percent of their graduating class
- ACT composite score of 21 or SAT score of 1060

An applicant not meeting the admission requirements may also apply to participate in the Aggie Pathway to the Baccalaureate program at any of the NMSU community colleges. Aggie Pathway students may transition to the Las Cruces campus after successful completion of 24 credits, in addition to any required developmental courses, with a 2.5 cumulative college GPA. Additionally, a first-time freshman who does not meet the requirements can be offered admission if the review of additional information indicates that the student would be successful at the University. When reviewing the admissibility of these students, the University considers many factors, including high school GPA, test scores, dual-credit coursework, leadership experience, community involvement and other accomplishments. Applicants may be asked for academic letters of recommendation in support of their application as well.

Tuition and Fees

The University meets the costs of its educational programs primarily through tuition, fees and State appropriations. The following table sets forth the base tuition and fees charged each semester to undergraduate full-time and part-time students on the basis of residency, 135 Mile Rule and non-residency for five years:

	Full-Time Student Semester Rate			Part-Time Student Hourly Rate[3]		
	New Mexico Residents	**135 Mile Rule[1]**	**Non-Residents[2]**	**New Mexico Residents**	**135 Mile Rule[1]**	**Non-Residents[2]**
2016-17	$3,046.80	$3,295.20	$9,825.60	$253.90	$274.60	$818.80
2015-16	3,046.80	3,236.40	9,825.60	253.90	269.70	818.80
2014-15	2,974.80	3,158.40	9,555.60	247.90	263.20	796.30
2013-14	3,110.40	3,297.60	9,822.00	259.20	274.80	818.50
2012-13	3,020.40	3,201.60	9,534.00	251.70	266.80	794.50

[1]Texas residents living within 135 miles of the main campus are required to pay a slightly higher price for tuition and fees than resident students. For reporting purposes they are classified as non-residents..
[2] Rate applies to non-resident students registered for 7-14 credit hours. Non-resident students registered for 1-6 credit hours pay the resident rate.
[3] Hourly rates for 1-14 credit hours. Flat rate assessed for 15 credits hours and above.

Tuition & Fees for 2015-2016 Compared with Peer Institutions
Undergraduate Rates for Academic Year

Institution	Resident	Non-Resident
Washington State University – Pullman	$11,967	$25,567
University of Arizona – Tucson	11,403	32,630
Colorado State University – Fort Collins	10,558	27,267
Oregon State University – Corvallis	10,107	28,767
Kansas State University – Manhattan	9,350	23,429
Texas Tech University – Lubbock	8,028	17,388
Oklahoma State University – Stillwater	7,778	20,978
Iowa State University – Ames	7,736	20,856
Utah State University – Logan	7,260	19,760
The University of Texas – El Paso	7,259	19,159
University of New Mexico – Albuquerque	7,071	21,302
University of Idaho – Moscow	7,020	21,024
University of Nevada – Reno	6,902	20,812
Montana State University – Bozeman	6,849	22,081
New Mexico State University	**6,094**	**19,652**
University of Wyoming – Laramie	4,892	15,632
Peer Average without NMSU	**8,279**	**22,443**
NMSU as % of Peer Average	**73.60%**	**87.60%**

Source: Integrated Post-secondary Education Data System

Financial Aid

In the 2015-2016 academic year, approximately 59 percent of the students in the University system received some form of financial aid in the aggregate amount of $142,354,876. Of this amount $38,006,462 was provided in the form of scholarships, $44,736,248 was provided in the form of grants, $57,273,508 in the form of loans, $2,338,658 in the form of work-study, graduate fellowships and other aid. Student employees not receiving work-study awards and students receiving in-state tuition waivers are not included in these counts.

There can be no assurance that financial aid will be available at the same levels in the future and any change in the availability of such aid may affect the University's enrollment.

The New Mexico Lottery was established in 1996 and currently receives 100 percent of the net proceeds from lottery sales. Lottery Tuition Scholarships are made available to graduating New Mexico residents graduating from New Mexico high schools or receiving a GED who enroll in a New Mexico public college or university in the first regular semester immediately following high school graduation. Effective Fall 2017, high school graduates will be allowed a 16-month grace period to enroll in a New Mexico public college or university. If a lottery tuition scholarship recipient maintains a 2.5 GPA and meets other criteria, the scholarship may continue for up to seven consecutive semesters. The scholarship award amount is determined by the HED on an annual basis based on the expected level of scholarship funding for the upcoming academic year. For academic year 2016-2017, the lottery scholarship amount for University students (main campus) was equal to 93 percent of tuition only. A total of 4,885 students at the University received lottery tuition scholarships during FY17. For the academic year 2017-2018, the lottery scholarship will cover approximately 60 percent of tuition only.

Number of Lottery Scholarship Recipients and Total Amounts Received
2015-2016 Academic Year

	Students	**Total Amount**
NMSU Main Campus	4,215	$15,484,070
Alamogordo Branch	120	67,375
Carlsbad Branch	126	67,141
Doña Ana Branch	752	556,788
Grants Branch	39	21,376

Student Housing and Board Plans

The University seeks to improve its position in the higher education market through enhanced academic programs, strengthened admission requirements, and improved graduation rates. As part of this strategic plan focused on student success, the Regents approved a first year residency requirement effective Fall 2017. The requirement offers exemptions to first year students living in a structured family environment, as well as other exemptions. As part of the residency requirement, the University has focused on enhancing residential life to support first year students and identified facility improvements. The First Year Residential Experience ("FYRE") program is designed to assist first year students successfully transition to the University and develop meaningful experiences with faculty and students by providing:

- Staffing for enhanced residential experience
- Living Learning Communities (LLCs)
- Faculty in Residence
- Faculty Fellows
- Teaching courses in residence halls

The Improvement Project also supports the strategic goals of student success by allowing for the construction of a new residence hall and several renovations within the existing campus housing portfolio to better meet the programmatic facility needs for students. See "Occupancy Statistics" herein for further information regarding the status of these housing facilities.

The University has three traditional residence halls, a group complex and apartment units that provide housing for single student occupancy. The University also maintains 571 units available for students with families. The University's demand for housing is affected by the availability and cost of off campus rental facilities as well as housing facilities provided by the University's social fraternities and sororities. Students electing to live in residence halls, group complexes, and apartment units designed for single student occupancy are required to sign a University housing agreement for one academic year. Prior to January 1, 2016 student family housing leases were month-to-month; effective January 1, 2016, students may choose either a 6, 9 or 12 month lease term.

The student family housing remains open during the summer. Some of the single student housing areas are operated in the summer in connection with regular academic and special programs sponsored by the University. The other housing areas are utilized intermittently during the summer by specially arranged institutes, workshops and conventions. Currently all of campus housing is operated and maintained solely by the University. The dates of construction and capacity of the housing facilities are as follows:

Residence Halls, Student Apartments and Student Family Housing**

Facility	Year Built	Residence Halls & Group Facilities	Single Student Apartments	Student Family Housing	TOTAL ROOMS / UNITS
Chamisa	2007, 2012		615		**615**
Pinon Hall	2006	310			**310**
Garcia Hall	1967, 2000 (1)	884			**884**
Rhodes/Garrett/Hamiel	1941, '42, '55, '90 (2)	258			**258**
Group Complex(3)	1965, '90	254			**254**
Vista del Monte/Cervantes	1984, '89, '91, '92, '95		478	74	**552**
Cole Village(3)	1965			199	**199**
Tom Fort Village	1959			100	**100**
Sutherland Village	1958			198	**198**
		1,706	**1,093**	**571**	**3,370***

* Does not include prospective construction of 300 bed residence hall to be completed in Summer 2019.

(1) Major renovation of facility; will be de-densified for Fall 2019 from 884 to 566 beds to accommodate undergraduate residence hall space, including single rooms.

(2) Major renovation of facility

(3) Scheduled to go offline in Fall 2017

** See "Occupancy Statistics" herein for further information regarding the status of these housing facilities.

The majority of University dining facilities are managed by Sodexo America, LLC. Participation in a meal plan offered through Sodexo is required for all residence hall students and optional for all other students, of which the University expects an increase in participation due to the first year residency requirement.

The semester contract rate for room and board may be paid in full at the beginning of a semester or on an installment basis throughout the semester. Student family housing rent is payable in advance on a monthly basis.

Single Student Housing Charges [1]

	Group Housing			Rhodes / Garrett / Hamiel [2]		
Academic Year	**Double Occupancy**	**Double as Single Occupancy**	**Single Occupancy**	**Double Occupancy**	**Double as Single Occupancy**	**Single Occupancy**
2016-17	$1,506	$2,079	$2,177	$1,823	$2,917	$2,248
2015-16	1,434	1,980	2,074	1,737	2,779	2,141
2014-15	1,434	1,980	2,074	1,737	2,779	2,141
2013-14	1,434	1,980	2,074	1,678	2,685	2,069
2012-13	1,434	1,980	2,074	1,678	2,685	2,069

	Garcia Hall		Pinon	Chamisa		
Academic Year	**Double Occupancy**	**Single Occupancy**	**Double Occupancy**	**Four Bedroom**	**Two Bedroom**	**One Bedroom**
2016-17	$2,144	$3,431	$2,386	$2,710	$3,096	$3,484
2015-16	2,042	3,267	2,272	2,581	2,949	3,318
2014-15	2,042	3,267	2,272	2,581	2,949	3,348
2013-14	1,973	3,157	2,196	2,493	2,849	3,206
2012-13	1,973	3,157	2,196	2,493	2,849	3,206

	Vista del Monte	Cervantes		
Academic Year	**Two Bedroom**	**Four Bedroom**	**Two Bedroom**	**Efficiency**
2016-17	$2,504	$2,212	$2,342	$2,418
2015-16	2,385	2,107	2,231	2,303
2014-15	2,385	2,107	2,231	2,303
2013-14	2,304	2,036	2,155	2,225
2012-13	2,304	2,036	2,155	2,225

(1) All rates are semester rates for single student occupancy.

(2) Rhodes/Garrett/Hamiel doubles and singles above reflect community bath rates. Suite bath rates are $1,362 for triples, $2,042 for doubles and $3,268 for singles.

Student Family Housing Charges[1]

Academic Year	Two Bedroom	Four Bedroom	Graduate Student Community[2]
2016-17	$662	$899	n/a
2015-16	630	856	$862
2014-15	630	856	862
2013-14	630	856	832
2012-13	630	856	832

(1) All rates are monthly.

(2) Monthly rates for graduate students are no longer being offered effective Fall semester 2016.

Occupancy Statistics[1]

Academic Year	Single Student Housing[2] Fall	Single Student Housing[2] Spring	Student Apartments Fall	Student Apartments Spring	Student Family Housing Fall	Student Family Housing Spring	Group Student Housing[3] Fall	Group Student Housing[3] Spring
2016-17	79.6%	72.2%	83.4%	75.0%	44.9%	45.1%	46.6%	56.6%
2015-16	86.5	72.4	86.1	77.4	66.5	51.1	40.6	68.3
2014-15	91.1	76.0	92.7	90.0	73.4	71.0	61.4	67.9
2013-14	96.3	80.6	88.4	83.2	81.5	80.7	56.9	67.5
2012-13	81.6	71.5	88.8	82.9	80.6	78.7	64.6	63.8

(1) Occupancy statistics reflect full occupancy for rooms with double-occupancy configuration rented at a higher single-student rate.

(2) Includes four Residence Halls through Spring 2013 and three beginning Fall 2013.

(3) Group Housing includes eight houses through Fall 2015.

In Fall 2016, on-campus housing was at 73 percent overall occupancy. The University contracted with Brailsford and Dunlavey (B&D) in 2015 to update the Housing Master Plan and perform a Residential Life Analysis. Supported by the plan recommendations, the University has identified housing facility changes including a new residence hall, renovations and reconfigurations which will better meet the needs of students and align demand with capacity. Cole Village and group housing will be taken off-line effective Fall 2017. Concurrent with the new residence hall scheduled to open Fall 2019, Garcia Hall will be "de-densified" from 884 beds to 566 beds to accommodate the unmet demand for undergraduate residence hall space, including single rooms. In addition, the University has implemented a first-year residency requirement (exemptions available) effective Fall 2017 as a student success strategy which change is anticipated to positively impact occupancy and to help improve student retention. First year students living on campus will be housed in campus residence halls. Of the 1,450 residence hall beds available, the University expects the Fall 2017 bed demand to be approximately 1,300.

Approximately 17 percent of the University's undergraduate and graduate students live in University housing. The average charge per student for a double room and full meal plan for the 2016-2017 academic year was $7,890 (Fall and Spring semesters). During April 2017, the Regents approved a four-year, tiered rental rate structure phasing the rate growth over a stabilization period necessary to support operations while avoiding drastic rate adjustments in a single year.

Bookstore

On December 1, 2008 the University contracted with Barnes & Noble College Booksellers, Inc. to manage and operate all campus bookstores. Barnes & Noble primarily sells textbooks and other education related merchandise to the University students, faculty and staff. The bookstore also sells school and office supplies, trade books, computer products, insignia clothing, souvenirs, gifts and convenience items to University departments, students and the general public. The main campus store includes a Barnes & Noble café as well. Barnes & Noble operates physical stores at the Dona Ana and Carlsbad Community Colleges and provides a virtual store for the Alamogordo Community College. Beginning Fall 2017, Barnes & Noble will provide a virtual store for the Grants campus. Revenues from these operations for the University's fiscal year ended June 30, 2016 comprise commissions paid to the University on sales for the Las Cruces Campus $693,200, Dona Ana Community College $190,136, Alamogordo Community College $49,756 and Carlsbad Community College $47,686. In December 2016, the University signed a one-year extension of the current contract with Barnes & Noble.

Food Services

The University's Las Cruces campus contracted with Sodexo America, LLC in fiscal year 2012 to staff and operate the majority of its dining facilities which includes fast food, specialty food, student dining facility, concessions and catering functions. Sodexo hires and pays all of its own employees, which includes University students. Customer count for the Las Cruces campus student union averaged 4,491 per day generated from multiple food service outlets. Gross revenues for the Las Cruces campus food services for the fiscal year ended June 30, 2016 were $1,558,993.

Aggie Health and Wellness Center

The Aggie Health & Wellness Center (the "Center") is a comprehensive integrated health care facility providing medical, laboratory, pharmacy, diagnostic X-ray, and mental health counseling services to the students of the University. The Center is nationally accredited by the AAAHC, IACS, and the APA for excellence in medical, counseling, and training opportunities for students. The Center also provides the campus with health education programming through WAVE (Wellness, Alcohol, Violence, Education) which utilizes a peer education approach to harm reduction, healthy lifestyles, and physical and mental health wellness. The Center provides practicum education and work experiences to students in the fields of nursing, pharmacy, counseling, and kinesiology. The Center is an integral component to the health and wellness services on campus that also include recreational sports, outdoor rec, aquatic, and fitness programming, classes, and activities for students.

FINANCIAL INFORMATION CONCERNING THE UNIVERSITY

The operating revenues for the University are derived from appropriations made to the University by the state, federal and local governments, sales and services of auxiliary operations, tuition and fees, self-funded activities, federal, state and local government grants and contracts, private gifts, grants and contracts and other miscellaneous sources.

Budget Process

The University operates on an annual budget with a fiscal year beginning on July 1. However, the budget and resource allocation process is a multi-year activity, which assures that funding from all sources is continuously consistent with long-range policies, programmatic goals and specific campus roles and objectives of the University. The budget process is based on criteria established by the HED for the purpose of ensuring consistency in the development and reporting of budget information among State institutions of higher education.

The University received approval of the FY2018 budget from the Regents on May 26, 2017 and thereafter submitted the budget to the HED meeting the June 1, 2017 due date.

In general, the University prepares the following types of budgets: (a) unrestricted current funds budgets; (b) restricted current funds budgets; and (c) capital construction budgets supported by State capital construction appropriations and University funds. Unrestricted current funds budgets are funded by State appropriations, tuition, sales, and other sources. Restricted current funds budgets are funded by federal, private, and state grants and contracts, and other sources. The State appropriated operating budgets include appropriations for instruction and related support, certain research activities, libraries, and other items. Non-appropriated operating activities include sponsored programs paid for by federal, State, and private grants and contracts, student financial assistance, and certain self-funding and auxiliary enterprises, including housing and food services.

Operating budgets are submitted annually for approval to the Regents, HED, and the New Mexico Department of Finance and Administration - State Budget Division ("DFA"). These State agencies develop consolidated funding recommendations for all higher education institutions which are considered for appropriation during the annual legislative sessions. In accordance with State legislation, unexpended State appropriations to the University generally do not revert at the end of each fiscal year. All state appropriations are accounted for separately in the accounting system.

The legal level of budgetary control is at the fund type and functional level, in accordance with New Mexico Annotated Code Section 5.3.4.10. There were no violations in fiscal years 2016 and 2015. The modified accrual basis of accounting is used for budgetary comparison. If expenditures by budgetary control line by campus are expected to exceed the approved budget, the University is required to submit a budget adjustment request for approval by the Regents to the HED which is subsequently forwarded to the DFA.

For budgetary purposes only, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund; however, funds that have similar characteristics have been combined into fund groups. Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Accordingly, all financial transactions are initially recorded in one of the following fund groups:

(a) *Current Funds—Unrestricted*. Use of funds is controlled by the Regents for specific operating purposes.

(b) *Current Funds—Restricted*. Resources restricted by an external entity to a specific current operating institutional purpose are recorded in this fund group.

(c) *Loan Funds*. Resources which are available to lend to students and student loans outstanding.

(d) *Endowment and Similar Funds*. Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be utilized. While quasi-endowment funds have been established by the Regents for the same purposes as endowment funds, any portion of quasi-endowment funds may be expended.

(e) *Plant Funds*. Four separate fund subgroups make up the fund group Plant funds. These subgroups are described below:

(i) *Unexpended Plant Funds* account for unexpended resources received from various sources to finance the acquisition or construction of plant assets.

(ii) *Renewal and Replacement Funds* are used to record resources accumulated and expended to renew or replace plant assets.

(iii) *Retirement of Indebtedness Funds* account for the resources accumulated to retire University debt incurred for the acquisition or construction of plant assets.

(iv) *Investment in Plant Funds* include the University's investment in plant assets, construction in progress, the associated liabilities and other non-current liabilities.

(f) *Agency Funds* are resources held by the University in a custodial or agency capacity.

The HED conducts special verifications of the institutions of higher education. The verifications include enrollments, fund balances, compliance with legislation, comparison of expenditures to budgets and other areas to be determined by the HED. Reports on the verifications are made annually to the DFA and the Legislative Finance Committee. The HED considers the verification findings in making its annual recommendations to the executive and legislature for higher education funding.

GASB Statement No. 77 (Tax Abatement Disclosures) will become effective for fiscal year 2017. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Although the University has not concluded its analysis of the change, the University does not anticipate a significant impact from this statement.

GASB Statement No. 75 (Accounting and Financial Reporting for Postemployment Benefits other than Pensions) will become effective fiscal year 2018. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other postemployment benefits, or OPEB). Although the University has not concluded its assessment of the impact, the University anticipates it may have a significant impact on reporting, but not impact the University's operations or expenditures.

Obligations Outstanding

The Regents may not issue general obligation indebtedness, although the Regents may issue revenue bonds payable from revenues pledged on behalf of the University. Revenues have historically been sufficient to meet such obligations. The following table contains a schedule of the Outstanding Bonds payable from Pledged Revenues as of July 13, 2017.

Schedule of Outstanding Obligations Payable
From the University's Pledged Revenues as of July 13, 2017*

Name of Issue	Issue Date	Original Issue Size	Amount Outstanding
Improvement Revenue Bonds, Series 2006	June 7, 2006	$10,245,000	$0
Refunding and Improvement Revenue Bonds, Series 2010A-D	February 3, 2010	78,670,000	34,940,000
Refunding and Improvement Revenue Bonds, 2013A-C	April 17, 2013	56,200,000	25,430,000
Subordinate Lien Improvement Revenue Note, Series 2014	April 21, 2014	15,865,000	12,985,000
Refunding and Improvement Revenue Bonds, Series 2017A-C	July 13, 2017	73,240,000	73,240,000
		$234,220,000	$146,595,000

*Includes the Series 2017 Bonds and assumes the refunding of the Refunded Bonds. Amounts outstanding are as of the expected closing date of July 13, 2017. The Series 2010B Bonds are excluded from this table although Series 2010B crossover bonds refunded by the Series 2017C Bonds will remain legally outstanding and payable from the Pledged Revenues until the Crossover Date of April 1, 2020.

Annual Aggregate Debt Service Requirements for Outstanding Bonds Payable From the University's Pledged Revenues as of July 13, 2017[2]

FYE June 30	Principal	Interest[1]	Total
2018	$6,540,000	$6,522,655	$13,062,655
2019	6,935,000	7,201,839	14,136,839
2020	8,020,000	6,919,248	14,939,248
2021	8,990,000	5,759,905	14,749,905
2022	9,045,000	5,359,217	14,404,217
2023	9,070,000	4,946,462	14,016,462
2024	8,540,000	4,526,510	13,066,510
2025	8,925,000	4,132,986	13,057,986
2026	8,450,000	3,721,100	12,171,100
2027	8,150,000	3,328,050	11,478,050
2028	8,535,000	2,949,213	11,484,213
2029	7,240,000	2,549,915	9,789,915
2030	7,560,000	2,182,561	9,742,561
2031	4,475,000	1,797,541	6,272,541
2032	4,670,000	1,603,203	6,273,203
2033	4,870,000	1,407,388	6,277,388
2034	3,955,000	1,201,300	5,156,300
2035	4,135,000	1,025,583	5,160,583
2036	4,315,000	841,790	5,156,790
2037	4,510,000	649,870	5,159,870
2038	1,750,000	483,250	2,233,250
2039	1,835,000	395,750	2,230,750
2040	1,930,000	304,000	2,234,000
2041	2,025,000	207,500	2,232,500
2042	2,125,000	106,250	2,231,250
TOTAL	**$146,595,000**	**$70,123,084**	**$216,718,084**

[1] Represents gross debt service and is not net of the Federal Direct Payments expected to be received with respect to the Series 2010B Bonds.

[2] Includes the Series 2017 Bonds and assumes the refunding of the Refunded Bonds. Aggregate debt service is as of the expected closing date of July 13, 2017. The Series 2010B Bonds are excluded from this table although the Series 2010B crossover bonds refunded by the Series 2017C Bonds will remain legally outstanding and payable from the Pledged Revenues until the Crossover Date of April 1, 2020.

State Appropriations

Appropriations for areas outside of Instruction and General categories are provided through a line-item budgeting process. For the University, these items include several significant research and public service programs related to the University's role as a land grant institution. The University administration presents a prioritized set of proposals in these areas to the Regents for their consideration and approval. The proposals endorsed by the Regents are submitted to the HED, which then provides its recommendations to the legislative and executive branch fiscal offices.

The New Mexico Land Grant Permanent Fund was established by the Congress and made the law of New Mexico by its reference in the New Mexico Constitution, which specifies the beneficiaries thereof. The University's proportional share, consisting of approximately 0.428 percent of the $14.6 billion corpus as of June 30, 2016, is not subject to legislative appropriation or reduction, nor are they shared with other institutions.

Final appropriation decisions for both instruction and general funding and special line-item programs are normally made during the State's annual legislative sessions. The State's institutions of higher education were not funded during the 2017 regular legislative session but a special session that concluded May 30, 2017 reinstated funding for all higher education institutions, including the University. State appropriations for the University have been reduced by 5 percent since the original FY17 allocation from the October 2016 special session. The May 2017 special session resulted in an additional 1.1 percent reduction in State funding for FY18 consistent with the University's expectations and has been incorporated into the FY18 operating budget approved by the Regents on May 26, 2017.

The following table sets forth five years of State appropriations for the fiscal years as indicated.

	State Appropriations				
Fiscal Year	**Instruction and General**	**Other**	**Total**	**Total Current Unrestricted Revenues**	**State Appropriations as a % of Current Unrestricted Revenues**
2018	$146,986,000	$44,147,500	$191,133,500	$372,117,832	51.4%
2017*	156,446,100	46,909,100	203,355,200	386,104,894	52.7
2016	159,530,401	48,038,187	207,568,588	393,923,458	52.7
2015	158,953,384	47,840,805	206,794,190	397,164,942	52.1
2014	151,754,956	44,526,541	196,281,497	387,321,065	50.7

* Does not include the 5% appropriation reduction from the October 2016 Special Session

In addition to the appropriations for operations listed above, the State has provided the University, through the sale of General Obligation and Severance Tax Bonds and other capital appropriations, funding for the capital outlay projects listed below for years 2012 through 2017. The dates listed indicate the year the State approved the funding and not the year that the funds were available for expenditures.

Capital Outlay Projects Funded by the Legislature

2017	$-0-
2016	27,695,000
2015	5,920,624
2014	27,027,000
2013	5,447,790
2012	30,210,390
Total	$ 96,300,804

The following list sets forth the capital outlay requests the Regents approved May 2017. As part of an annual process, these requests will be submitted to the HED. They will submit a consolidated capital outlay funding request on behalf of all New Mexico higher education institutions by November 1.

<u>2018-2019 Capital Outlay Requests</u>

Las Cruces Campus	
• New Mexico State University Agricultural Facilities- Selective demolition, renovation, and research facility	$25,000,000
• Information Technology Infrastructure Upgrades	4,721,000
Alamogordo Campus	
• Replacement of Adult Education / Tays Roof	$1,000,000
• Road, site and parking lot improvements inc lighting	425,000
Carlsbad Campus	
• Site improvements to include design and installation of drainage system	$1,000,000
• Learning Assistance Center Renovation	600,000
Dona Ana Campus	
• Infrastructure upgrades and replacement	$1,700,000
• Information Technology Infrastructure Upgrades	450,000
Grants Campus	
• Martinez Hall Renovations	$1,700,000

Tuition and Fees

Another major source of revenue to the University is student tuition and fees. The Regents establish tuition rates and fees. See “Tuition and Fees” as previously discussed. Revenue from tuition and fees constituted the following approximate percentages of total current unrestricted revenues for the five preceding fiscal years ended June 30:

2016	28.29%
2015	28.57
2014	29.26
2013	30.04
2012	30.48

Auxiliary and Self-Funded Activities

The University operates various auxiliary enterprises that serve the student population. Among these enterprises are student housing, dining halls, student center, student health center, athletics, recreation facilities and organized student activities. Revenue from such enterprises includes dormitory and other facility rentals, food and book sales, student fees and other miscellaneous items.

Other Sources of Funds/Reporting

Other sources of revenue include interest income, earnings on investments of the University, sales and services of the educational departments, endowment, land and permanent fund income, indirect cost recovery, sale of assets and public service fees.

The State is currently reviewing the reporting requirements of the land grant and permanent fund assets to determine if such assets should be reported on a State or university level. Regardless of accounting treatment for the assets, the University will continue to receive and report income from their proportional share of the assets.

Although not pledged to the payment of Bonds, the endowment funds managed by the New Mexico State University Foundation, Inc. (“Foundation”) had a value of $149.8 million at June 30, 2016 including both the University endowment funds of $39.8 million and the Foundation endowment funds of $110 million. In the event of dissolution of the Foundation, all assets pass to the University. The endowment funds are invested by the Foundation under a revocable trust agreement between the two entities.

The University is approximately halfway through a capital campaign effort to raise $125 million. The public portion of the campaign began April 28; to date, 59 percent or $74.1 million has been raised.

Retirement Programs and Pension Liability

The University offers three retirement programs. All eligible employees working more than 25% full-time equivalent are required to participate in either the public employee retirement system authorized under the Educational Retirement Act or the Alternative Retirement Program established by the State of New Mexico. Student employees do not participate in these plans. For additional information regarding the retirement programs and pension liabilities, please refer to the notes attached to the audited financial statements of the University. Changes in legislation, actuarial assumptions, and investment assumptions may impact future pension fund liabilities of the University.

Revenues and Expenses for Fiscal Years 2012 through 2016

The following schedule presents the University's Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2012 through 2016.

New Mexico State University
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30,

	2016	2015	2014	2013	2012
REVENUES					
Operating Revenues:					
Student Tuition and Fees (Gross)	$111,641,792	$113,694,414	$113,342,683	$114,254,961	$111,462,937
Less: Scholarship Allowances	(40,347,585)	(41,290,643)	(40,892,554)	(45,533,239)	(44,920,464)
Student Tuition and Fees (Net)	71,294,207	72,403,771	72,450,129	68,721,722	66,542,473
Federal Appropriations, Grants and Contracts	90,637,831	106,972,461	108,974,862	168,576,851	177,517,036
State Grants and Contracts	14,590,177	12,947,408	12,926,663	31,029,311	28,955,771
Local Appropriations, Grants and Contracts	2,784,153	2,852,054	2,849,118	13,295,396	12,050,886
Non-governmental Grants and Contracts	10,087,186	8,682,660	10,682,840	10,027,218	6,506,580
Sales and Services	6,269,111	5,067,442	6,569,931	29,726,381	30,422,018
Auxiliary Enterprises (Net of scholarship allow)	15,191,890	16,687,867	16,258,209		
Other Operating Revenues	15,538,726	14,333,950	15,245,273	16,414,870	17,825,810
Total Operating Revenues	$226,393,281	$239,947,613	$245,957,025	$337,791,749	$339,820,574
EXPENSES					
Operating Expenses:					
Instruction	$151,325,381	$149,097,948	$147,827,726	$142,557,245	$137,262,705
Research	92,090,234	106,274,698	107,812,478	113,062,993	116,483,454
Public Service	49,141,698	44,691,313	43,404,876	42,560,765	43,759,492
Academic Support	29,133,346	28,392,918	26,764,580	25,881,083	25,070,274
Student Services	16,851,902	16,482,314	18,102,595	18,094,616	17,144,936
Institutional Support	32,780,883	33,307,526	31,100,622	31,484,000	30,394,623
Operation & Maintenance of Plant	41,135,221	51,735,020	39,613,150	35,553,790	38,967,267
Scholarships & Fellowships	29,997,863	33,738,190	38,912,214	44,216,920	46,159,401
Auxiliary Enterprises	21,475,142	23,490,860	25,093,890	25,849,920	26,628,684
Independent Operations	17,322,820	16,937,428	16,317,665	15,463,869	15,155,761
Intercollegiate Athletics	18,640,460	17,651,165	16,726,036	15,512,117	14,590,651
Student Social and Cultural	4,115,692	4,249,672	3,901,094	3,852,034	4,228,146
Loan Administration	(347,703)	(262,921)	49,770	494,101	83,591
Depreciation	35,546,359	34,125,832	32,580,328	33,603,512	31,452,068
Total Operating Expenses	$539,209,298	$559,911,963	$548,207,024	$548,186,965	$547,381,053
Net Operating Income (Loss)	($312,816,017)	($319,964,350)	($302,249,999)	($210,395,216)	($207,560,479)
NON-OPERATING REVENUES (EXPENSES)					
State Appropriations	$207,568,589	$206,794,189	$196,281,497	$186,844,759	$176,119,345
Federal Pell Grants	40,989,904	44,817,564	48,374,401		
State Lottery Scholarship	16,197,814	17,687,420	18,949,314		
Local Tax Levy Revenue	12,465,269	12,552,912	11,683,868		
Gifts and Non-Exchange Grants	13,826,990	10,657,397	6,896,381	7,381,193	2,145,343
Investment Income	(707,953)	1,055,525	11,281,107	6,343,757	5,566,281
Building Fees	3,964,856	3,723,460	5,201,950	5,190,829	5,872,346
(Loss) on Disposal of Plant	(305,658)	(1,009,093)	(621,833)	(1,132,363)	(2,394,375)
Gain (Loss) on Quasi Endowments	156,213	189,119	81,076	584,907	
Interest and Other (Expenses) on Capital Asset-Related Debt	(5,218,715)	(5,419,966)	(5,187,328)	(2,266,448)	(3,634,828)
Other Non-Operating Income (Expense)	(130,419)	(5,810,184)	2,810,680	442,405	2,964,041
Net Non-Operating Revenues (Expenses)	288,806,890	285,238,343	295,751,113	203,389,039	186,638,153
Income (Loss) Before Other Revenues, Expenses, Gains or (Losses)	(24,009,127)	(34,726,007)	(6,498,886)	(7,006,177)	(20,922,326)
Capital Appropriations	36,412,972	19,108,869	6,721,993	7,074,122	21,621,848
Capital Grants, Gifts and Other Income	3,347,485	6,176,799	12,475,187	3,560,709	4,957,940
Gain on Sale of Land					
Gain (Loss) on Permanent Endowments	2,889,958	1,245,581	7,669,500	3,652,849	1,251,827
Increase/(Decrease) in Net Position	18,641,288	(8,194,758)	20,367,794	7,281,503	6,909,289
NET POSITION					
Beginning of Year	$140,184,691	$148,379,449	$572,855,401	$565,573,898	$558,664,609
End of Year	$158,825,979	$140,184,691[1]	$593,223,195	$572,855,401	$565,573,898

[1] In June 2012, Government Accounting Standards Board (GASB) Statement No. 68 (Accounting and Financial Reporting for Pensions) was issued to improve accounting and financial reporting by state and local governments regarding pensions. GASB Statement No. 68 requires reporting entities, such as the University, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. This means that reporting entities, such as the University, that contribute to a state pension plan will report a liability on the face of their government-wide financial statements. Such reporting began with the University's fiscal year ending June 30, 2015. GASB Statement No. 68 applies only to pension benefits and does not apply to Other Post-Employment Benefits (OPEB).

Historical Pledged Revenues

The following table shows the historical pledged revenues for the past five fiscal years.

	2016	2015	2014	2013	2012
Total Revenues	$ 603,852,963	$605,247,091	$618,362,091	$ 609,810,503	$602,944,903
Less Excluded Revenues					
Federal Appropriations, Grants and Contracts	$131,627,735	$151,790,025	$157,349,263	$156,186,343	$162,959,350
State Grants and Contracts	30,787,991	30,634,828	31,875,977	30,705,717	28,711,470
State Appropriations	207,568,589	206,794,189	196,281,497	186,791,199	176,119,345
Local Appropriations, Grants and Contracts	15,249,422	15,404,966	14,532,986	13,289,891	12,036,837
Non-Governmental, Grants and Contracts	10,087,186	8,682,660	10,682,840	9,115,900	5,391,344
Gifts and Non-Exchange Grants	13,826,990	10,657,397	6,896,381	6,792,628	474,426
Capital Grants, Gifts and Other Income	3,347,485	6,176,799	12,475,187	3,560,709	4,957,940
Capital Appropriations	36,412,972	19,108,869	6,721,993	12,000,776	21,500,633
Additions (Loss) to Permanent Endowment	3,046,171	1,434,700	521,381	929,207	1,251,827
Other Excluded Revenues	2,360,396	2,621,120	2,529,943	2,617,162	2,623,339
Total Excluded Revenues	$454,314,937	$453,305,553	$439,867,448	$421,989,532	$416,026,511
Pledged Revenues	$149,538,026	$151,941,538	$178,494,643	$187,820,971	$186,918,392

Historical Revenues and Operating and Maintenance Expenses of the University

Pledged Revenues and Revenues Available for Debt Service for each of the past five fiscal years ended June 30 are set forth in the following table.

	2016	2015	2014	2013	2012
Pledged Revenues	$149,538,026	$151,941,538	$178,494,643	$187,820,971	$186,918,392
Operating Expenses of Auxiliary Enterprises:					
Housing	7,243,627	8,769,961	8,486,171	8,908,766	8,943,320
Bookstore	678,489	838,835	1,010,445	962,684	1,358,424
Dining Facilities	868,912	1,268,167	1,496,839	1,400,992	1,525,506
Student Health Center	2,787,961	2,777,631	2,722,704	2,714,968	2,699,410
Golf Course	1,905,565	1,923,722	1,931,076	1,959,573	1,956,574
Aquatic Center	527,207	515,305	517,749	509,028	517,666
Tennis Center	112,028	89,441	120,454	86,718	100,492
Special Events	2,063,540	2,333,546	3,395,220	3,643,931	3,797,131
Corbett Center	1,515,006	1,656,885	1,547,265	1,543,421	1,426,237
Other	3,571,042	3,916,340	3,965,463	3,938,969	4,190,589
Intercollegiate	14,264,201	13,764,894	13,109,651	13,192,354	11,648,442
Total Operating Expenditures	35,537,578	37,854,727	38,303,037	38,861,404	38,163,791
Revenues Available For Debt Service	$114,000,448	$114,086,811	$140,191,606	$148,959,567	$148,754,601

The following table indicates the coverage of maximum annual debt service, based upon an estimated maximum annual debt service requirement for the University's Parity Bonds of $13,374,051 in fiscal year 2017 by Pledged Revenues and by revenues available for debt service, defined to be Pledged Revenues net of operating and maintenance costs, respectively, for each of the past five fiscal years ended June 30.

Debt Service Coverage

	2016	**2015**	**2014**	**2013**	**2012**
Coverage of Maximum Annual Debt Service Requirement by Pledged Revenues	11.18x	11.36x	13.35x	14.04x	13.98x
Coverage of Maximum Annual Debt Service Required by Revenues Available for Debt Service	8.52x	8.53x	10.48x	11.14x	11.12x

The estimated maximum annual debt service requirement of $13,374,051 has never included the annual debt service requirement of any irrevocable junior and subordinate lien on the University's Pledged Revenues.

The following table indicates the coverage of maximum annual debt service, based upon an estimated maximum annual debt service requirement for the University's Parity Bonds and the Subordinate Lien Note of $14,659,896 in fiscal year 2017 by Pledged Revenues and by Revenues Available for Debt Service, respectively, for each of the past five fiscal years ended June 30.

Debt Service Coverage

	2016	**2015**	**2014**	**2013**	**2012**
Coverage of Maximum Annual Debt Service Requirement by Pledged Revenues	10.20x	10.36x	12.18x	12.81x	12.75x
Coverage of Maximum Annual Debt Service Requirement by Revenues Available for Debt Service	7.78x	7.78x	9.56x	10.16x	10.15x

Insurance and Risk Management

The University is covered by the State's self-funded insurance program. This program is created by State statute and is commonly known as the New Mexico Tort Claim Act, Sections 41-4-1 et seq., NMSA 1978, as amended (the "Insurance Act"). The Insurance Act sets the limits of tort liability for judgment actions against the University and other state agencies. These limits are currently:

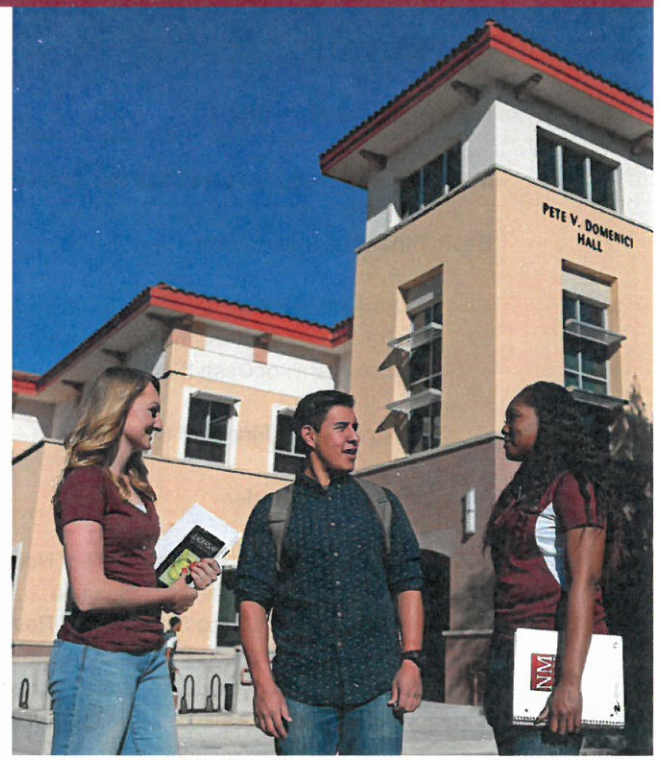
Type of Coverage	**Limit of Liability/Coverage**
Liability	Statutory Limit §41-4-19 NMSA 1978
a) General Liability, Automobile Liability, Law Enforcement and Civil Rights	
Property	$550,000,000.00 Limit
a) Auto Physical Damage	Actual Cash Value (ACV)
Medical Malpractice	Statutory Limit §41-4-19 NMSA 1978
Workers Compensation	Statutory Limit §52-1-1 et seq. NMSA 1978
Fine Arts	$300,000,000.00 Limit

The program is administered by the State of New Mexico General Services Department, Risk Management Division. The program provides comprehensive property, workers' compensation and liability coverage for all state agencies and institutions of higher learning at set limits per legislative action. Personal property and real property losses are compensated at replacement cost with a $2,500 deductible per occurrence, unless due to theft, for which the deductible is $5,000 per occurrence or the affected property is "fine arts" as defined by the Risk Management Division, for which the deductible is $50,000.

APPENDIX B

NEW MEXICO STATE UNIVERSITY REPORT ON EXAMINATION OF COMBINED FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

Financial Statements and Schedules



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June 30, 2016 and 2015

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Associate Controller

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Tina Hales
Director of Sponsored Projects Accounting

William Harty
Director of Procurement Services

Pamela Roggow
Director of Human Resources Operations

October 28, 2016

I am pleased to share the annual financial report of New Mexico State University (the University) for the fiscal years ended June 30, 2016 and 2015. The accompanying financial statements of the University are prepared in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board. KPMG LLP, independent auditors, has examined the financial statements, and their unmodified opinion is displayed beginning on page 3 of the report.

Guided by the University's Vision 2020 Strategic Plan, we have continued our prudent fiscal management directly supporting efficient and effective utilization of our valuable resources. The University's total net position for the fiscal year ended June 30, 2016, excluding adjustments made related to the pension liability, increased by approximately $25 million. Our successful strategies to realign expenditures with revenue projections have permitted targeted investments in priority areas while meeting our commitment to serve as a higher education leader in instruction, research, extension education and public service.

Aggie pride is evident throughout our beautiful campuses and we continue our emphasis on enhancing the learning experience of students through world-class facilities. We have recently completed major renovations to the Hardman and Jacobs Undergraduate Learning Center and the Corbett Center Student Union and started work on Jett Hall and Rentfrow Hall renovation projects. We are also pleased to be included in the 2016 general obligation bond which, if passed by voters, will provide NMSU with over $27.0 million to fund capital improvements on our main and community college campuses.

Fiscal challenges for New Mexico have heightened over the past few months and are expected to have a cascading budgetary effect on state appropriations for the near future. Through continuation of initiatives focused on our strategic goals and vigilant operational management, the University is well positioned to face the anticipated funding contractions resulting from economic impacts, including pressures on state support and enrollment fluctuations. I was recently told by a member of the campus community "we will sail this ship together through the stormy seas". Through this collaborative approach and the combined talents, support and dedication of our Regents, faculty, staff, students and friends, I am confident we will navigate through these turbulent times and emerge as a stronger University and be better prepared than ever to deliver excellent service to the great people of New Mexico.

Sincerely,

Garrey Carruthers, Ph.D.
Chancellor

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KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report

Board of Regents
New Mexico State University
and
Mr. Timothy Keller
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the New Mexico State University (the University), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the New Mexico State University, as of June 30, 2016 and 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, effective July 1, 2015, the Company adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement* and Application. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, the Schedule of Funding Progress and Employer Contributions - Other Post-Employment Benefits (schedule 7) and the Schedule of Proportionate Share of Net Pension Liability and Employer Contributions (schedule 8) on pages 6-18, 89, and 90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying combining statements of net position (schedule 1), combining statement of revenues, expenses, and changes in net position (schedule 2), budgetary comparison schedules (schedule 3), bank balances, pledged collateral requirements, and pledged collateral by financial institution (schedule 4), joint powers of agreement (JPA) and memorandums of understanding (MOU) (schedule 5), schedule of vendors exceeding $60,000 in expenditures (schedule 6), and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* (schedule 9) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements of net position (schedule 1), combining statement of revenues, expenses, and changes in net position (schedule 2), budgetary comparison schedules (schedule 3), bank balances, pledged collateral requirements, and pledged collateral by financial institution (schedule 4), joint powers of agreement (JPA) and memorandums of understanding (MOU) (schedule 5), and the schedule of expenditures of federal awards (schedule 9) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements of net position (schedule 1), combining statement of revenues, expenses, and changes in net position (schedule 2), budgetary comparison schedules (schedule 3), bank balances, ledged collateral requirements, and pledge collateral by financial institution (schedule 4), joint powers of agreement (JPA) and memorandums of understanding (MOU) (schedule 5), and the schedule of expenditures of federal awards (schedule 9) are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of vendors exceeding $60,000 in expenditures (schedule 6) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Albuquerque, New Mexico
December 12, 2016

Management's Discussion and Analysis
For the Year Ended June 30, 2016
(Unaudited)

Overview of Financial Statements and Financial Analysis

Management's Discussion and Analysis is designed to provide an easily readable analysis of New Mexico State University's (the University) financial activities for the fiscal years ended June 30, 2016, 2015 and 2014. This overview is based on facts, decisions and conditions known as of the date of the independent auditors' report. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Please read this analysis in conjunction with the University's financial statements and accompanying notes to the financial statements. Separately issued component unit financial statements are available as detailed in Note 11.

Using This Annual Report

The Statement of Net Position provides information about the University's financial condition at fiscal year end. It presents both a current year synopsis and a longer-term view of the University's assets, liabilities and net position. Readers of the Statement of Net Position have the information to determine the assets available to continue the operations of the University. They can also determine how much the University owes to vendors, investors and lending institutions. Finally, the Statement of Net Position outlines the net position (assets minus liabilities) available to the University and defines that availability.

The Statement of Revenues, Expenses, and Changes in Net Position should be used to review the results of the current year's operations. Changes in total net position, as presented in the Statement of Net Position, are based on the activities presented in this statement. The purpose of the statement is to present the revenues earned by the University and the expenses incurred by the University and any other revenues, expenses, gains and losses earned or incurred by the University. Non-operating revenues include state appropriations revenue, federal Pell grant revenue, state lottery scholarship revenue, local tax levy revenue, gift revenue, and interest earned on operating balances. The line item entitled "Income (loss) before other revenues" may give a more complete picture of the results of the University's operations during the year, including income resulting from non-exchange transactions. A non-exchange transaction is one in which the University receives value or benefit from a third party without directly providing equal value in exchange, such as in receipt of a donation.

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the fiscal year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by operating activities. The second section includes cash flows from non-capital financing activities. It includes the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section includes cash flows from capital and related financing activities. This section includes the cash used for the acquisition and construction of capital and related items. The forth section includes the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth and final section reconciles the net cash used for operations to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Footnote information provides additional detail on the University's overall accounting practices and individual statement line items, including a natural classification report of operating expenses.

Additional information may be obtained by contacting the Office of the Senior Vice President for Administration and Finance at 575-646-2431 or boffice@nmsu.edu.

For the years ended June 30, 2016, 2015 and 2014, the University's financial position was as follows: (In thousands)

Condensed Net Position

	June 30, 2016	June 30, 2015	June 30, 2014
ASSETS			
Current assets	$ 109,860	$ 96,714	$ 104,641
Capital assets, net	504,968	506,109	494,240
Other non-current assets	226,784	227,908	239,950
TOTAL ASSETS	**841,612**	**830,731**	**838,831**
DEFERRED OUTFLOWS OF RESOURCES	**45,437**	**32,881**	**-**
LIABILITIES			
Current liabilities	65,229	71,664	62,097
Pension liability	473,733	431,412	444,844
Other non-current liabilities	166,387	174,474	183,261
TOTAL LIABILITIES	**705,349**	**677,550**	**690,202**
DEFERRED INFLOWS OF RESOURCES	**22,874**	**45,877**	**250**
NET POSITION			
Net investment in capital assets	390,726	386,895	375,149
Restricted	134,608	120,518	120,344
Unrestricted	(366,508)	(367,228)	(347,114)
TOTAL NET POSITION	**$ 158,826**	**$ 140,185**	**$ 148,379**

Condensed Revenues, Expenses, and Changes in Net Position

	June 30, 2016	June 30, 2015	June 30, 2014
OPERATING REVENUES			
Federal appropriations, grants, and contracts	$ 90,638	$ 106,972	$ 108,975
Student tuition and fees (net)	71,294	72,404	72,450
Other operating revenues	64,461	60,572	64,532
TOTAL OPERATING REVENUES	**226,393**	**239,948**	**245,957**
OPERATING EXPENSES			
Instruction	151,325	149,097	147,828
Research	92,090	106,275	107,812
Other operating expenses	295,794	304,540	292,567
TOTAL OPERATING EXPENSES	**539,209**	**559,912**	**548,207**
Net operating loss	(312,816)	(319,964)	(302,250)
Non-operating revenues and expenses	288,807	285,238	295,751
Loss before other revenues	(24,009)	(34,726)	(6,499)
Other revenues	42,650	26,532	26,867
Increase (Decrease) in net position	18,641	(8,194)	20,368
Net position at beginning of year	140,185	148,379	128,011
Net position at end of year	**$ 158,826**	**$ 140,185**	**$ 148,379**

Note 1: Certain reclassifications were made to 2014 and 2015 information to conform to 2016 presentation.

General Overview for 2016 and 2015

In fiscal year 2016, total assets of the institution increased by $10.9 million, deferred outflows increased by $12.5 million, liabilities increased by $27.8 million while deferred inflows decreased by $23.0 million.

The more significant changes in the Statement of Net Position include:

- Increase in accounts receivable of $4.9 million, or approximately 9% over the prior year.
- Increases in cash and investments of approximately $7.9 million.
- Decrease in unearned revenue of $6.7 million due primarily to the recognition of revenue on various non-exchange gifts which had previously been deferred.
- Decrease in long-term liabilities of $10.4 million, due primarily to principal payments made on outstanding revenue bonds.
- Increases in the pension liability of $42.3 million, and changes in deferred outflows and deferred inflows as mentioned above. These items are related to the adjustments made to the pension liability as required by GASB 68.

The operations discussed below contributed to the increase in net position. Additional information related to these changes is discussed in more detail later in this section.

Primary components which added to the $18.6 million net increase from the prior year include:

- A reduction in the net operating loss of $7.1 million
- Increase in gifts and non-exchange grants of $3.2 million resulting from the recognition of previously deferred revenues.
- Increase in capital appropriations, and capital grants, gifts and other income of $14.5 million.

These increases were offset in part by the following:

- A decrease in several revenue sources: Federal Pell grants of $3.8 million, state lottery scholarship of $1.5 million, investment income of $1.8 million.

The Statement of Cash Flows shows a net increase in cash. The largest source of cash from operating activities was from grant and contract revenues, followed by tuition and fees, while the largest source of cash from non-capital financing activities was from state appropriations. The most significant uses of cash were for payments to employees and for employee benefits and payments to suppliers.

General Overview for 2015 and 2014

In fiscal year 2015, total assets of the institution decreased by $8.1 million and liabilities decreased by $12.7 million. The Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* was implemented in fiscal year 2015 and resulted in the recognition of a pension liability equal to the University's portion of the net pension liability of the Educational Retirement Board's (ERB) Pension Plan. The net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension plan were reflected in the financial statements for the first time in fiscal year 2015. As expected, the recognition of this liability results in the University's net position being significantly reduced from what was reported in prior years.

The more significant changes in the Statement of Net Position include:

- Decrease in investments of $18.7 million, primarily due to a reduction in agency securities held by the University.
- Increase in capital assets, net of $11.9 million due to the several major construction and infrastructure projects being capitalized during the year.
- Increase in accounts payable of $5.9 million, largely due to payables due on restricted grants and contracts and on construction projects in process.
- Decrease in long-term liabilities of $7.6 million, due primarily to principal payments made on outstanding revenue bonds.
- Deferred outflows of resources increased by $32.9 million while deferred inflows of resources increased by $45.6 million. These items are related to the reporting requirements of GASB 68.

The operations discussed below contributed to the decrease in net position. Additional information related to these changes is discussed in more detail later in this section.

Primary components which added to the $8.2 million net decrease include:

- Decreases in federal appropriations, grants and contracts of $5.6 million, investment income of $10.4 million, and capital grants, gifts and other income of $6.3 million.
- A decrease in additions to permanent endowments of $6.4 million.
- An increase in operation and maintenance of plant expense of $12.1 million largely attributed to expenditures made related to the University's energy performance contract.

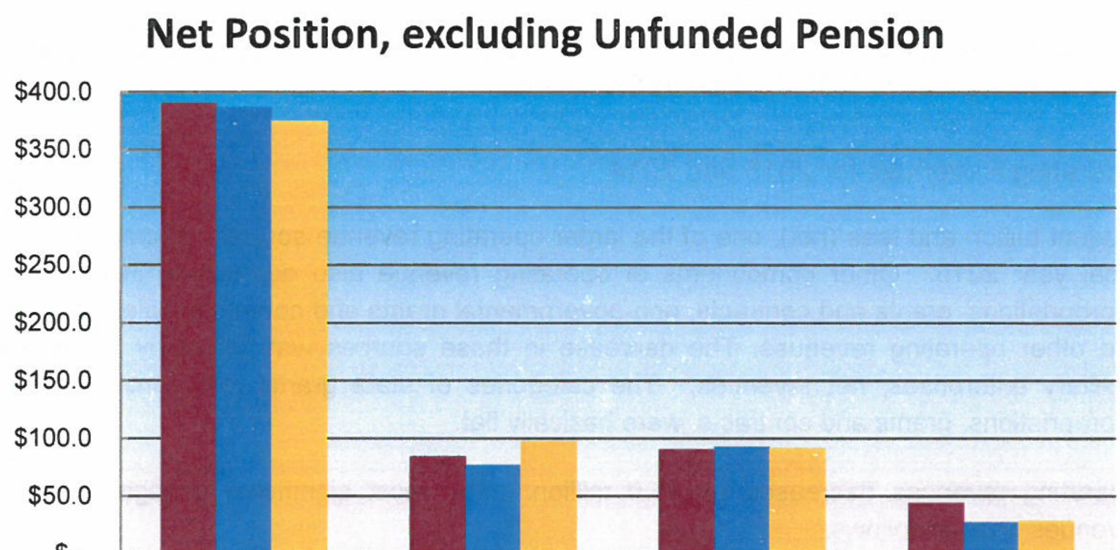
These decreases were offset in part by the following:

- An increase in several revenue sources: State appropriations of $10.7 million, capital appropriations of $12.4 million, gifts and non-exchange transactions of $3.8 million.

- A decrease in the expense categories of scholarships and fellowships of $5.2 million, primarily as a result of decreased federal funding as well as decreases in student services and auxiliary services.

The Statement of Cash Flows shows a net increase in cash. The largest source of cash from operating activities was from grant and contract revenues, followed by tuition and fees, while the largest source of cash from non-capital financing activities was from state appropriations. The most significant uses of cash were for payments to suppliers and payments to employees and for employee benefits.

The following graph illustrates the comparison of net position (in millions) by category for fiscal years 2016, 2015 and 2014. The effect of the implementation of GASB 68 related to the net unfunded pension liability has been excluded from the graph to provide a clearer picture of the unrestricted net position.



	Net investment in Capital Assets	Unrestricted, excluding Unfunded Pension	Restricted - Non-expendable	Restricted - Expendable
FY 2016	$390.7	$84.5	$90.6	$44.0
FY 2015	$386.9	$77.0	$92.9	$27.6
FY 2014	$375.1	$97.7	$91.7	$28.7

Operating Revenues for 2016 and 2015

Net operating revenues declined by $13.6 million in fiscal year 2016 compared to 2015. The main contributor to the loss was in the federal appropriations, grants and contracts area which was the result of loss of funding for research and student financial aid. Student tuition and fees (net), one of the larger operating revenue sources, decreased by approximately $1.1 million or 1.5%.

Although enrollment was lower in fiscal year 2016, a modest increase in the tuition rates helped mitigate the loss from the enrollment decline.

The most significant changes in operating revenues were as follows:

- Decrease in federal appropriations, grants and contracts of $16.3 million (15.3%). The loss of the *Columbia Space Balloon Facility* contract with NASA resulted in reduced revenues of approximately $20.1 million from the prior year. This decline was offset in part by a $5.1 million dollar increase in funding from the Department of Defense for the *Information Operations Vulnerability/Survivability Assessment Program* (IOVSA).
- Increase in state grants and contracts of $1.6 million which can be attributed to the *NM LEAD* grant.
- A decrease in auxiliary enterprises revenue of $1.5 million primarily from the housing and Corbett Center units.

The net operating loss for fiscal year 2016 was $312.8 million and was less than the fiscal year 2015 operating loss of $319.9 million by $7.1 million.

Operating Revenues for 2015 and 2014

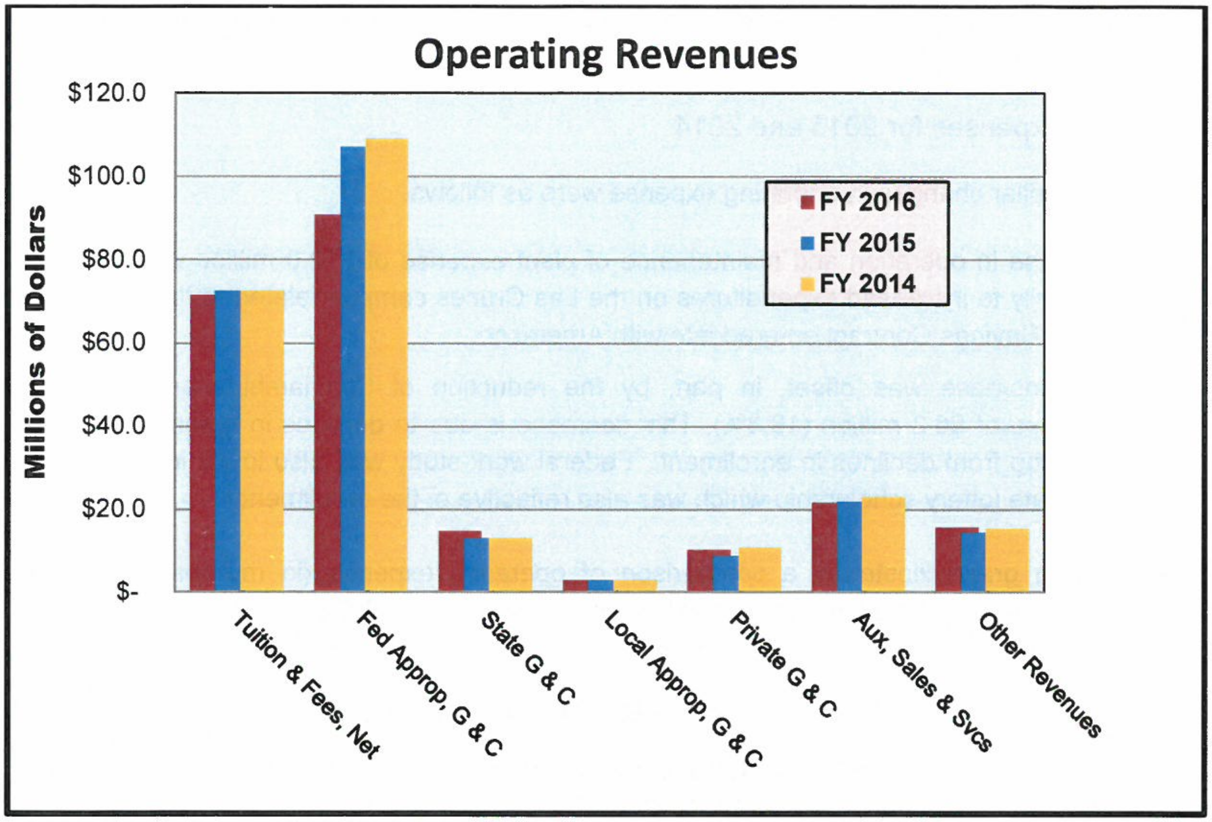
Student tuition and fees (net), one of the larger operating revenue sources, decreased slightly in fiscal year 2015. Other components of operating revenue also decreased, including federal appropriations, grants and contracts, non-governmental grants and contracts, sales and services, and other operating revenues. The decrease in these sources was offset by an increase in auxiliary enterprises, net revenues. The categories of state grants and contracts and local appropriations, grants and contracts, were basically flat.

Operating revenues decreased by $6.0 million. The most significant changes in operating revenues were as follows:

- Decrease in non-governmental grants and contracts of $2.0 million (18.7%), due primarily to reduction in the Go-Teacher Certificate Program managed by International and Border Programs.
- Decrease in federal appropriations, grants and contracts of $2.0 million (1.8%). The primary contributors to this decrease are the following sources: NASA ($7.2 million) related to the Columbia Scientific Balloon Facility contract; Department of Interior ($1.4 million), and the Department of Energy ($2.2 million). These funding decreases were offset, in part, by increased funding from the Department of Health and Human Services ($3.9 million); the Department of Defense ($3.4 million); and the US Department of Agriculture ($2.8 million).
- Decrease of $1.5 million in sales and services revenue due primarily to decreased sales within the Agriculture Experiment Stations and Intercollegiate Athletics.

The net operating loss for fiscal year 2015 was $319.9 million and was greater than the fiscal year 2014 operating loss of $302.2 million by $17.7 million.

The following graph illustrates a comparison of operating revenues (in millions) by type for fiscal years 2016, 2015 and 2014.



Operating Expenses for 2016 and 2015

Operating expenses decreased by $20.7 million in fiscal year 2016 from the prior year. The increase in pension expense and change in deferred inflows and outflows of $7.4 million over the prior year is a significant change in overall operating expenses. Although pension expense is allocated to the various expense functions based on salary expense, for purposes of this analysis, it has been removed so as to better analyze the remaining expenses. After removing the pension expense allocation, the largest dollar changes in operating expense were as follows:

- A decrease in research expense of $15.4 million, primarily related to the loss of the CSBF contract mentioned above offset by the IOVA program expenditures.
- A decrease in operation and maintenance of plant expense of $11.1 million largely attributed to one-time expenditures made related to the University's energy performance contract in the prior fiscal year.
- A reduction of scholarships and fellowships expense of $3.8 million (11.3%). This decrease is due to declines in federal Pell awards resulting from declines in enrollment

and a reduction in funding from the New Mexico Lottery scholarship, which can be attributed both to enrollment declines and a reduction in the percentage of tuition funded.

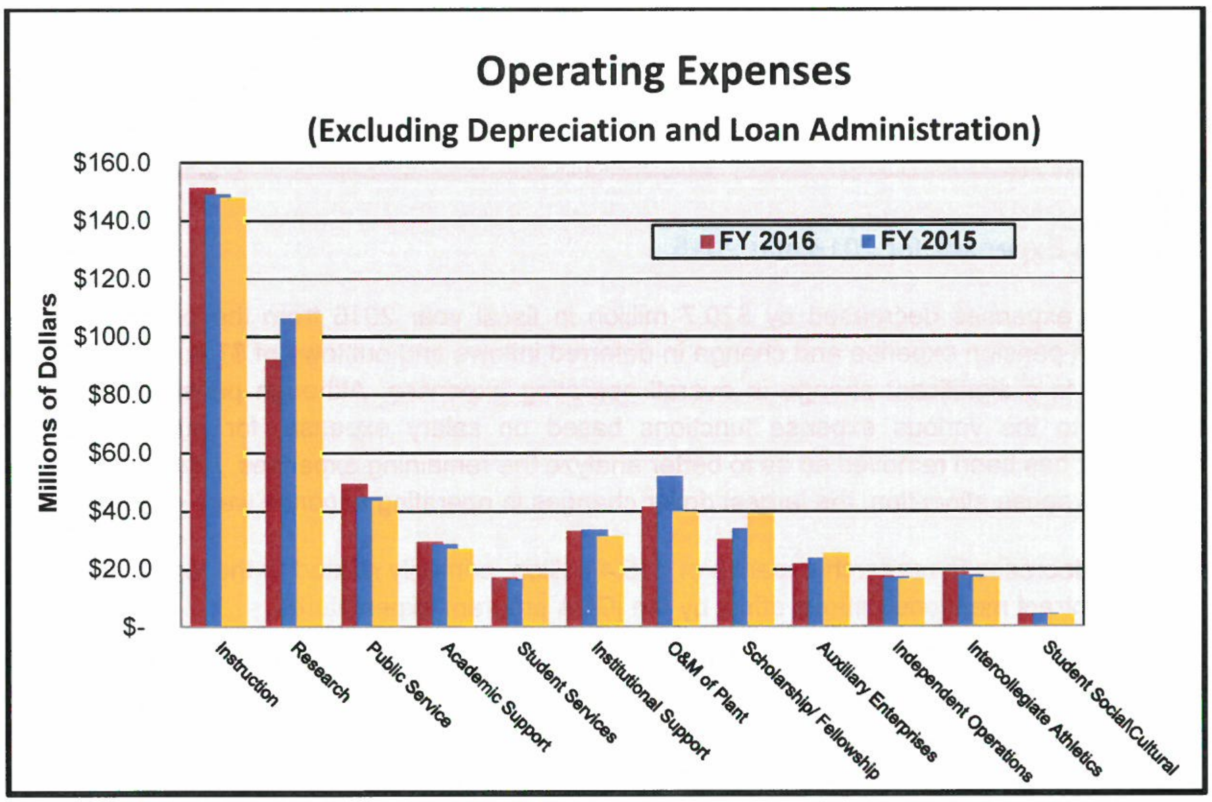
- An increase in public service of $3.8 million, due primarily to the *NM LEAD* grant in the Business College, the *Collaborating for Outstanding Readiness in Education – Results Driven Accountability* grant in the Education College and the SNAP Ed grant in the College of Agricultural, Consumer, and Environmental Sciences. These increases were offset in part by completion of the Abstinence Education grant, *Success with Adolescent Goals* and the Comprehensive Geriatric Education program.

Operating Expenses for 2015 and 2014

The largest dollar changes in operating expense were as follows:

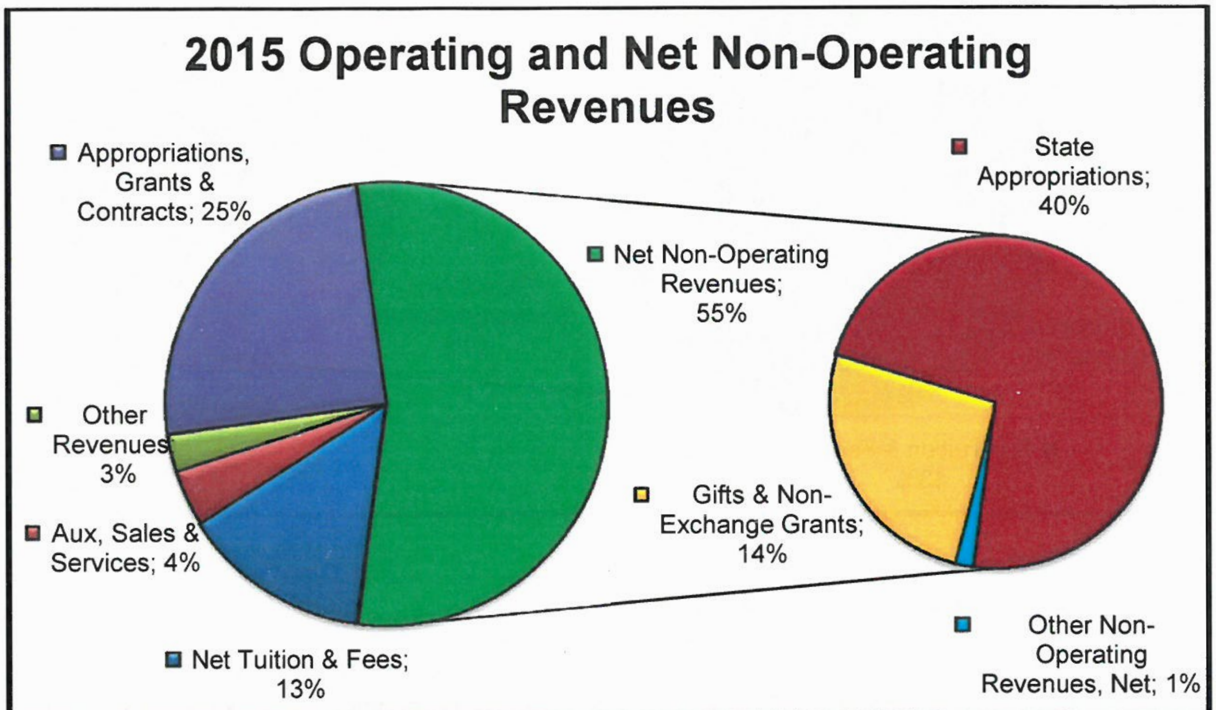
- Increase in operation and maintenance of plant expense of $12.0 million which was due primarily to increased expenditures on the Las Cruces campus related to the Guaranteed Utility Savings Contract entered into with Ameresco.
- This increase was offset, in part, by the reduction of Scholarships and fellowships expense of $5.2 million (13.3%). This decrease is due to declines in federal Pell awards resulting from declines in enrollment. Federal work-study was also lower in 2015 as was the state lottery scholarship which was also reflective of the enrollment.

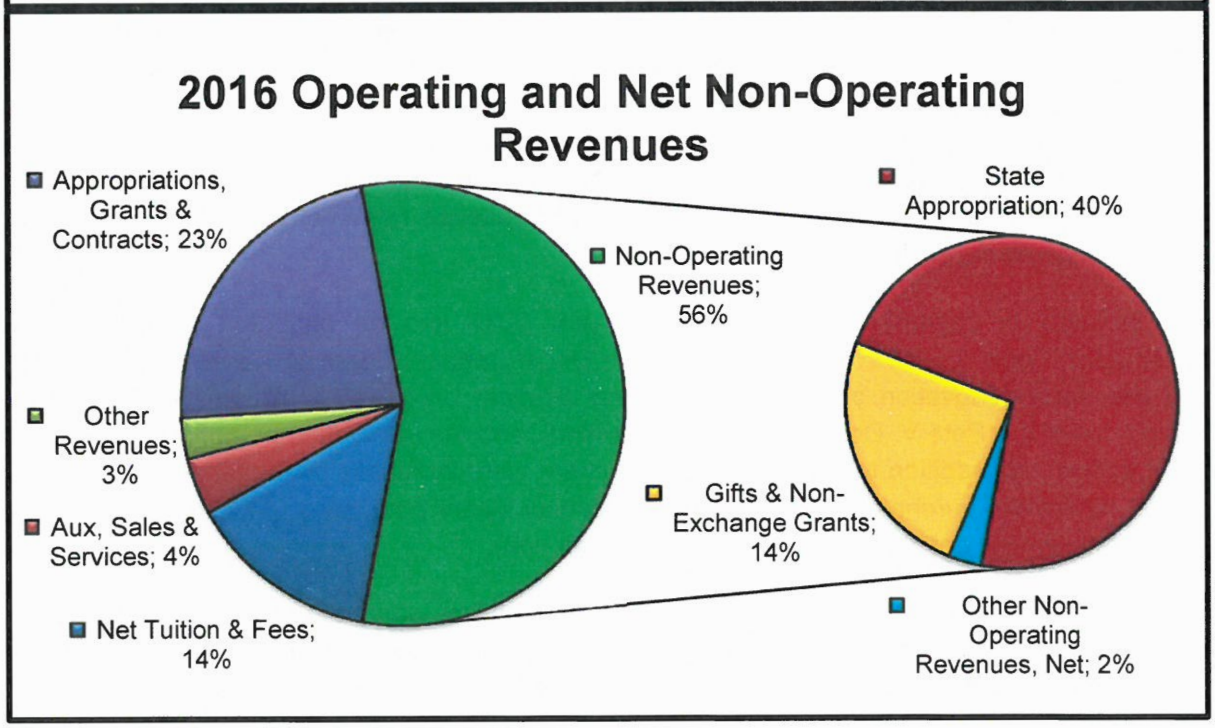
The following graph illustrates a comparison of operating expense (in millions) by function, excluding depreciation and loan administration, for fiscal years 2016, 2015 and 2014.

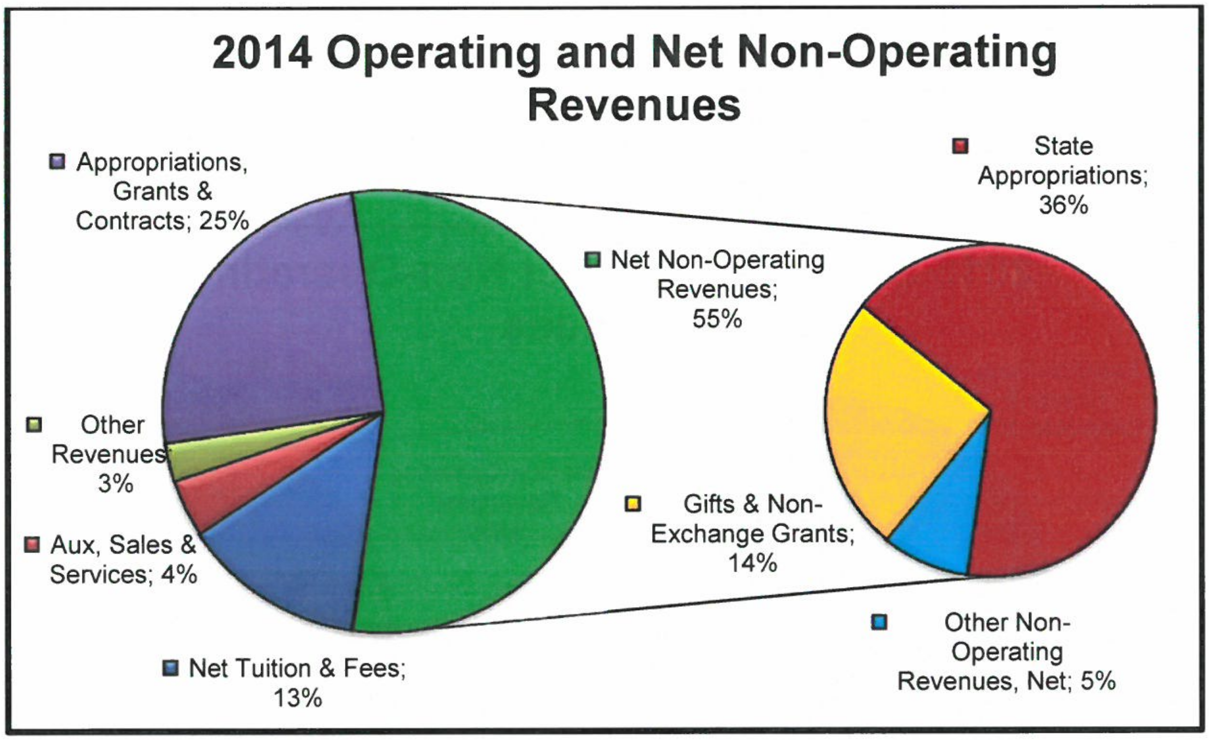


The Statement of Revenues, Expenses, and Changes in Net Position reflects a net loss before other revenues of $24.0 million, $34.7 million and $6.5 million in fiscal years 2016, 2015 and 2014, respectively.

The following graphs reflect the University's sources of revenue available to meet current operating costs for fiscal years 2016, 2015 and 2014.







Capital Asset and Debt Administration

During fiscal year 2016, net capital assets decreased slightly (.2%). While several capital projects were capitalized during the year, the recording of annual depreciation expense and retirements resulted in a slight overall net decrease. The projects which primarily increased capital assets included current period expenditures for construction at Jett Hall ($8.5 million), the Hardman and Jacobs Undergraduate Learning Center ($5.2 million) and the renovation of the Corbett Center Student Union ($1.7 million). In addition to construction costs there were increases in capital assets related to capital equipment purchases ($6.3 million) and capital library purchases ($3.4 million), which were offset by equipment, library, and software retirements of ($6.3 million), and net accumulated depreciation of ($29.5 million).

The increase in capital assets during fiscal year 2015 can be attributed primarily to the construction costs for the Hardman and Jacobs Undergraduate Learning Center ($12.3 million) and the major renovation of the Corbett Center Student Union ($7.2 million), as well as the completion of the Pete V. Domenici Hall ($3.0 million), and the installation of artificial stadium turf ($1.3 million). In addition to construction costs, there were increases in capital assets related to capital equipment purchases ($8.4 million) and capital library purchases ($3.3 million), offset by equipment, library, and software retirements ($7.4 million).

The increase in capital assets during fiscal year 2014 can be attributed primarily to the ongoing construction costs for the Pete V. Domenici Hall ($10.1 million), completion of Phase 3 Doña Ana Community College campus at Sunland Park ($3.3 million), the major renovation of the Corbett Center Student Union ($2.8 million), completion of the chilled water project ($2.7 million), the completed renovation to the University Golf Course irrigation system ($1.9 million) and the ongoing construction of the new Hardman and Jacobs Undergraduate Learning Center ($1.6 million). The Information and Communications Technologies department added $3.1 million in computing equipment and software during the fiscal year and broadcast production equipment for Aggie Vision totaling $1.1 million was also acquired.

Budget Comparison

In comparing the total original budgeted revenue to the revised budgeted revenue for fiscal year 2016, there was a net increase of approximately $17.0 million, and an increase of approximately $8.7 million in revised budgeted expenditures. The most significant changes to the revenue budget were increases in other sources of revenue, primarily related to capital outlay budgeted revenues which were increased to account for revenue Note project revenues recognized during fiscal year 2016. The increases were partially offset by decreases in tuition and fees revenue which was adjusted due to the enrollment decline and a reduction in federal funding for the Pell grant program which also correlates to the enrollment decline. The increase in budgeted expenditures relates primarily to restricted expenditures in research and public service budgets, and the capital outlay budget which was increased to allow sufficient expenditure authority for capital projects in process or approaching completion. The increases were partially offset by a decrease in the Pell grant program expenditures, as discussed above.

Actual revenues earned in fiscal year 2016 were lower than the revised budget by $22.0 million and actual expenditures were lower than the revised budget by $53.2 million. The main contributors to the revenue budget variance were federal revenue and other sources (84% of the variance) and the main contributors to the expense budget variance were in the instruction, research, public service, student financial aid, and capital outlay categories (69% of the variance). Because the University budgets capital projects in their entirety, multi-year projects may result in mismatches of budget to actual revenues and expenses in any one year. Total operating expenditures were less than revenues, resulting in an increase in the overall fund balance of $34.3 million. The primary source of this increase is in the capital outlay area (85% of the change) and reflects the timing difference between the actual revenues and expenses as discussed above.

Factors Impacting Future Periods

The New Mexico governor called a special legislative session at the end of September 2016 to address state budget issues for fiscal years 2016 and 2017 and consider legislation related to criminal sentencing. The governor had until October 26, 2016 to take action on the bills passed by the House and Senate during the seven day special session. These bills are specific to the budgetary issues and include a cut to higher education in the amount of five percent for fiscal year 2017. Through on-going budget strategies, the University has identified funds to cover the revenue reduction for fiscal year 2017 from a combination of one-time and recurring funding. Planning for the permanent budget adjustment is underway.

The NMSU system experienced a student enrollment decline of 2.5 percent for Fall 2016. The University continues to employ several initiatives focused on recruitment and retention to help reverse this trend. On a positive note, student enrollment for Fall 2016 reflects improvement in first time freshmen, which increased by 1.7% from Fall 2015.

The University is also working through the issues associated with implementation of the new rules from the U.S. Department of Labor regarding the Fair Labor Standards Act, or FLSA. The change which becomes effective December 1, 2016, will affect approximately 650 employees within the University system. The financial impact of the change is being evaluated and will be incorporated into budget adjustment plans for fiscal year 2017.

The University is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during fiscal year 2017, beyond those unknown variations having a global effect on virtually all types of business operations. The University will maintain close oversight of resources to ensure the University's ability to react to any unknown internal and external issues.

New Mexico State University
Statements of Net Position
As of June 30, 2016

	University	Discrete Component Unit
ASSETS		
Current assets		
Cash and cash equivalents	$ 14,491,001	$ 9,854,255
Restricted cash and cash equivalents	12,918,988	-
Cash and cash equivalents held in trust by component unit for NMSU	5,826,453	5,826,453
Cash and cash equivalents held in trust by others	6,926,583	-
Short-term investments	2,755,578	210,374
Accounts receivable, net	55,906,545	7,169,695
Due from component unit	2,031,831	-
Inventories	2,579,496	-
Prepaid expenses	5,163,108	106,349
Student loans receivable - current portion, net	1,260,852	-
Total current assets	109,860,435	23,167,126
Non-current assets		
Unrestricted cash and cash equivalents	33,250,464	-
Restricted cash and cash equivalents	10,655,992	10,993,881
Investments held by others	62,460,343	2,832,745
Investments held in trust by component unit for NMSU	36,344,701	36,344,701
Investments held in trust for others	-	356,899
Other long-term investments	72,716,885	105,248,871
Student loans receivable, net	11,347,665	-
Prepaid expenses and other assets	7,328	186,614
Capital assets, net	504,968,368	142,902
Total non-current assets	731,751,746	156,106,613
TOTAL ASSETS	841,612,181	179,273,739
DEFERRED OUTFLOWS OF RESOURCES	45,436,747	-
LIABILITIES		
Current liabilities		
Accounts payable	15,736,285	13,116
Due to NMSU	-	2,031,831
Other accrued liabilities	17,997,480	-
Accrued interest payable	2,014,950	-
Held in trust for NMSU	-	5,826,453
Unearned revenue	9,294,915	494,307
Held in trust by NMSU	7,498,035	-
Long-term liabilities - current portion	12,687,577	208,792
Total current liabilities	65,229,242	8,574,499
Non-current liabilities		
Accrued benefit reserves	659,630	-
Held in trust for NMSU	-	36,344,701
Other long-term liabilities	165,726,950	2,739,732
Net pension liability	473,733,007	-
Total non-current liabilities	640,119,587	39,084,433
TOTAL LIABILITIES	705,348,829	47,658,932
DEFERRED INFLOWS OF RESOURCES	22,874,120	-
NET POSITION		
Net investment in capital assets	390,726,152	142,902
Restricted for:		
Non-expendable:		
Endowments	90,576,385	88,740,173
Expendable:		
Endowments	1,838,724	21,013,971
General activities	5,701,685	21,449,802
Federal student loans	17,753,365	-
Capital projects	18,051,147	-
Related entity activities	686,657	-
Unrestricted	(366,508,136)	267,959
TOTAL NET POSITION	$ 158,825,979	$ 131,614,807

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

New Mexico State University
Statements of Net Position
As of June 30, 2015

	University	Discrete Component Unit
ASSETS		
Current assets		
Cash and cash equivalents	$ 18,353,661	$ 12,429,795
Restricted cash and cash equivalents	11,575,956	-
Cash and cash equivalents held in trust by component unit for NMSU	2,111,903	2,111,903
Short-term investments	3,251,897	287,490
Accounts receivable, net	50,959,278	5,528,228
Due from component unit	1,692,297	-
Inventories	2,603,446	-
Prepaid expenses	4,747,338	93,869
Student loans receivable - current portion, net	1,417,984	-
Total current assets	96,713,760	20,451,285
Non-current assets		
Unrestricted cash and cash equivalents	30,971,411	-
Restricted cash and cash equivalents	13,143,323	1,351,466
Investments held by others	64,836,899	2,773,539
Investments held in trust by component unit for NMSU	41,875,229	41,875,229
Investments held in trust for others	-	362,586
Other long-term investments	64,310,795	114,896,769
Student loans receivable, net	12,761,858	-
Prepaid expenses and other assets	8,830	186,369
Capital assets, net	506,109,018	233,879
Total non-current assets	734,017,363	161,679,837
TOTAL ASSETS	830,731,123	182,131,122
DEFERRED OUTFLOWS OF RESOURCES	32,880,844	-
LIABILITIES		
Current liabilities		
Accounts payable	15,073,306	479,450
Due to NMSU	-	1,692,297
Other accrued liabilities	17,909,493	-
Accrued interest payable	1,797,092	-
Held in trust for NMSU	-	3,506,297
Unearned revenue	15,974,309	525,460
Held in trust by NMSU	5,953,493	-
Long-term liabilities - current portion	14,956,154	180,247
Total current liabilities	71,663,847	6,383,751
Non-current liabilities		
Accrued benefit reserves	659,630	-
Held in trust for NMSU	-	40,480,835
Other long-term liabilities	173,814,595	2,698,140
Net pension liability	431,412,011	-
Total non-current liabilities	605,886,236	43,178,975
TOTAL LIABILITIES	677,550,083	49,562,726
DEFERRED INFLOWS OF RESOURCES	45,877,193	-
NET POSITION		
Net investment in capital assets	386,894,891	233,879
Restricted for:		
Non-expendable:		
Endowments	92,939,772	80,723,797
Expendable:		
Endowments	1,973,617	31,925,828
General activities	-	15,852,156
Federal student loans	17,528,384	-
Capital projects	7,253,083	-
Related entity activities	823,053	-
Unrestricted	(367,228,109)	3,832,736
TOTAL NET POSITION	$ 140,184,691	$ 132,568,396

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

New Mexico State University

Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

	University	Discrete Component Unit
REVENUES		
Operating revenues:		
Student tuition and fees (gross)	$ 111,641,792	$ -
Less: scholarship allowances	(40,347,585)	-
Student tuition and fees (net)	71,294,207	-
Federal appropriations, grants and contracts	90,637,831	-
State grants and contracts	14,590,177	-
Local appropriations, grants and contracts	2,784,153	-
Non-governmental grants, contracts, and gifts	10,087,186	9,279,881
Sales and services	6,269,111	355,879
Auxiliary enterprises (net of scholarship allowances)	15,191,890	-
Other operating revenues	15,538,726	-
Total operating revenues	226,393,281	9,635,760
EXPENSES		
Operating expenses:		
Instruction	151,325,381	-
Research	92,090,234	-
Public service	49,141,698	-
Academic support	29,133,346	-
Student services	16,851,902	-
Institutional support	32,780,883	-
Operation and maintenance of plant	41,135,221	-
Scholarships and fellowships	29,997,863	-
Auxiliary enterprises	21,475,142	-
Independent operations	17,322,820	-
Intercollegiate athletics	18,640,460	-
Student social and cultural	4,115,692	-
Loan administration (net)	(347,703)	-
Depreciation	35,546,359	103,103
Other operating expenses	-	13,406,454
Total operating expenses	539,209,298	13,509,557
Net operating income (loss)	(312,816,017)	(3,873,797)
Non-operating revenues (expenses):		
State appropriations	207,568,589	-
Federal Pell grants	40,989,904	-
State lottery scholarship	16,197,814	-
Local tax levy revenue	12,465,269	-
Gifts and non-exchange grants	13,826,990	-
Investment income (loss)	(707,953)	(4,821,000)
Building fees	3,964,856	-
Loss on disposal of plant	(305,658)	-
Additions to quasi endowments	156,213	-
Interest and other expenses on capital asset-related debt	(5,218,715)	-
Other non-operating revenues (expenses)	(130,419)	(275,168)
Net non-operating revenues	288,806,890	(5,096,168)
Income (loss) before other revenues	(24,009,127)	(8,969,965)
Capital appropriations	36,412,972	-
Capital grants, gifts and other income	3,347,485	-
Additions to permanent endowments	2,889,958	8,016,376
Increase (decrease) in net position	18,641,288	(953,589)
NET POSITION		
Beginning of year	140,184,691	132,568,396
End of year	$ 158,825,979	$ 131,614,807

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

New Mexico State University
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

	University	Discrete Component Unit
REVENUES		
Operating revenues:		
Student tuition and fees (gross)	$ 113,694,414	$ -
Less: scholarship allowances	(41,290,643)	-
Student tuition and fees (net)	72,403,771	-
Federal appropriations, grants and contracts	106,972,461	-
State grants and contracts	12,947,408	-
Local appropriations, grants and contracts	2,852,054	-
Non-governmental grants, contracts, and gifts	8,682,660	9,885,212
Sales and services	5,067,442	3,819,536
Auxiliary Enterprises (net of scholarship allowances)	16,687,867	-
Other operating revenues	14,333,950	-
Total operating revenues	239,947,613	13,704,748
EXPENSES		
Operating expenses:		
Instruction	149,097,948	-
Research	106,274,698	-
Public service	44,691,313	-
Academic support	28,392,918	-
Student services	16,482,314	-
Institutional support	33,307,526	-
Operation and maintenance of plant	51,735,020	-
Scholarships and fellowships	33,738,190	-
Auxiliary enterprises	23,490,860	-
Independent operations	16,937,428	-
Intercollegiate athletics	17,651,165	-
Student social and cultural	4,249,672	-
Loan administration (net)	(262,921)	-
Depreciation	34,125,832	107,115
Other operating expenses	-	14,659,312
Total operating expenses	559,911,963	14,766,427
Net operating loss	(319,964,350)	(1,061,679)
Non-operating revenues (expenses):		
State appropriations	206,794,189	-
Federal Pell grants	44,817,564	-
State lottery scholarship	17,687,420	-
Local tax levy revenue	12,552,912	-
Gifts and non-exchange grants	10,657,397	-
Investment income	1,055,525	2,924,292
Building fees	3,723,460	-
Loss on disposal of plant	(1,009,093)	-
Additions to quasi endowments	189,119	-
Interest and other expenses on capital asset-related debt	(5,419,966)	-
Other non-operating revenues (expenses)	(5,810,184)	(208,541)
Net non-operating revenues	285,238,343	2,715,751
Income (loss) before other revenues	(34,726,007)	1,654,072
Capital appropriations	19,108,869	-
Capital grants, gifts and other income	6,176,799	-
Additions to permanent endowments	1,245,581	2,592,850
Increase (decrease) in net position	(8,194,758)	4,246,922
NET POSITION		
Beginning of year (as adjusted - see Note 2)	148,379,449	128,321,474
End of year	$ 140,184,691	$ 132,568,396

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

New Mexico State University

Statement of Cash Flows

For the Year Ended June 30, 2016

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees and other student payments received	$ 71,404,428
Grants and contracts received	109,859,440
Payments to suppliers	(110,879,261)
Payments for travel	(13,450,096)
Payments to employees and for employee benefits	(336,334,147)
Disbursement of net aid to students	(32,602,883)
Receipts from sales, services, and auxiliary enterprises	17,964,026
Other operating revenues	16,743,734
Net cash used by operating activities	(277,294,759)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	207,568,589
Gifts and grants for other than capital purposes	71,014,708
Tax levy revenue	12,465,269
Private gifts for endowment	3,592,353
Other non-operating revenue (expense)	(130,419)
Net cash provided by non-capital financing activities	294,510,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt and leases	75,627
Proceeds held by NM Finance Authority - general obligation bonds	6,926,583
Capital gifts, grants and contracts	32,833,874
Purchases/construction/renovation of capital assets	(34,711,367)
Principal paid on capital debt and leases	(12,135,910)
Interest and fees paid on capital debt and leases	(4,999,355)
Building fees received from students	3,964,856
Net cash used by capital and related financing activities	(8,045,692)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	62,835,000
Proceeds held in trust by NMSU Foundation	2,320,156
Interest on investments	2,542,664
Purchase of investments	(70,358,536)
Realized gain on investments	9,500
Net cash used by investing activities	(2,651,216)
Net increase in cash and cash equivalents	6,518,833
Cash and cash equivalents - beginning of year	77,550,648
Cash and cash equivalents - end of year	$ 84,069,481
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (312,816,017)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	35,546,359
Change in assets and liabilities:	
Increase in accounts receivable	(5,286,801)
Increase in prepaid expenses	(415,770)
Decrease in inventory	23,950
Decrease in loans receivable	1,571,325
Increase in accounts payable and other accrued liabilities	2,455,027
Decrease in unearned revenue	(6,679,394)
Increase in held in trust by NMSU	1,544,542
Increase in deferred inflow and outflow of resources related to pensions	6,762,020
Net cash used by operating activities	$ (277,294,759)

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

New Mexico State University

Statement of Cash Flows

For the Year Ended June 30, 2015

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees and other student payments received	$ 71,352,676
Grants and contracts received	138,382,321
Payments to suppliers	(122,513,184)
Payments for travel	(14,956,787)
Payments to employees and for employee benefits	(347,529,422)
Disbursement of net aid to students	(37,631,278)
Receipts from sales, services, and auxiliary enterprises	23,342,669
Other operating revenues	14,819,151
Net cash provided by operating activities	(274,733,854)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	206,794,189
Gifts and grants for other than capital purposes	73,153,968
Tax levy revenue	12,552,912
Private gifts for endowment	596,580
Other non-operating expense	(4,016,378)
Net cash provided by non-capital financing activities	289,081,271
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital gifts, grants and contracts	25,285,668
Purchases/construction/renovation of capital assets	(47,004,236)
Principal paid on capital debt and leases	(10,055,371)
Interest and fees paid on capital debt and leases	(5,531,026)
Building fees received from students	3,723,460
Net cash provided by capital and related financing activities	(33,581,505)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	92,267,999
Proceeds held in trust by NMSU Foundation	(161,042)
Interest on investments	3,086,963
Purchase of investments	(75,812,334)
Realized loss on investments	(122,903)
Net cash provided by investing activities	19,258,683
Net increase in cash and cash equivalents	24,595
Cash and cash equivalents - beginning of year	76,131,659
Cash and cash equivalents - end of year	$ 76,156,254
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	$ (319,964,350)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	34,125,832
Change in assets and liabilities:	
Decrease in accounts receivable	2,883,281
Increase in prepaid expenses	(1,939,602)
Increase in inventory	(339,392)
Decrease in loans receivable	310,218
Increase in accounts payable and other accrued liabilities	5,124,236
Increase in unearned revenue	5,002,950
Increase in held in trust by NMSU	62,973
Net cash used by operating activities	$ (274,733,854)

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

Note 1 – Organization

New Mexico State University (the University) was created under Section 21-8-1 New Mexico Statutes Annotated (NMSA), Article XII, Section 11, of the New Mexico State Constitution (Constitution). Under Article XII, Section 13 of the Constitution, the University is governed by the Board of Regents, a group of five members, one of whom is a student, appointed by the Governor of New Mexico. Members may serve more than one term. The Chancellor of the University acts as Chief Executive Officer.

The University was founded in 1888, and in 1889 was established as a land-grant college, in accordance with the provisions of the Morrill Act of 1862. As such, the University provides a liberal and practical education for students and sustains programs of research, extension education, and public service. The University offers a broad program of instruction at the undergraduate and advanced degree levels in Agricultural, Consumer and Environmental Sciences, Arts and Sciences, Business, Education, Engineering, and Health and Social Services. Other programs include Intercollegiate Athletics, the Agricultural Experiment Stations, the Physical Science Laboratory for contract research, the Cooperative Extension Service, the New Mexico Department of Agriculture, and community colleges at Alamogordo, Carlsbad, Doña Ana County, and Grants.

New Mexico State University Foundation, Inc. (Foundation), is the "Discrete Component Unit" referred to throughout this document. The Foundation is a not-for-profit corporation established to acquire and manage charitable gifts, including endowed funds, to be used solely for the benefit of the University.

Note 2 – Summary of Significant Accounting Policies

Reporting Entity. The Governmental Accounting Standards Board's (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, provide additional guidance to determine whether certain organizations, for which the primary government is not financially accountable, should be reported as component units, based on the nature and significance of their relationship with the primary government.

Under GASB 39 and GASB 61 criteria, the Foundation meets the criteria for discrete component unit presentation. The Foundation is a nonprofit corporation which provides financial benefit to the University by acquiring and managing charitable gifts, including endowed funds, to be used solely for the benefit of the University. Arrowhead Center, Inc. meets the criteria for blended presentation. Arrowhead Center Inc. provides a financial benefit to the University and was established to foster economic development within the State through the development of research parks and University real property as well as to protect, license, and market intellectual property developed by faculty, staff and students of the University, as well as members of the community. The University and its blended component unit are shown as the University column in the financial statements. The component units have separately audited financial statements, which can be obtained at their administrative offices. Aggie Development Inc. is a blended component unit that did not meet the materiality threshold that requires audited financial statements and therefore its activity is included in the NMSU audited financial statements, but its information is not included in Note 11. Addresses for the component units are included in Note 11.

Basis of Accounting. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the GASB and the American Institute of Certified Public Accountants' (AICPA) guide.

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented in a single column using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Eliminations are not performed between the University and the Foundation. The University is an enterprise fund of the State of New Mexico and, as such, is included in the State of New Mexico's Comprehensive Annual Financial Report.

Current Assets. Current assets consist of unrestricted assets which are available for current operations or which will be available within one year and restricted assets that will be used in current operations. All other assets are classified as non-current assets.

Cash and Investments. Cash and cash equivalents consist of cash on hand and current investments, which are defined as investments that are readily convertible to cash or which have an original maturity date of three months or less.

The University accounts for its investments at fair value in accordance with GASB Statement No.72 *(Fair Value Measurement and Application)*. Changes in the unrealized gain (loss) on the carrying value of investments are reported as a component of investment income (loss) in the Statement of Revenues, Expenses, and Changes in Net Position.

The University and the Foundation record purchased marketable securities at cost and marketable securities received by gift at estimated fair value on the date of donation. Marketable securities are carried at fair value based on quoted market prices, except for certain alternative investments for which quoted market prices are not available. The estimated fair value of these alternative investments is based on the most recent valuations provided by the external investment managers. The University and the Foundation believe the carrying amount of these financial instruments is a reasonable estimate of the fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Third-party investment managers administer substantially all marketable securities. Gains and losses resulting from securities transactions are recorded in investment income.

The Foundation manages a Common Endowment Pool (Pool), consisting of assets invested to support programs of the University. A portion of these assets belongs to the University and is shown in the University's Statement of Net Position as Investments held in trust by Component Unit for NMSU. The Foundation owns the remainder, which consists of endowments and charitable gift annuities. These are included in other long-term investments in the Foundation's financial statements. The liabilities related to the charitable gift annuities are included in the Foundation's other long-term liabilities.

Disbursements of the net appreciation of investments in donor restricted endowments are permitted in accordance with the New Mexico Uniform Prudent Management of Institutional Funds Act (UPMIFA), except where a donor has specified otherwise. The Investment Committee of the Foundation establishes a target investment allocation designed to support distributions from the Pool and to protect the purchasing power of the endowment principal. The Foundation

Investment Committee sets the annual distribution rate. Actual distributions may be adjusted as directed by some of the individual endowment agreements. The amount of funds available for distribution from the Pool to the individual endowments participating in the fund that benefit colleges, departments, units and programs during each fiscal year is determined using a weighted average of two numbers: 1) The target spending based on the current endowment value, and 2) last year's spending adjusted for inflation. A 20-percent weighting is given to the policy rate applied to the Pool's market value at the end of each fiscal quarter, and an 80-percent weighting is given to the last year's spending adjusted for inflation as measured by the most recent published Higher Education Price Index. This amount is then distributed at the end of each fiscal year. The distribution of the annual calculation is based on the unitized system ownership of each fund.

Accounts Receivable. Accounts receivable primary categories are: 1) Tuition and fees; 2) Amounts due for auxiliary enterprise services provided to students, faculty and staff; and, 3) Amounts due from federal, state, local governments, and others in connection with reimbursement of allowable expenditures made pursuant to the University's sponsored awards. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories. Inventories are generally stated at the lower of cost or market. Cost is determined by the average cost method, which approximates the first-in-first-out method. Inventories consist of items that are available for resale to individuals and/or other University departments, including research supplies and livestock items. Departmental inventories comprised of items such as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and administrative process, are expensed when purchased.

Investments Held in Trust. Trust assets held by the Foundation are measured at fair value as of the date of receipt. The corresponding trust liability, included in other long-term liabilities, is measured at the present value of expected future cash flows to be paid to the beneficiary. Upon death of the income beneficiary, substantially all of the principal balance passes to the Foundation to be used in accordance with the donor's wishes.

The Foundation holds several irrevocable charitable remainder trusts and a pooled income fund; these instruments are shown in the accompanying financial statements as investments held in trust for others. Charitable remainder trusts designate the Foundation as both trustee and remainder beneficiary. The Foundation is required to pay to the donor, or another donor-designated income beneficiary, either a fixed amount or the lesser of a fixed percentage of the fair market value of the trust's assets or the trust's income during the beneficiary's life.

The pooled income fund was formed with contributions from several donors. The contributed assets are invested and managed by the Foundation. Each donor, or designated beneficiary, periodically receives, during his or her life, a share of the income earned on the fund proportionate to the value of the contribution to the fund. Upon death of the income beneficiary, substantially all of the principal balance passes to the Foundation to be used in accordance with the donor's wishes. Contribution revenue is measured at the fair value of the assets received, discounted for a term equal to the life expectancy of the beneficiary.

Capital Assets. Capital assets are recorded at cost as of the date of acquisition, or in the case of gifts, acquisition value as of the date of donation. The University's capitalization threshold for equipment acquired after July 1, 2005, is $5,000; for equipment acquired prior to that date, the threshold was $1,000. Software is capitalized at $5,000. Infrastructure and land improvements that significantly increase the value, productivity, or extend the useful life of the structure are capitalized at $50,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

The University's depreciation is computed using the straight-line method. Land and land improvements are not depreciated. Estimated useful lives for major asset classes are as follows:

Category	Useful Life
Software	5 or 10 years
Equipment	6 or 15 years
Infrastructure	10 to 20 years
Componentized buildings	12 to 50 years
Library books	15 years
Non-componentized buildings	25 or 40 years

As an institute of higher education in existence for over 100 years, New Mexico State University has acquired significant collections of art, rare books, historical treasures and other special collections. The purpose of these collections is for public exhibition, education or research in furtherance of public service rather than financial gain. They are protected and preserved, and subject to the Regents' policies regarding accessioning and de-accessioning. However, because of their invaluable and irreplaceable nature, these collections have not been capitalized and are therefore not presented in the accompanying Statement of Net Position.

The Foundation's capital assets are stated at cost, except for works of art that the Foundation intends to hold indefinitely, which are recorded at fair value on the date of donation. Additions and major improvements are capitalized and repairs and maintenance are charged to expense as incurred.

Current Liabilities. Current liabilities include accounts payable, other accrued liabilities and accrued interest payable. Other accrued liabilities include accrued current payroll and fringe benefits and current portion of unclaimed property. The benefits included consist of the employee and employer portions of taxes, insurance, retirement and other compensation related withholdings. Also included is the current portion of long-term debt and unearned revenue. Unearned revenue represents revenue collected but not earned as of June 30, 2016 and 2015. This amount is primarily composed of revenue for grants and contracts, prepaid student tuition and fees and special events. The University did not have any outstanding short-term debt for the year ended June 30, 2016 and 2015.

Non-Current Liabilities. Non-current liabilities, within other long-term liabilities, includes principal amounts of revenue bonds payable, contracts payable, the non-current portion of accrued compensated absences and unclaimed property, and other liabilities. Also included is pension liability.

The Foundation's other long-term liabilities consist of the liabilities related to charitable gift annuities and charitable remainder unitrusts for which the Foundation serves as trustee. These liabilities are recorded at the present value of anticipated payments to the income beneficiaries. These are computed using the estimated life of each income beneficiary at June 30 each year and the applicable IRS discount interest rates.

Annual and Sick Leave Policies.

- *Annual leave:* Until June 30, 2016, regular full-time exempt and non-exempt employees earned annual leave at a rate of 22 working days per year. Effective July 1, 2016 the maximum annual leave that can be earned by employees changed to 20 days per year. Annual leave accrual will be based on the employee's period of continuous service of employment at the University. Leave is prorated for regular employees working at least half-time. University policy allows employees to accumulate a maximum of 30 unused annual leave days. Accumulated annual leave is paid upon termination.

- *Sick leave:* Regular full-time exempt and non-exempt employees earn sick leave at a rate of 12 working days per year. Employees may carry forward up to 100 days (800 hours) of sick leave. Prior to July 1, 2016, employees were paid for earned sick leave over 600 hours (not to exceed 200 hours) upon termination. Effective July 1, 2016, the sick leave payout benefit upon termination was discontinued; however, employees with sick leave balances of greater than 600 hours on that date will receive a grandfathered benefit. Upon termination, they will be paid for the number hours over 600 (not to exceed 200 hours) that they had on July 1, 2016 or the number that they have upon termination, whichever is less. The sick leave payment is made at a rate of 50 percent of the employee's straight-time hourly salary.

- *Faculty care leave:* The University provides regular nine-month faculty with a paid leave benefit that can be used for any qualifying event under the federal Family and Medical Leave Act (FMLA). This benefit is referred to as "Faculty Care Leave". All regular nine-month faculty are eligible to participate in the benefit. No payment will be provided for accrued Faculty Care Leave balances upon separation from the University nor upon death.

Net Position. The University's net position is classified as follows:

- *Net investment in capital assets* – Represents the University's total capital assets, net of accumulated depreciation, outstanding debt obligations related to those capital assets and debt related deferred inflows and outflows. Debt that has been incurred but not yet expended for capital assets is not included as a component of net investment in capital assets.

- *Restricted net position, non-expendable* – Consists of endowment and similar type assets for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income.

- *Restricted net position, expendable* – Includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

- *Unrestricted net position* – Represents all other resources, including those derived from student tuition and fees, state appropriations, sales and services, unexpended plant, renewal and replacement and quasi endowments. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff. Unrestricted net position of the Component Unit represents resources that may be used at the discretion of the governing board of the Component Unit to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Elimination Entries. Eliminations have been made in the Statement of Revenues, Expenses, and Changes in Net Position to remove the effect of internal charges incurred for service activities in excess of the cost of providing those services and for revenue recognized by the Auxiliary Service departments for sales to other University departments. Elimination entries are not recorded between the University and the Discrete Component Unit.

Income Taxes. The income generated by the University as an instrumentality of the State of New Mexico is generally excluded from federal income taxes under section 115(a) of the Internal Revenue Code. However, the University is subject to taxation on income derived from business activities not substantially related to the University's exempt function (unrelated business income under Internal Revenue Code Section 511); such income is taxed at the normal corporate rate. Contributions to the University are deductible by donors as provided under Section 170 of the Internal Revenue Code.

The Foundation is exempt from federal income taxes under Internal Revenue Code section 501(c)(3).

Classification of Revenues. The University classifies its revenues as either operating or non-operating revenues according to the following criteria:

- *Operating revenues:* Operating revenues of the University include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; (3) certain federal, state and local grants and contracts and federal appropriations; and (4) interest on institutional student loans. Operating revenues of the Discrete Component Unit consist of gifts, grants, and fundraising activities in support of Foundation and University programs.

- *Non-operating revenues:* Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, certain grants, tax levy revenue, investment income, and other revenue sources that are defined as non-operating revenues by GASB 9, *Reporting Cash Flows Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB 34, *Basic Financial Statements – And Management's Discussion and Analysis – For State and Local Governments*. These revenue streams are recognized under GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Revenues are recognized when all applicable eligibility requirements have been met.

Classification of Expenses. The University classifies its expenses as either operating or non-operating expenses according to the following criteria:

- *Operating expenses:* Operating expenses include activities such as (1) employee salaries, benefits, and related expenses; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies, and other services; (4) professional fees; and (5) depreciation expenses related to property, plant, and equipment.

- *Non-operating expenses:* Non-operating expenses include activities such as interest on capital asset-related debt and other expenses that are defined as non-operating expenses by GASB 9 and GASB 34.

Scholarship Discounts and Allowances. Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student's behalf. To the extent that revenues such as federal Pell grants and state lottery scholarships are used to satisfy tuition and fees and other student charges, the University has recorded scholarship discount and allowance as a contra-revenue. A pro rata share of the discounts and allowances are allocated to Auxiliary Enterprises.

Budgetary Process. Operating budgets are submitted annually for approval to the Board of Regents, the New Mexico Higher Education Department (HED), and the New Mexico Department of Finance and Administration - State Budget Division (DFA). These state agencies develop consolidated funding recommendations for all higher education institutions which are considered for appropriation during the annual legislative sessions. In accordance with House Bill 2, in general, unexpended state appropriations to the University do not revert at the end of each fiscal year. All state appropriations are accounted for separately in the accounting system.

The legal level of budgetary control is at the fund type and functional level, in accordance with NMAC 5.3.4.10. There were no violations in fiscal years 2016 and 2015. The modified accrual basis of accounting is used for budgetary comparison. If expenditures by budgetary control line by campus are expected to exceed the approved budget, the University is required to submit a budget adjustment request which has been approved by the Board of Regents to the HED which is subsequently forwarded to the DFA.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Student Loans Receivable. Student loans receivable are shown net of allowance for doubtful accounts in the accompanying Statement of Net Position. Federal Perkins Loans make up approximately 99% of the student loans receivable at June 30, 2016 and 2015. Loans receivable from students are generally repayable in installments to the University over a 10 year period commencing 6 or 9 months after the date of separation from the University. Collections on these student loans are primarily handled through a third party servicer. Under this program, the federal government provided funds for approximately 75% of the total contribution for student loans, with the University providing the balance. The school's revolving Perkins loan fund is replenished by ongoing activities, such as collections by the school on outstanding Perkins loans made by the school and reimbursements from the Department of Education for the cost of certain statutory loan cancellation provisions. Perkins borrowers are eligible for loan cancellation for teacher service at low-income schools and under certain other circumstances specified in the Higher Education Act. Students may defer repayment of the loan while enrolled (at least half-time) at a postsecondary school. A borrower who has difficulty repaying a Perkins Loan may be eligible for a deferment or forbearance based on economic hardship or other circumstances.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications. Certain amounts in the 2015 financial statements and notes thereto have been reclassified to conform to 2016 financial statement presentation.

Other Significant Accounting Policies. Other significant accounting policies are set forth in the following notes.

Changes in Accounting Policies and Statements

The University adopted GASB Statement No. 72, Fair Value Measurement and Application. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

During the year ended June 30, 2016, the University adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (GASB 76) that supersedes GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 identifies the hierarchy of general accepted accounting principles for state and local governments. This implementation did not have significant impact on the University financial statements.

Restatement. The July 1, 2014 net position was restated as a result of the adoption of GASB 68. This statement requires state agencies to disclose their proportionate share of the (ERB) pension liability. An adjustment was made to add the liability to the Statement of Net Position. The following table shows the result of this restatement on the net position at July 1, 2014.

University Reconciliation of Net Position

	Total Net Position
Net position at July 1, 2014, as previously reported	$ 593,223,194
Adjustment:	
Adoption of GASB 68	(444,843,745)
Net position at July 1, 2014, restated for adoption of GASB 68	$ 148,379,449

Foundation. As of July 1, 2014, the University elected to change the method it utilized to present its discrete component unit, the Foundation, within its primary government financial statements. The Foundation issues a stand-alone set of audited financial statements which are prepared in accordance with Financial Accounting Standards Board (FASB). For the purposes of including the Foundation's financial information within the University's primary government financial statements in prior years, the Foundation's financial information was presented in accordance with GASB. As of July 1, 2014, the University elected to revise its accounting policy and present the Foundation's financial information under FASB. The University believes this method is preferable since it will allow the Foundation's financial information to be consistently presented in all publicly available financial statements.

Restatement. The July 1, 2014 net position was restated as a result of the adoption of preferential treatment. The following table shows the result of this restatement on the net position at July 1, 2014.

Foundation Reconciliation of Net Position

	Total Net Position
Net position at July 1, 2014, as previously reported	$ 125,848,112
Adjustment:	
Adoption of preferential treatment	2,473,362
Net position at July 1, 2014, restated for adoption of preferential treatment	$ 128,321,474

Note 3 - Cash and Investments

The University is authorized by the Board of Regents to invest all available University cash. The classification "Cash and cash equivalents" includes cash in banks (deposits), cash on hand, petty cash change funds, certificates of deposit, and money market funds.

The Foundation (see Note 11) invests endowment and similar funds for the benefit of the University under the terms of a revocable agreement. These assets are invested in a common pool and as of June 30, 2016 and 2015, the University owned 333,831 and 337,935 shares which represented 26.44% and 27.12% of the total shares in the pool, respectively. The fair value per share as of June 30, 2016 and 2015 was $119.79 and $124.49, respectively.

Cash. The University's deposits are in demand and time deposit accounts at local financial institutions. The University requires a minimum of 50 percent collateralization of all uninsured funds deposited with a financial institution, with the exception of overnight repurchase agreements, which require 102 percent collateralization. All collateral is held in third-party safekeeping in the name of the University. The majority of the total deposits were invested in interest bearing accounts at June 30, 2016 and 2015.

For cash flow purposes the net change in cash does not include cash and cash equivalents held in trust by the component unit and others.

Investments. The Senior Vice President for Administration and Finance, the Controller, the Associate Controller, and the Banking, Investment and Tax Manager are authorized to purchase and to sell investments of the University. Investments are required to be made in a prudent manner so as to ensure an acceptable yield with a minimum risk within the guidelines of the University's investment policy, which requires investment in securities or other financial instruments which are not contrary to Section 6-10-10 and 46-9A-1 through 46-9A-10 NMSA 1978, existing bond covenants, or other externally placed restrictions. At June 30, 2016 and 2015, all investments are either held in the name of the University by its agent, or held by the

University. Investments that will mature in less than one year are considered short-term. The investments not held by the Foundation consisted of U.S. agency securities, U.S. treasury notes, municipal securities, brokered negotiable certificates of deposit with an original maturity of two to five years, and corporate stocks and bonds at June 30, 2016 and 2015. The Foundation's short-term investments in marketable securities consisted entirely of U.S Government and Agency securities and certificates of deposit at June 30, 2016 and 2015.

Endowment investments were $98,805,044 and $106,712,128 at June 30, 2016 and 2015, respectively, and represent longer term investments in debt and equity securities, including, but not limited to, pooled or common trust funds holding such types of securities, subject to any specific limitation set forth in the applicable gift instrument.

At June 30, 2016 and 2015, the investments of the University and its Discrete Component Unit consisted of the following:

	2016 Fair Value	2015 Fair Value
University		
U.S. Agency and Treasury Securities	$ 67,937,700	$ 59,877,807
Municipal Securities	251,322	1,252,753
Certificates of Deposit	6,820,427	6,000,000
Domestic Equity Securities	463,014	432,132
Land Grant Permanent Fund	62,460,343	64,836,899
Pooled Investments Held by Others		
U.S. Agency Securities	779,212	2,017,539
Mortgage Backed Securities	2,646,877	4,183,387
Domestic Equity Securities	17,719,264	15,227,733
Domestic Corporate Bonds	825,017	2,611,264
Foreign Equity Securities	5,198,213	7,514,695
Limited Partnerships	9,032,006	9,601,177
Land and Building	144,112	173,710
Mutual Funds	-	545,724
Total Investments	$ 174,277,507	$ 174,274,820
Foundation		
U.S Government and Agency Securities	$ 2,104,766	$ 5,305,761
Mutual Funds	16,980,598	5,001,442
Corporate Bonds	4,280,130	-
Equity Securities	49,194,033	67,287,482
Alternative Investments	24,936,950	25,606,662
Mortgage Backed Securities	7,307,903	11,157,054
Other Investments	654,865	825,858
Total Investments	$ 105,459,245	$ 115,184,259

Investments held in trust by the Foundation for the University are shown in the University section of the table above and not in the Foundation section. Investments held in trust for others by the Foundation are not included in this note.

In accordance with state statutes, the Land Grant Permanent Fund is held by the State of New Mexico for the benefit of the University.

The following is a schedule of the makeup of pooled cash and investments held by the Discrete Component Unit for the University at June 30, 2016 and 2015.

	2016	2015
Equities	76%	77%
Fixed income	7%	13%
Cash and cash equivalents	16%	9%
Investments not securities	1%	1%
	100%	100%

Collateralization of Deposits. At June 30, 2016 and 2015, the recorded values of the University's cash and time deposits with financial institutions were $58,313,760 and $61,964,164 respectively. Bank balances, which differ from the reported values due to reconciling items, are categorized and presented in the following table:

	2016	2015
University		
Amount insured by the Federal Deposit Insurance Corporation (FDIC)	$ 803,678	$ 571,776
Amount collateralized with securities held by the pledging financial institution	60,536,174	64,184,741
Total cash and time deposit bank balances	61,339,852	64,756,517
Reconciling Items:		
Add: cash equivalents	13,002,685	12,080,188
Add: cash equivalents held by others	12,753,036	2,111,903
Less: other reconciling items	(3,026,092)	(2,792,354)
Total reported cash balance	$ 84,069,481	$ 76,156,254
Foundation		
Amount insured by the FDIC	$ 601,506	$ 366,231
Amount in excess of FDIC coverage	4,602,417	4,673,727
Amount at Merrill Lynch insured by Security Investor Protection Corporation (SIPC) and the FDIC	15,644,213	8,741,303
Total reported cash balance	$ 20,848,136	$ 13,781,261

The following table provides information on the University's cash and cash equivalents at June 30, 2016:

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
First National Bank of Alamogordo				
Operational	Checking	$ 64,442	$ (100)	$ 64,342
Operational	Debt Service	567,372	-	567,372
Grants State Bank				
Operational	Checking	8,116	(1,713)	6,403
Wells Fargo Bank of New Mexico				
Operational	Checking	-	(2,901,445)	(2,901,445)
Operational	Student ACH	-	5,839	5,839
Operational	General	-	38,347	38,347
Operational	Payroll	-	(269,158)	(269,158)
Operational	Credit Card	-	55,397	55,397
Operational	Debt Service	5,282,378	-	5,282,378
Operational	Deposit	-	3,360	3,360
Project Funds	Savings-2014 Note	145,383	-	145,383
Operational	Savings	38,237,696	-	38,237,696
Operational	Cash Management	16,988,903	-	16,988,903
Operational	Money Market	2,851,380	-	2,851,380
Wells Fargo Advisors				
Operational	Money Market	16	-	16
Western Commerce Bank of Carlsbad				
Operational	Checking	6,144	(1,199)	4,945
Operational	Deposit	8,309	2,473	10,782
Cash on Hand				
Cash on Hand	Cash	-	42,107	42,107
Citizen's Bank of Las Cruces				
Certificate of Deposit	Time Deposit	31,110	-	31,110
New Mexico Finance Authority				
General Obligation Bond Proceeds	Money Market	6,926,583		6,926,583
Federated Investment Manager				
Dividend Reinvestment	Money Market	10,151,288	-	10,151,288
New Mexico State University Foundation, Inc.				
NMSU Endowments	Cash	5,826,453	-	5,826,453
Total Cash and Cash Equivalents		$ 87,095,573	$ (3,026,092)	$ 84,069,481

The following table provides information on the University's cash and cash equivalents at June 30, 2015:

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
First National Bank of Alamogordo				
Operational	Checking	$ 68,248	$ (40)	$ 68,208
Operational	Debt Service	995,478	-	995,478
Grants State Bank				
Operational	Checking	17,088	-	17,088
Wells Fargo Bank of New Mexico				
Operational	Checking	-	(2,712,424)	(2,712,424)
Operational	Student ACH	-	5,182	5,182
Operational	General	-	30,952	30,952
Operational	Payroll	-	(240,743)	(240,743)
Operational	Credit Card	-	78,754	78,754
Operational	Debt Service	3,823,473	-	3,823,473
Operational	Deposit	-	2,803	2,803
Operational	Savings	38,648,539	-	38,648,539
Operational	Cash Management	21,149,009	-	21,149,009
Operational	Money Market	10,173,298	-	10,173,298
Operational	Money Market	2,297	-	2,297
Wells Fargo Advisors				
Operational	Money Market	5	-	5
Western Commerce Bank of Carlsbad				
Operational	Checking	20,081	(485)	19,596
Operational	Deposit	3,500	762	4,262
Cash on Hand				
Cash on Hand	Cash	-	42,886	42,886
Citizen's Bank of Las Cruces				
Certificate of Deposit	Time Deposit	31,100	-	31,100
Federated Investment Manager				
Dividend Reinvestment	Money Market	1,904,588	-	1,904,588
New Mexico State University Foundation, Inc.				
NMSU Endowments	Cash	2,111,903	-	2,111,903
Total Cash and Cash Equivalents		$ 78,948,607	$ (2,792,353)	$ 76,156,254

The following table provides information on the University's investments, including reconciling items, at June 30, 2016.

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
FTN Financial				
U.S. Agency Securities	Investment	23,981,022	-	23,981,022
Wells Fargo Advisors				
Domestic Equity Securities	Investment	216,948	-	216,948
Raymond James				
U.S. Agency Securities	Investment	23,010,150	-	23,010,150
Wells Fargo				
Certificate of Deposit	Investment	6,820,427	-	6,820,427
Wells Fargo				
Municipal Securities	Investment	251,323	-	251,323
Wells Fargo				
U.S. Agency Securities	Investment	20,881,000	-	20,881,000
Forensic Testing and Laboratory				
Domestic Equity Securities	Investment	32,427	-	32,427
Eberhardt Memorial				
Domestic Equity Securities	Investment	2,495	-	2,495
Principal Funds				
Domestic Equity Securities	Investment	177,066	-	177,066
Franklin Templeton				
Domestic Equity Securities	Investment	34,078	-	34,078
Legacy Treasury Direct				
U.S. Agency Securities	Investment	65,527	-	65,527
New Mexico State Investment Council				
Permanent Land Fund	Investment	62,460,343	-	62,460,343
New Mexico State University Foundation, Inc.				
NMSU Endowments	Investment	36,344,701	-	36,344,701
Total investments		$ 174,277,507	$ -	$ 174,277,507

The following table provides information on the University's investments, including reconciling items, at June 30, 2015.

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
FTN Financial				
U.S. Agency Securities	Investment	$ 21,822,610	$ -	$ 21,822,610
Wells Fargo Advisors				
Domestic Equity Securities	Investment	186,867	-	186,867
Raymond James				
U.S. Agency Securities	Investment	14,955,280	-	14,955,280
Wells Fargo				
Certificate of Deposit	Investment	6,000,000	-	6,000,000
Wells Fargo				
Municipal Securities	Investment	1,252,753	-	1,252,753
Wells Fargo				
U.S. Agency Securities	Investment	23,035,314	-	23,035,314
Forensic Testing and Laboratory				
Domestic Equity Securities	Investment	32,427	-	32,427
Eberhardt Memorial				
Domestic Equity Securities	Investment	2,495	-	2,495
Principal Funds				
Domestic Equity Securities	Investment	173,920	-	173,920
Franklin Templeton				
Domestic Equity Securities	Investment	36,423	-	36,423
Legacy Treasury Direct				
U.S. Agency Securities	Investment	64,603	-	64,603
New Mexico State Investment Council				
Permanent Land Fund	Investment	64,836,899	-	64,836,899
New Mexico State University Foundation, Inc.				
NMSU Endowments	Investment	41,875,229	-	41,875,229
Total investments		$ 174,274,820	$ -	$ 174,274,820

Information on the Foundation's cash and cash equivalents and deposit accounts and investments, including reconciling items, at June 30, 2016, is provided below:

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
Wells Fargo Bank of New Mexico				
Operations	Checking	$ 162,948	$ (416)	$ 162,532
Program	ACH	28,048	-	28,048
Program	Checking	3,831,961	1,436	3,833,397
Program	Transfer	76,605	-	76,605
Citizens Bank of Las Cruces				
Program	Certificate of Deposit	1,001,835	-	1,001,835
Merrill Lynch				
Operations	Checking	1,386,307	-	1,386,307
Program	Money Market	5,031,184	-	5,031,184
Program-Cash Gift Annuity	Checking & Money Market	105,781	(9,623)	96,158
Program-Private Equity	Checking & Money Market	76,913	-	76,913
Time Deposit - Non-Negotiable	Certificate of Deposit	101,506	-	101,506
Less Cash Allocated to NMSU for AHIT (Program)	Held in Trust	(1,838,724)	-	(1,838,724)
Investment cash - Merrill Lynch Managers:				
Hedge Access	Money Market	66	-	66
Eagle TMA	Money Market	860,933	-	860,933
Cambiar Intl Value	Money Market	266,440	-	266,440
Earnest SCV	Money Market	119,988	-	119,988
NWQ	Money Market	234,513	-	234,513
APEX	Money Market	294,522	-	294,522
Futures Access	Money Market	124	-	124
Invesco	Money Market	656,048	-	656,048
Short Term Investment Fund	Money Market	4,612,894	-	4,612,894
NFJ Allianz	Money Market	9,090	-	9,090
Eagle LCV	Money Market	225,130	-	225,130
Armstrong	Money Market	6,122,287	-	6,122,287
Western	Money Market	822,403	-	822,403
Title V	Money Market	57,872	-	57,872
ALTA	Money Market	47,868	-	47,868
Cohen and Steers	Money Market	283,920	-	283,920
ALT Investments	Money Market	4,782	-	4,782
Santa Barbara	Money Market	176,333	-	176,333
Loomis - TMA	Money Market	77,663	-	77,663
NMSU Business College	Money Market	7,228	-	7,228
Less Cash Allocated to NMSU for AHIT	Held in Trust	(3,987,729)	-	(3,987,729)
Total Cash and Cash Equivalents		$ 20,856,739	$ (8,603)	$ 20,848,136
Corporate Bonds	Investment	$ 4,280,130	-	$ 4,280,130
Equity Securities	Investment	49,194,033	-	49,194,033
U.S. Government and Agency Securities	Investment	2,104,766	-	2,104,766
Mortgage Backed Securities	Investment	4,776,568	-	4,776,568
Mortgage Backed Securities - Foreign	Investment	2,531,335	-	2,531,335
Limited Partnerships - Alternative	Investment	24,936,950	-	24,936,950
Mutual Funds	Investment	16,980,598	-	16,980,598
Real Estate Holdings				
Real Estate Holdings	Investment	397,888	-	397,888
Short-term Investments	Investment	210,374	-	210,374
Accrued Investment Interest	Investment	46,603	-	46,603
Total Investments		$ 105,459,245	$ -	$ 105,459,245

Information on the Foundation's cash and cash equivalents and deposit accounts and investments, including reconciling items, at June 30, 2015, is provided below:

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
Wells Fargo Bank of New Mexico				
Operations	Checking	$950,323	$ (2,544)	$ 947,779
Program	ACH	939,036	-	939,036
Program	Checking	2,375,439	(1,305)	2,374,134
Program	Transfer	350,249	-	350,249
Program	Wire	312,529	-	312,529
Operations – NMSU Sports Enterprises, Inc.	Checking	16,300	(69)	16,231
Citizens Bank of Las Cruces				
Program	Certificate of Deposit	100,000	-	100,000
Merrill Lynch				
Operations	Checking	1	-	1
Operations	Money Market	239	-	239
Program	Checking	5,004,974	(241,915)	4,763,059
Program	Money Market	3,161,961	-	3,161,961
Program-Cash Gift Annuity	Checking & Money Market	30,844	(8,919)	21,925
Program-Private Equity	Checking & Money Market	322,633	-	322,633
Less Cash Allocated to NMSU for AHIT (Program)	Held in Trust	(879,981)	-	(879,981)
INVESTMENT CASH - MERRILL LYNCH MANAGERS:				
APEX SCG (Formerly Fred Alger)	Money Market	195,110	-	195,110
Eagle	Money Market	44,545	-	44,545
Earnest	Money Market	-	-	-
Earnest - TMA	Money Market	211,822	-	211,822
Global Templeton	Money Market	-	-	-
Hedge Funds	Money Market	10,878	-	10,878
Invesco REITS	Money Market	191,120	-	191,120
London - TMA	Money Market	333,075	-	333,075
Loomis - TMA	Money Market	37,069	-	37,069
Managed Futures	Money Market	123	-	123
McDonnell	Money Market	247,419	-	247,419
NFJ International	Money Market	370,495	-	370,495
NMSU Business College	Money Market	5,544	-	5,544
NWQ	Money Market	288,680	-	288,680
Short Term Investment Fund	Money Market	3,192	-	3,192
SPAR	Money Market	186	-	186
Title V	Money Market	51,109	-	51,109
UMA Eagle	Money Market	111,383	-	111,383
WHV International	Money Market	344,499	-	344,499
Winslow - TMA	Money Market	137,139	-	137,139
Less Cash Allocated to NMSU for AHIT	Held in Trust	(1,231,922)	-	(1,231,922)
Total Cash and Cash Equivalents		$ 14,036,013	$ (254,752)	$ 13,781,261
Equity Securities	Investment	$67,287,482	$ -	$ 67,287,482
U.S. Government and Agency Securities	Investment	5,305,761	-	5,305,761
Mortgage Backed Securities	Investment	11,157,054	-	11,157,054
Limited Partnerships - Alternative	Investment	25,606,662	-	25,606,662
Mutual Funds	Investment	5,001,442	-	5,001,442
Real Estate Holdings				
Reak Estate Holdings	Investment	463,288	-	463,288
Short-term Investments	Investment	287,490	-	287,490
Accrued Investment Interest	Investment	75,080	-	75,080
Total Investments		$ 115,184,259	$ -	$ 115,184,259

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the University's investment policy, investment maturities are scheduled to coincide with the University's projected cash requirements. The University does not commit any discretionary funds to financial instruments with maturities longer than ten years from the date of purchase. Funds are only committed to maturities longer than five years from date of purchase if directly related to a specific capital or other long-term project. The maturity dates on non-discretionary fund investments do not exceed the final maturity dates established within the funds' restrictive purposes. At least 50% of all cash and investment balances are invested in instruments with maturities less than two years.

A summary of the investments at June 30, 2016, and their exposure to interest rate risk based on the length of the investment follows:

	Fair Value	Less than 1 Year	1 - 5 Years	6 - 10 Years	Greater than 10 Years
University					
U.S. Agency Securities	$ 67,872,173	$ -	$ 67,872,173	$ -	$ -
Municipal Securities	251,322	251,322	-	-	-
U.S. Treasury Securities	65,527		65,527	-	-
Certificate of Deposit	6,820,427	2,504,255	4,316,172	-	-
Pooled Investments					
US Government and Agency Securities	779,212	-	427,126	-	352,086
Mortgage-backed Securities	2,646,877	-	2,646,877	-	-
Domestic Corporate Bonds	825,017	82,245	173,125	263,119	306,528
	79,260,555	$ 2,837,822	$ 75,501,000	$ 263,119	$ 658,614
Items not subject to interest rate risk:					
Permanent Land Fund	62,460,343				
Equity Securities	463,014				
Pooled Investments					
Domestic Equity Securities	17,719,264				
Foreign Equity Securities	5,198,213				
Limited Partnerships	9,032,006				
Land and Building (Investments not securities)	144,112				
Total investments	$ 174,277,507				
Foundation					
U.S. government and agency securities	$ 2,104,766	$ -	$ 1,124,427	$ -	$ 980,339
Mortgage-backed securities	7,307,903	-	7,307,903	-	-
		$ -	$ 8,432,330	$ -	$ 980,339
Items not subject to interest rate risk:					
Mutual Funds	16,980,598				
Corporate Bonds	4,280,130				
Equity Securities	49,194,033				
Alternative investments	24,936,950				
Other investments	654,865				
Total investments	$ 105,459,245				

A summary of the investments at June 30, 2015, and their exposure to interest rate risk based on the length of the investment follows:

	Fair Value	Less than 1 Year	1 - 5 Years	6 - 10 Years	Greater than 10 Years
University					
Certificates of Deposits	$ 6,000,000	$ 2,250,000	$ 3,750,000	$ -	$ -
Agency Securities	59,877,807	-	59,877,807	-	-
Municipal Securities	1,252,753	1,001,910	250,843	-	-
US Government Securities	-		-	-	-
Pooled Cash and Investments					
US Government & Agency Securities	2,017,539	200,817	1,269,779	546,943	-
Mortgage-backed Securities	4,183,387	-	4,183,387	-	-
Domestic Corporate Bonds	2,611,264	-	2,611,264	-	-
	75,942,750	$ 3,452,727	$ 71,943,080	$ 546,943	$ -
Items not subject to interest rate risk:					
Permanent Land Fund	64,836,899				
Domestic Equity Secutities	432,132				
Pooled Cash and Investments					
Limited Partnerships	9,601,177				
Domestic Equity Securities	15,227,733				
Foreign Equity Securities	7,514,695				
(Investments not securities)	173,710				
Mutual Funds	545,724				
Total Investments	$ 174,274,820				
Foundation					
U.S. Government and Agency Securities	5,305,761	460,508	3,386,543	1,458,710	-
Mortgage-backed Securities	11,157,054	-	11,157,054	-	-
		$ 460,508	$ 14,543,597	$ 1,458,710	$ -
Items not subject to interest rate risk:					
Mutual Funds	5,001,442				
Equity Securities	67,287,482				
Alternative investments	25,606,662				
Other Investments	825,858				
Total Investments	$ 115,184,259				

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy limits investment in money market instruments and other securities of commercial banks, broker-dealers, or recognized financial institutions to those rated in the highest rating category by a nationally recognized statistical rating organization (NRSRO) or which are guaranteed by a person or entity whose long-term debt obligations are rated in the highest rating category by a NRSRO. This includes without limitation, securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 USC Sections 80(a)-1 et. seq., which invest only in obligations of the government of the United States of America or securities that are secured by obligations of the government of the United States of America.

A summary of the investments at June 30, 2016, and their exposure to credit risk follows:

	Rating	Fair Value
University		
US Agency Securities	S&P/Moody's - AA+/Aaa	$ 67,872,173
Municipal Securities	Moody's--A1	251,322
Certificates of Deposits	Federally Insured	6,750,000
Certificates of Deposits	Subject to custodial credit risk	70,427
US Treasury Securities	N/A	65,527
Domestic Equity Securities	Not Rated	463,014
Land Grant Permanent Fund	N/A	62,460,343
Pooled Investments		
US Government and Agency Securities	Aaa	779,212
Mortgage-backed Securities	AAA	2,646,877
Domestic Equity Securities	N/A	17,719,264
Domestic Corporate Bonds	Aaa	825,017
Foreign Equity Securities	N/A	5,198,213
Limited Partnerships	N/A	9,032,006
Land and Building (Investments not securities)	N/A	144,112
Total Investments		$ 174,277,507
Foundation		
U.S. Government and Agency Securities	Moody's---Aaa	$ 1,625,432
Corporate Bonds	A1	193,608
Corporate Bonds	A2	346,758
Corporate Bonds	A3	921,234
Corporate Bonds	BAA1	558,167
Corporate Bonds	BAA2	257,978
Equity Securities	Not rated	37,323,727
Mutual funds	Not rated	16,980,598
Foreign Equity Securities	Not rated	14,352,025
Mortgage-backed Securities	AAA	7,307,903
Alternative Investments	Not rated	24,936,950
Other Investments (Real Estate and Accrued Investment Interest)	N/A	654,865
Total Investments		$ 105,459,245

A summary of the investments at June 30, 2015, and their exposure to credit risk follows:

	Rating	Fair Value
University		
US Agency Securities	S&P/Moody's - AA+/Aaa	$ 59,877,807
Municipal Securities	Moody's--A1	1,252,753
Certificates of Deposits	Federally Insured	6,000,000
Equity Securities	Not Rated	432,132
Land Grant Permanent Fund	N/A	64,836,899
Pooled Cash and Investments		
US Government & Agency Securities	Aaa	2,017,539
Mortgage-backed Securities	AAA	4,183,387
Domestic Equity Securities	N/A	15,227,733
Domestic corporate bonds	Aaa	2,611,264
Foreign Equity Securities	N/A	7,514,695
Limited Partnerships	N/A	9,601,177
Land and Building (Investments not Securities)	N/A	173,710
Mutual Funds	N/A	545,724
Total investments		$ 174,274,820
Foundation		
U.S. government and agency securities	Moody's---Aaa	$ 2,693,533
Certificates of deposits	Federally insured	
Corporate Bonds	A1	91,126
Corporate Bonds	AA2	59,478
Corporate Bonds	AA3	178,642
Corporate Bonds	Not rated	49,528,522
Mutual Funds	Not rated	5,001,442
Foreign Equity Securities	Not rated	20,041,942
Mortgage-backed Securities	AAA	11,157,054
Limited Partnership Alternative	Not rated	25,606,662
Other Investments (Real Estate and Accrued Investment Interest)	N/A	825,858
Total Investments		$ 115,184,259

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of an entity's investment in a single issuer. The University diversifies its use of investment instruments to avoid incurring unreasonable risk inherent in over-investing in specific instruments, individual financial institutions or maturities. With the exception of U.S. Treasury securities and authorized pools, no more that 50% of the total investment portfolio is invested in a single security type or with a single financial institution or at a single maturity. The University holds no investments subject to concentration of credit risk with any issuer that represents 5% or more of total investments.

Custodial Credit Risk – Deposits. This is the risk that in the event of a bank failure, the University's deposits may not be returned. Neither the University, nor its discretely presented component unit, the Foundation, has a deposit policy for custodial credit risk. As of June 30, 2016 and 2015, total bank balances of the University were $74,342,537 and $76,836,705, respectively. None of these balances are subject to custodial credit risk.

Custodial Credit Risk – Investments. This is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the investments are subject to custodial credit risk.

Fair Value of Assets and Liabilities. GASB Statement No.72 *(Fair Value Measurement and Application)* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1
Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities.

Level 2
If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include governmental and corporate bonds, foreign obligations, and collateralized mortgage backed securities.

Level 3
Investments classified within Level 3 have significant unobservable inputs. The valuation of these funds is determined by unobservable inputs such as recent purchases and sales, underlying fund holdings, and information provided by fund managers and general partners including: audited financials, unaudited financial statements, and net asset valuations.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers but the Foundation considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimate for each investment.

In certain cases, both observable and unobservable inputs may be used to determine the fair value of investments and, in such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The degree of judgment exercised in determining fair value is greatest for investments in Level 3. Because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. The University has no investments classified as Level 3.

The following is a description of the valuation methodologies used for assets measured at fair value.

Government Securities and Corporate Bonds are valued at the closing price reported on the major market on which the individual securities are traded or have reported broker trades which may be considered indicative of an active market. Where quoted prices are available in an active market, the investments are classified within Level 1 of the valuation hierarchy. If quoted prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, discounted cash flows and other observable inputs. Such securities would be classified within Level 2 of the valuation hierarchy.

Equity Securities are valued at the closing price reported on the active market on which the individual securities are traded.

The following table presents the fair value measurements of University assets recognized in the accompanying Statement of Net Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016.

2016	Balance as of June 30, 2016	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities				
U.S. Treasury securities	$ 65,526	$ 65,526	$ -	$ -
Agency securities (GSEs)	67,872,173	-	67,872,173	-
Municipal securities	251,323	-	251,323	-
Certificate of Deposit (NCD)	6,820,427	-	6,820,427	-
Total Debt Securities	75,009,449	65,526	74,943,923	-
Equity Securities				
Common	425,204	425,204	-	-
Peferred	37,810	37,810	-	-
Total Equity Securities	463,014	463,014	-	-
Total investments by fair value level	75,472,463	$ 528,540	$ 74,943,923	$ -
Other University Investments				
Permanent Land Fund - State of New Mexico	62,460,343			
Investments held by Foundation				
Equity Securities	$ 17,719,296	$ 17,719,296	$ -	$ -
Foreign Equity Securities	6,115,047	6,115,047	-	-
Mortgage Backed Securities	1,318,211	-	1,318,211	-
Corporate Bonds	824,985	-	824,985	-
REITS - Mortgage Backed Securities	1,174,165	1,174,165	-	-
Total investments Held by Foundation by Fair Value Level	27,151,704	$ 25,008,508	$ 2,143,196	$ -
Investments Held by Foundation measured by NAV				
		Unfunded Commitments	**Redemption Frequency**	**Redemption Notice Period**
Hedge Fund Investments				
Multi-Strategy	$ 6,816,031	$ -	Quarterly	45 Days
Equity Long/Short	1,723,268	-	Quarterly	45 Days
Emerging Markets/Managed Futures	29,072	-	Quarterly	45 Days
Total Hedge Fund Investments	8,568,371	-		
Domestic Venture Capital Ivestments				
Venture Capital	463,635	959,863		
Total Domestic Venture Capital Investments	463,635	959,863	None	None
Total Investments Held by Foundation measured by NAV	9,032,006	$ 959,863		
Other Investments held by Foundation				
Accrued Interest Income	16,879			
Land and Buildings	144,112			
Total Investments	$ 174,277,507			

The following table presents the fair value measurements of University assets recognized in the accompanying Statement of Net Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2015.

2015	Balance as of June 30, 2015	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities				
U.S. Treasury securities	$ 64,603	$ 64,603	$ -	$ -
Agency securities (GSEs)	59,813,205	-	59,813,205	-
Municipal securities	1,252,753	-	1,252,753	-
Certificate of Deposit (NCD)	6,000,000	-	6,000,000	-
Total Debt Securities	67,130,561	64,603	67,065,958	-
Equity Securities				
Common	397,051	397,051	-	-
Peferred	35,080	35,080	-	-
Total Equity Securities	432,131	432,131	-	-
Total University Investments by Fair Value Level	67,562,692	$ 496,734	$ 67,065,958	$ -
Other University Investments				
Permanent Land Fund - State of New Mexico	64,836,899			
Investments held by Foundation				
Equity Securities	$ 16,347,432	$ 16,347,432	$ -	$ -
Foreign Equity Securities	6,940,786	6,940,786	-	-
Mortgage Backed Securities	2,268,367	-	2,268,367	-
Corporate Bonds	4,600,652	2,219,965	2,380,687	-
REITS - Mortgage Backed Securities	1,914,954	1,914,954	-	-
Total investments Held by Foundation by Fair Value Level	32,072,191	$ 27,423,137	$ 4,649,054	$ -

Investments Held by Foundation measured by NAV

		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Fund Investments				
Equity Long/Short	$ 1,451,096	$ -	Quarterly	45 Days
Global Opportunities	1,850,582	-	Quarterly	45 Days
Emerging Markets/Managed Futures	631,824	-	Quarterly	45 Days
Relative Value/Event Driven and Credit	3,046,239	-	Quarterly	45 Days
Total Hedge Fund Investments	6,979,741	-		
Domestic Venture Capital Investments				
Venture Capital	2,621,436	-	None	None
Total Domestic Venture Capital Investments	2,621,436	-		
Total	9,601,177	$ -		
Other Investments held by Foundation				
Accrued Interest Income	28,151			
Land and Buildings	173,710			
Total Investments	$ 174,274,820			

Note 4 – Accounts Receivable and Unearned Revenue

Accounts receivable consists of the following at June 30, 2016 and 2015:

	2016	2015
University		
Student tuition and fees	$ 46,025,280	$ 43,642,433
Federal, state, and private grants and contracts	34,395,832	30,962,312
Other	8,221,980	6,426,543
Due from Component Unit	2,031,831	1,692,297
Less: allowance for doubtful accounts	(32,736,547)	(30,072,010)
Net accounts receivable	$ 57,938,376	$ 52,651,575
Foundation		
Net miscellaneous accounts receivable	$ 7,169,695	$ 5,528,228

The allowance for doubtful accounts includes consideration for the credit risk associated with the various receivables.

Unearned revenue consists of the following at June 30, 2016 and 2015:

	2016	2015
University		
Student tuition and fees	$ 1,066,016	$ 1,191,207
Federal, state, and private grants and contracts	7,499,974	12,352,639
Other	728,925	2,430,463
Total unearned revenue	$ 9,294,915	$ 15,974,309
Foundation		
Total unearned revenue	$ 494,307	$ 525,460

Note 5 – Capital Assets

Capital assets as detailed below are stated at cost, or if contributed, at acquisition value at the date of gift. Net interest expense incurred during the construction period on revenue bond funded projects is capitalized as an asset.

The University's main campus has New Mexico State District Court endorsed water rights equaling 11,454 acre feet per annum. As there is no cost basis for these assets, neither the water rights nor the livestock bred by the University are presented in the accompanying Statement of Net Position.

The State of New Mexico Land Office holds 193,272 surface and 254,627 sub-surface acres in trust for the University and manages the commercial use of this property including various leases and oil and gas exploration. The value of the land is recorded at the State of New Mexico Land Office; therefore this amount is not presented in the accompanying Statement of Net Position.

Changes in capital asset balances for the year ended June 30, 2016, were as follows:

	Balance July 1 2015	Additions	Transfers	Retirements	Balance June 30 2016
University					
Capital assets not being depreciated:					
Land and land improvements	$ 10,696,079	$ -	$ -	$ -	$ 10,696,079
Construction in progress	35,997,466	23,645,641	(42,691,933)	-	16,951,174
Total capital assets not being depreciated	$ 46,693,545	$ 23,645,641	$ (42,691,933)	$ -	$ 27,647,253
Capital assets being depreciated:					
Buildings	$ 697,528,475	$ 1,193,770	$ 39,686,305	$ (41,309)	$ 738,367,241
Infrastructure	77,142,757	72,675	3,005,628	-	80,221,060
Equipment	125,543,817	6,267,781	-	(5,995,979)	125,815,619
Software	14,810,865	184,957	-	(51,767)	14,944,055
Library books	79,509,070	3,346,543	-	(236,644)	82,618,969
Total other capital assets	994,534,984	11,065,726	42,691,933	(6,325,699)	1,041,966,944
Less accumulated depreciation for:					
Buildings	(328,839,169)	(20,673,734)	-	41,344	(349,471,559)
Infrastructure	(43,177,758)	(3,101,133)	-	-	(46,278,891)
Equipment	(95,262,816)	(7,042,734)	-	5,703,897	(96,601,653)
Software	(10,655,769)	(1,781,584)	-	38,156	(12,399,197)
Library books	(57,183,999)	(2,947,174)	-	236,644	(59,894,529)
Total accumulated depreciation	(535,119,511)	(35,546,359)	-	6,020,041	(564,645,829)
Capital assets being depreciated, net	$ 459,415,473	$ (24,480,633)	$ 42,691,933	$ (305,658)	$ 477,321,115
Capital asset summary:					
Capital assets not being depreciated	$ 46,693,545	$ 23,645,641	$ (42,691,933)	$ -	$ 27,647,253
Other capital assets, at cost	994,534,984	11,065,726	42,691,933	(6,325,699)	1,041,966,944
Total cost of capital assets	1,041,228,529	34,711,367	-	(6,325,699)	1,069,614,197
Less: accumulated depreciation	(535,119,511)	(35,546,359)	-	6,020,041	(564,645,829)
Capital assets, net	$ 506,109,018	$ (834,992)	$ -	$ (305,658)	$ 504,968,368
Foundation					
Capital assets	$ 748,332	$ 43,005	$ -	$ (49,925)	$ 741,412
Less: accumulated depreciation	(514,453)	(103,103)	-	19,046	(598,510)
Capital assets, net	$ 233,879	$ (60,098)	$ -	$ (30,879)	$ 142,902

Changes in capital asset balances for the year ended June 30, 2015, were as follows:

	Balance July 1 2014	Additions	Transfers	Retirements	Balance June 30 2015
University					
Capital assets not being depreciated:					
Land and land improvements	$ 10,696,079	$ -	$ -	$ -	$ 10,696,079
Construction in progress	25,392,643	34,151,334	(23,546,511)	-	35,997,466
Total capital assets not being depreciated	$ 36,088,722	$ 34,151,334	$ (23,546,511)	$ -	$ 46,693,545
Capital assets being depreciated:					
Buildings	$ 677,194,196	$ 260,636	$ 21,634,886	$ (1,561,243)	$ 697,528,475
Infrastructure	74,498,506	732,626	1,911,625	-	77,142,757
Equipment	122,715,954	8,388,939	-	(5,561,076)	125,543,817
Software	16,310,987	164,870	-	(1,664,992)	14,810,865
Library books	76,397,977	3,305,827	-	(194,734)	79,509,070
Total other capital assets	967,117,620	12,852,898	23,546,511	(8,982,045)	994,534,984
Less accumulated depreciation for:					
Buildings	(310,647,293)	(19,527,166)	-	1,335,290	(328,839,169)
Infrastructure	(40,109,590)	(3,068,168)	-	-	(43,177,758)
Equipment	(92,304,487)	(7,736,269)	-	4,777,940	(95,262,816)
Software	(11,408,212)	(912,549)	-	1,664,992	(10,655,769)
Library books	(54,497,053)	(2,881,680)	-	194,734	(57,183,999)
Total accumulated depreciation	(508,966,635)	(34,125,832)	-	7,972,956	(535,119,511)
Capital assets being depreciated, net	$ 458,150,985	$ (21,272,934)	$ 23,546,511	$ (1,009,089)	$ 459,415,473
Capital asset summary:					
Capital assets not being depreciated	$ 36,088,722	$ 34,151,334	$ (23,546,511)	$ -	$ 46,693,545
Other capital assets, at cost	967,117,620	12,852,898	23,546,511	(8,982,045)	994,534,984
Total cost of capital assets	1,003,206,342	47,004,232	-	(8,982,045)	1,041,228,529
Less: accumulated depreciation	(508,966,635)	(34,125,832)	-	7,972,956	(535,119,511)
Capital assets, net	$ 494,239,707	$ 12,878,400	-	$ (1,009,089)	$ 506,109,018
Foundation					
Capital assets	$ 762,325	$ 13,178	$ -	$ (27,171)	$ 748,332
Less: accumulated depreciation	(434,039)	(107,115)	-	26,701	(514,453)
Capital assets, net	$ 328,286	$ (93,937)	$ -	$ (470)	$ 233,879

Note 6 – Long-Term Liabilities

A summary of changes in long-term liabilities for the University and Discrete Component Unit for the year ended June 30, 2016, follows:

	Balance July 1 2015	Additions	Reductions	Balance June 30 2016	Current Portion (due in 2017)
University					
Bonds and contracts payable:					
Revenue bonds payable	$123,669,371	$ -	$ (9,593,641)	$114,075,730	$ 7,915,000
Subordinate Revenue Note	15,865,000	-	(2,120,000)	13,745,000	760,000
Contracts payable	1,348,394	75,627	(422,270)	1,001,751	402,590
Total bonds and contracts	140,882,765	75,627	(12,135,911)	128,822,481	9,077,590
Other liabilities:					
Accrued compensated absences	18,891,612	3,794,479	(4,636,156)	18,049,935	3,609,987
Other post employment benefits	28,478,000	2,528,000	-	31,006,000	-
Net Pension Liability	431,412,011	42,320,996	-	473,733,007	-
Other	518,372	17,739	-	536,111	-
Total other liabilities	479,299,995	48,661,214	(4,636,156)	523,325,053	3,609,987
Total long-term liabilities	$620,182,760	$ 48,736,841	$(16,772,067)	$652,147,534	$ 12,687,577

	Balance July 1 2015	Additions	Reductions	Changes in Estimate	Balance June 30 2016	Current Portion (due in 2017)
Foundation						
Gift annuities payable	$ 2,701,433	$ 74,458	$ (12,713)	$ 17,782	$ 2,780,960	$ 179,267
Payable under unitrusts	176,954	-	-	(9,390)	167,564	29,525
Total long-term liabilities	$ 2,878,387	$ 74,458	$ (12,713)	$ 8,392	$ 2,948,524	$ 208,792

A summary of changes in long-term liabilities for the University and Discrete Component Unit for the year ended June 30, 2015, follows:

	Balance July 1 2014	Additions	Reductions	Balance June 30 2015	Current Portion (due in 2016)
University					
Bonds and contracts payable:					
Revenue bonds payable	$133,379,073	$ -	$ (9,709,702)	$123,669,371	$ 8,640,000
Subordinate Revenue Note	15,865,000	-	-	15,865,000	2,120,000
Contracts payable	1,694,068	63,446	(409,120)	1,348,394	417,831
Total bonds and contracts	150,938,141	63,446	(10,118,822)	140,882,765	11,177,831
Other liabilities:					
Accrued compensated absences	19,187,142	5,030,813	(5,326,343)	18,891,612	3,778,323
Other post employment benefits	25,619,000	2,859,000	-	28,478,000	-
Net Pension Liability	444,843,745	-	(13,431,734)	431,412,011	-
Other	600,484	-	(82,112)	518,372	-
Total other liabilities	490,250,371	7,889,813	(18,840,189)	479,299,995	3,778,323
Total long-term liabilities	$641,188,512	$ 7,953,259	$(28,959,011)	$620,182,760	$ 14,956,154

	Balance July 1 2014	Additions	Reductions	Changes in Estimate	Balance June 30 2015	Current Portion (due in 2016)
Foundation						
Gift annuities payable	$ 2,707,044	-	$ (25,985)	$ 20,374	$ 2,701,433	$ 150,722
Payable under unitrusts	186,002	-	-	(9,048)	176,954	29,525
Total long-term liabilities	$ 2,893,046	$ -	$ (25,985)	$ 11,326	$ 2,878,387	$ 180,247

Bonds Payable. All outstanding University revenue bonds as of June 30, 2016 were issued as parity bonds and are all tax-exempt, with the exception of the Series 2013C, Series 2010B, and Series 2010C bonds. All bonds are payable solely from, and secured by, a pledge of and a non-exclusive first lien on certain pledged revenues. The revenues pledged to meet these debt obligations are student tuition and fees, sales and services, other operating income, investment income, and building fees. Interest payments are made twice a year, on October 1 and April 1 while principal is paid annually on April 1. Allowable premiums, and discounts on bonds payable are recorded in total and amortized according to the bonds outstanding method, which approximates the effective interest method.

The bond interest expense incurred for the fiscal years 2016 and 2015 was $5,198,572 and $5,085,423, respectively, net of interest income. Of these amounts, $444,254 and $365,659 was capitalized during fiscal years 2016 and 2015, respectively.

Included in deferred inflows is $216,413 in unamortized bond issuance costs.

Total University bonds issued and outstanding at June 30, 2016 and 2015, excluding bonds issued by the Community College Districts, (See Note 13), consisted of:

	Total Issued	Outstanding 2016	Outstanding 2015
Improvement Revenue Bonds			
Bond Series 2006,			
(4.00% - 5.25%) Final Maturity 2026	$ 10,245,000	$ 6,180,000	$ 6,665,000
Refunding and Improvement Revenue Bonds			
Bond Series 2010A, 2010B, 2010C, 2010D			
(1.89% - 5.27%) Final Maturity 2030	78,670,000	58,990,000	63,055,000
Refunding and Improvement Revenue Bonds			
Bond Series 2013A, 2013B, 2013C			
(2.00% - 5.00%) Final Maturity 2033	56,200,000	44,930,000	49,020,000
Total Bonds Payable	145,115,000	110,100,000	118,740,000
Plus: Unamortized Net Premium	9,412,624	3,975,730	4,929,371
Bonds Payable, net	$ 154,527,624	$ 114,075,730	$ 123,669,371

The maturity schedule for the University bonds payable at June 30, 2016, follows:

Year Ending June 30	Principal	Interest
2017	$ 7,915,000	$ 5,455,058
2018	8,240,000	5,134,051
2019	8,440,000	4,786,720
2020	8,965,000	4,403,446
2021	9,295,000	3,983,955
2022-2026	41,920,000	13,008,757
2027-2031	23,200,000	3,745,063
2032-2033	2,125,000	112,175
Total	$ 110,100,000	$ 40,629,225

Notes Payable. The Board of Regents issued a tax-exempt Subordinate Lien Improvement Revenue Note, Series 2014 on April 21, 2014 in a direct purchase with BOKF, NA dba Bank of Albuquerque. The original principal amount of the note was $15,865,000 and the interest rate is 3.07%. The note is payable solely from, and secured by, a pledge of, and a non-exclusive subordinate lien on the following revenues: student tuition and fees; sales and service revenue; other operating revenue; investment income; and, building fees. Interest payments began on October 1, 2014 and are due semiannually thereafter on April 1 and October 1 of each year. Principal payments are due April 1 each year, beginning April 1, 2016. The note matures April 1, 2029.

The interest expense incurred on the note was $487,056 and $459,997 for fiscal years ended June 30, 2016 and 2015, respectively.

The maturity schedule for the subordinate revenue note at June 30, 2016, follows:

Year Ending June 30	Principal	Interest
2017	$ 760,000	$ 421,972
2018	820,000	398,640
2019	880,000	373,466
2020	945,000	346,450
2021	1,015,000	317,438
2022-2026	6,230,000	1,073,426
2027-2029	3,095,000	143,983
Total	$ 13,745,000	$ 3,075,375

Contracts Payable. The University acquires various types of equipment under capital lease agreements. All lease agreements contain a fiscal funding clause, which allows the lease agreements to be canceled if funding for future periods is not appropriated. University administration believes that the likelihood of this occurrence is remote. The following tables detail the carrying value of assets acquired under these arrangements, the net present value of minimum lease payments, future minimum lease payments and the portion of the lease payments representing interest at June 30, 2016.

Type of Property	Asset Carrying Value	Net Present Value of Minimum Lease Payments
Office equipment	$ 229,960	$ 142,886
Computer Equipment	1,194,061	858,865
Total	$ 1,424,021	$ 1,001,751

Year Ending June 30	Principal	Interest	Minimum Payments
2017	$ 402,590	$ 25,240	$ 427,830
2018	390,569	12,680	403,249
2019	188,805	2,852	191,657
2020	14,614	783	15,397
2021	5,173	152	5,325
Total minimum lease payments	$ 1,001,751	$ 41,707	$ 1,043,458

Note 7 – Health Insurance

The University provides group health insurance coverage for all regular employees working 30 hours per week or more and term appointment employees working 30 hours per week or more. Coverage is optional and is available the first pay period after 30 days of employment. The University's portion of the premium is based on the employee's annual salary. Employee contributions are required for personal, as well as spouse, qualified domestic partner and dependent coverage.

The University participates in the State of New Mexico (State) group health insurance program. Premiums are paid to the State. The State program assumes full responsibility for all claims.

Eligible retirees who were enrolled in health insurance for a minimum of ten consecutive years prior to retirement may elect to continue health insurance coverage through the University's program. The University contributes 60% of the premiums for retirees and their dependents until the retiree reaches age 70, after which, the University contributes 30%. Retiree health insurance will not be offered to employees hired after June 30, 2016.

The University participates in a fully insured plan for the eligible active retirees. Premiums are paid to the insurance carrier. The insurance carrier assumes full responsibility for all claims.

Note 8 – Retirement Programs

The University offers three retirement plans. All eligible employees working more than 25% full-time equivalent are required to participate in one of the first two plans described below. Student employees do not participate in these plans.

A. Educational Retirement Act

Plan Description. Substantially all of the University's eligible employees, except those who participate in the Alternative Retirement Plan (ARP) described below, participate in a public employee retirement system authorized under the Educational Retirement Act (ERA) of the State of New Mexico (Chapter 22, Article11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy. The contribution requirements of plan members and the University are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

A summary of member and employer contributions to the Educational Retirement Board is provided below:

	2016	2015	2014
Employee's earning $20,000 or less:			
University contribution	13.90%	13.90%	13.15%
Employee contribution	7.90%	7.90%	7.90%
Employee's earning more than $20,000:			
University contribution	13.90%	13.90%	13.15%
Employee contribution	10.70%	10.70%	10.10%
University's contribution to ERB	$ 26,736,083	$ 27,631,799	$ 26,179,018

Return to Work Program. Effective January 1, 2002, the ERB implemented a retiree Return-To-Work (RTW) program whereby the University is required to make regular employer contributions on eligible retiree wages. As of July 1, 2011, House Bill 129 was passed requiring returning retirees to contribute the employee portion.

A summary of member and employer contributions to the Educational Retirement Board for the Return to Work Program is provided below:

	2016	2015	2014
Employee's earning $20,000 or less:			
University contribution	13.90%	13.90%	13.15%
Employee contribution	7.90%	7.90%	7.90%
Employee's earning more than $20,000:			
University contribution	13.90%	13.90%	13.15%
Employee contribution	10.70%	10.70%	10.10%
University's contribution to ERB for RTW	$ 211,022	$ 211,179	$ 217,851

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2015. At June 30, 2016 and 2015 the University reported liabilities of $473,733,007 and $431,412,011, respectively, for its proportionate share of the net pension liability. The proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the University's proportion was 7.31378% which was a decrease of 0.24725% from its proportion measured as of June 30, 2014. At June 30, 2014, the University proportion was 7.56103% which was an increase of 0.03736% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2016, the University recognized a pension expense of $34,785,204. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 8,782,589
Changes of assumptions	16,294,202	
Net difference between projected and actual earnings on pension plan investments		2,132,390
Changes in proportion and differences between University contributions and proportionate share of contributions	1,136,248	11,742,728
University contributions subsequent to the measurement date	28,006,297	-
Total	$ 45,436,747	$ 22,657,707

For the year ended June 30, 2015, the University recognized a pension expense of $30,471,523. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 6,426,535
Net difference between projected and actual earnings on pension plan investments	-	39,217,358
Changes in proportion and differences between University contributions and proportionate share of contributions	1,740,635	-
University contributions subsequent to the measurement date	31,140,209	-
Total	$ 32,880,844	$ 45,643,893

The $28,006,297 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date of June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2017	$ (4,573,280)
2018	(4,386,790)
2019	(2,846,887)
2020	6,579,700
	$ (5,227,257)

Actuarial assumptions: As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year June 30, 2015 using generally accepted actuarial principles. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

- All members with an annual salary of more than $20,000 will contribute 10.70% during the fiscal year ended June 30, 2015 and thereafter.
- Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
- COLAs for most retirees are reduced until ERB attains a 100% funded status.
- These assumptions were adopted by ERB on June 12, 2015 in conjunction with the six-year experience study period June 30, 2014.
- For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

ERB approved the following economic and demographic assumptions used in the fiscal year 2015 actuarial calculation of the total pension liability on June 12, 2015.

- Lower wage inflation from 4.25% to 3.75%
- Update the mortality tables with generational improvements
- Update demographic assumptions to use currently published tables, which may result in minor calculation changes
- No change in current 3.00% inflation assumption
- Retain net 4.75% real return assumption
- Retain 7.75% nominal return assumption
- No change to current COLA assumption of 2.00% per year
- Maintain current payroll growth assumption to 3.50%

- Maintain experience-based rates for members who joined ERB by June 30, 2010
- Remove population growth assumption for projections
- Lower population growth assumption from .50% to zero (no impact on valuation results)

The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 Year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition; 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class.

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2015 and 2014 for 30-year return assumptions are summarized in the following table:

Asset Class	2015 Long Term Expected Real Rate of Return	2014 Long Term Expected Real Rate of Return
Cash	3.25%	3.75%
Treasuries	3.50%	4.00%
IG Corp Credit	4.75%	5.25%
MBS	3.75%	4.25%
Core	3.98%	4.46%
TIPS	4.00%	4.50%
High Yield Bonds	5.75%	6.00%
Bank Loans	6.00%	6.25%
Global Bonds (Unhedged)	2.25%	3.00%
Global Bonds (Hedged)	2.41%	3.13%
EMD External	6.00%	7.00%
EMD Local Currency	6.75%	7.25%
Large Cap Equities	7.50%	7.75%
Small/Mid Cap	7.75%	8.00%
International Equities (Unhedged)	8.00%	8.25%
International Equities (Hedged)	8.47%	8.48%
Emerging International Equities	9.25%	9.50%
Private Equity	9.50%	9.75%
Private Debt	8.00%	8.25%
Private Real Assets	7.75%	7.75%
Real Estate	6.50%	6.50%
Commodities	5.75%	6.00%
Hedge Funds Low Vol	6.75%	7.00%

Target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation
Fixed income	28%
Domestic equity	20%
International equity	15%
Real estate	7%
Real assets	8%
Private equity	11%
Absolute return	0%
Global asset allocation	5%
Risk parity	5%
Cash	1%
Total	100%

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015 and June 30, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore, the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the ARP, ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the University's proportionate shares of the net pension liability to changes in the discount rate: The following tables show the sensitivity of the net pension liability to changes in the discount rate as of fiscal year end 2016 and 2015. In particular, the table presents the University's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

2016	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
New Mexico State University's proportionate share of the net pension liability	$ 637,439,410	$ 473,733,007	$ 336,202,587

2015	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
New Mexico State University's proportionate share of the net pension liability	$ 586,985,797	$ 431,412,011	$ 301,465,786

Pension plan fiduciary net position: Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2015 and 2014 which are publicly available at www.erb.org.

B. Alternative Retirement Program

Plan Description. The New Mexico Alternative Retirement Plan (ARP) was established by amendment to Chapter 22, Article 11, Section 47-52. Certain faculty and professional staff hired on or after July 1, 1991, may elect to participate in an alternative defined contribution retirement plan in lieu of participation in the ERA in accordance with policies stipulated by the Board of Regents. The two carriers approved by the ERB are the Teachers Insurance and Annuity Association/College Retirement Equities Fund and Fidelity Investments. Employees are allowed to transfer between carriers once each year. Vesting is immediate and benefits may be distributed as an annuity, a roll over, or a withdrawl.

Effective July 1, 2009, employees, after 7 years of contribution to the ARP, have a one-time opportunity to move to the ERB's defined benefit plan. Section 51 allows members of the ARP the option to cash out or rollover the ARP account once they have left employment.

A summary of member and employer contributions to the Educational Retirement Board for the Alternative Retirement Program is provided below:

	2016	2015	2014
Employee's earning $20,000 or less:			
University contribution	10.90%	10.90%	10.15%
Employee contribution	7.90%	7.90%	7.90%
Employee's earning more than $20,000:			
University contribution	10.90%	10.90%	10.15%
Employee contribution	10.70%	10.70%	10.10%
Administrative fee to ERB	3.00%	3.00%	3.00%
Payroll expenses covered by ARP	$ 27,853,706	$ 27,883,938	$ 27,583,886
University's contribution to the ERB for ARP	$ 3,036,291	$ 3,037,200	$ 2,798,528
Administration fee paid to ERB for ARP	$ 827,516	$ 836,519	$ 827,516
Employee contributions made to ARP	$ 2,781,785	$ 2,981,402	$ 2,784,292

C. Federal Retirement Program

Plan Description. Certain employees of the University working under the auspices of the United States Department of Agriculture (through various University sponsored extension programs) are covered under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), established with the passage of Public Law 99-335. Both are defined benefit retirement plans. FERS is a three-tiered retirement plan (covering substantially all Federal employees hired subsequent to December 31, 1986) combining Social Security benefits with a basic benefit plan and a thrift savings plan. Employees hired prior to 1984 do not participate in Social Security, but have the ability to transfer to FERS at their own discretion. The CSRS and FERS are administered by the U.S. Office of Personnel Management, Retirement Operations Center, P.O. Box 45, Boyers, Pennsylvania 16017.

Contributions Required. Employees covered by CSRS and FERS are considered federal employees, and as such, are obligated to contribute according to the guidelines of the federal government. For the year ended June 30, 2016 there was 1 employee enrolled under CSRS and 10 employees under FERS.

A summary of member and employer contributions to the Federal Retirement Program is provided below:

	2016	2015	2014
Employees covered by CSRS			
University contribution	7.00%	7.00%	7.00%
Employee contribution	7.00%	7.00%	7.00%
Employees covered by FERS			
University contribution	13.70%	13.20%	11.70%
Employee contribution	0.80%	0.80%	0.80%
University's contribution	$ 142,235	$ 142,467	$ 145,937
Employee's contribution	$ 19,980	$ 23,647	$ 28,545

Note 9 – Other Postemployment Benefits Plan

Plan Description. New Mexico State University is a single employer that offers employees and their eligible dependents retiree benefits. The authority to establish and amend the benefit provisions rests with the Board of Regents.

Retirees, who have had 10 consecutive years of health insurance coverage with the University at the time of retirement, are offered the opportunity to participate in a fully-insured PPO medical plan, including prescription drugs. Medicare retirees (for retirees 65 years of age and over) are offered the opportunity to participate in a Medicare carve-out medical plan, including prescription drugs. Eligible retired employees may select a Life Insurance benefit up to $10,000. All premiums for life insurance are paid by the retiree.

The University currently pays 60% of the monthly medical and prescription premium for retirees and their eligible dependents until the retiree reaches age 70. As of June 30, 2016, 1,155 retirees met the eligibility requirements for health insurance.

Employees hired after June 30, 2016 will not be offered this benefit.

Funding Policy. The University does not use a trust fund to administer the financing and payment of benefits. The retired employees that elect to participate in post-employment benefits are required to make contributions in the form of monthly premiums based on current rates established under the medical and life plans.

The University funds the plan on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits, and includes all expected claims and related expenses and is offset by retiree contributions. The pay-as-you-go expense for fiscal years 2016 and 2015 were $4,357,000 and $4,563,000, respectively, net of retiree contributions.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% annual discount rate, assuming the University funds the retirement benefit on a pay-as-you go basis. Currently, the plans are considered to be unfunded as there are no assets and retiree benefits are expected to be paid annually on a cash basis. The actuarial valuation assumes an annual health care cost trend on a select and ultimate basis: medical and prescription benefits on a select basis at 8.0% for retirees 65 years of age and under and 7.0% for retirees over 65 years of age and on an ultimate basis at 4.5%. The select trend rates are reduced .5% each year until reaching the ultimate trend. The Unfunded Actuarial Accrued Liability is amortized over the maximum acceptable period of 30 years and is calculated assuming a level percentage of projected payrolls. Payroll is projected to increase 2.5% per year.

Annual OPEB Cost and Net OPEB Obligation. The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

	2016
Annual required contribution	$ 6,909,000
Interest on net OPEB Obligation	1,139,000
Adjustment to annual required contribution	(1,163,000)
Annual OPEB cost (expense)	6,885,000
Contributions made	(4,357,000)
Increase in net OPEB obligation	2,528,000
Net OPEB obligation beginning of year	28,478,000
Net OPEB obligation end of year	$ 31,006,000

The percentage of annual OPEB cost contributed to the plan was 53%,47% and 46% for fiscal years 2016, 2015 and 2014, respectively.

Funded Status and Funding Progress. As of July 1, 2015, the updated actuarial valuation date, the present value of all future expected post-retirement health payments and administrative costs attributable to past service, was $90,415,000 and the actuarial value of assets was zero. The covered payroll (annual payroll of active employees covered by the plan) was $171,553,054 and the ratio of the UAAL to the covered payroll was 53%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress and Employee Contributions (Schedule 7), presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 10 – Commitments

Capitalizable Project Commitments and Financing. The University has entered into contracts for the construction and renovation of various facilities. At June 30, 2016, the estimated remaining costs to complete these and other in-house construction and renovation projects was approximately $65.2 million. These projects are in various stages of completion. Those deemed to be major projects will be completed by December 2017. The remaining cost of all budgeted projects (both capital and non-capital) will be financed as follows:

Funding Sources	Amount
Revenue bonds	$ 3,771,511
General obligation bonds (State of New Mexico)	11,888,563
General obligation bonds (Local)	16,910,923
Severance tax bonds (State of New Mexico)	5,941,759
University funds	18,311,747
State funds	6,743,225
Gifts, grants and contracts	1,632,851
Total	$ 65,200,579

Operating Leases. The University is obligated under certain lease (rental) agreements which are accounted for as operating leases. The items being leased are primarily office and storage facilities and office equipment. Incorporated into each lease agreement is a fiscal funding clause which allows the University to cancel the operating lease if funding for future periods is not appropriated. As with contracts payable, University administration considers the likelihood of such an occurrence to be remote.

Future minimum rental payments required under operating leases are as follows:

Year Ending June 30	Minimum Payments
2017	$ 1,115,970
2018	718,235
2019	539,915
2020	181,511
2021	55,581
Years thereafter	130,267
Total minimum lease payments	$ 2,741,479

Operating lease payments made in fiscal years 2016 and 2015 are as follows:

	2016	2015
Minimum rentals	$ 1,664,352	$ 1,767,582
Contingent rentals	184,583	135,545
Total lease payments	$ 1,848,935	$ 1,903,127

Contingent rentals are determined based on usage clauses in certain contracts.

Other Commitments. At June 30, 2016, the University had outstanding purchase orders for materials and services which were not received, and thus are not recorded as liabilities in the accompanying Statement of Net Position. The approximate amount of such commitments is $18.2 million.

Note 11 – Component Units

The following entities support the University in accomplishing its various missions. These entities were selected for inclusion based on criteria as set forth in GASB 14, *The Reporting Entity,* GASB 39, *Determining Whether Certain Organizations Are Components Units, and GASB 61, Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14* and No. 34. Complete financial statements for these component units can be obtained from each respective administrative office at the addresses listed below.

The Foundation is discretely presented on the face of the financial statements, as prescribed by GASB 14, amended by GASB 39, and further amended by GASB 61. The entity qualifies as discretely presented according to GASB 14, paragraph 40a, because of the nature and significance of its relationship with the University. This relationship meets the direct benefit, access to economic resources and significance of resources criteria. The other component unit is blended because the University either completely controls its activities or the entity provide services entirely, or almost entirely to the University.

Arrowhead Center, Inc. Arrowhead Center, Inc., a blended component unit, was organized pursuant to the provisions of the State of New Mexico University Research Park Act of 1989. Its purposes are to promote and contribute to economic development and protect, license, and market intellectual property developed by faculty, staff, and students of the University, as well as members of the community, in order to further research and economic development for the State of New Mexico. Arrowhead Center, Inc.'s address is: Arrowhead Center, Inc., MSC 3CR, P.O. Box 30001, Las Cruces, NM 88003.

Summary financial information as of June 30, 2016 and 2015, and for the fiscal years then ended follows:

	2016	2015
Net Position:		
Total assets	$ 689,503	$ 849,119
Total liabilities	9,301	26,066
Total net position	$ 680,202	$ 823,053
Change in Net Position:		
Total revenues and other additions	$ 751,487	$ 669,254
Total expenditures	894,338	895,585
Change in Net Position	(142,851)	(226,331)
Net position, beginning	823,053	1,049,384
Net position, ending	$ 680,202	$ 823,053

The New Mexico State University Foundation, Inc. The Foundation is a non-profit corporation formed for the purpose of obtaining and disbursing funds for the sole benefit of the University. It is a discrete component unit of the University with financial information presented in a separate column in the University's financial statements. Separate audited financial statements are prepared in accordance with the Financial Accounting Standards Board (FASB). The Foundation's address is: New Mexico State University Foundation, Inc., P.O. Box 3590, Las Cruces, NM 88003.

Aggie Development, Inc. Aggie Development, Inc., was organized pursuant to the provisions of the State of New Mexico University Research Park Act of 1989. The corporation was established to benefit the University by (1) managing and developing designated University real estate and water rights; (2) contributing all of the corporation's net revenues to the University; and (3) enhancing learning opportunities for students. During their first two years, Aggie Development Inc. did not meet the materiality threshold that requires audited financial statements and therefore its activity is included in the NMSU audited financial statements, but no separate details are presented herein. Aggie Development, Inc.'s address is: Aggie Development, Inc., P.O. Box 3145, Las Cruces, NM 88003.

Note 12 – Contingent Liabilities

The University currently is a party to various litigation and other claims in the ordinary course of business. The University participates in the State of New Mexico Risk Management Program (Risk Management) which provides liability, medical malpractice, and physical damage insurance. The Risk Management program liability insurance coverage includes most employee liability claims (excluding awards for wages and attorney fees). During the fiscal years ended June 30, 2016 and 2015, the University paid Risk Management $4,838,269 and $5,836,521, respectively, in insurance premiums. After conferring with legal counsel concerning pending litigation and claims, the University administration believes the outcome of pending litigation should not have a material adverse effect on the financial position or operations of the University.

The University is involved in litigation with Doña Ana Community College (DACC) Nursing Students. The details of this situation follow.

Doña Ana Community College Nursing Students. A lawsuit filed in May of 2013 asserts claims arising out of the loss of nursing accreditation at the DACC on behalf of eight former DACC nursing students. Plaintiffs were students in the DACC nursing program at the point in time continued accreditation of the nursing program was denied by the National League of Nursing Accrediting Commission. The plaintiffs allege claims based upon breach of contract but also request emotional distress damages suggesting a tort type claim. The court certified this case as a class action, to include 86 students enrolled in the DACC nursing program at the time of the denial who did not elect to complete their degree. Risk Management has agreed to provide the cost of defense and is expected to provide coverage for any non-contract damages. In November 2015, the court denied NMSU's motion for summary judgment on the breach of contract claim and the plaintiffs voluntarily dismissed other claims. NMSU's petition for a writ of error was granted by the NM Court of Appeals in March of 2016, and the parties have fully briefed the appeal. An adverse outcome is reasonably possible but an estimate of the loss or range of potential loss cannot be determined at this point of litigation.

Note 13 – Community College General Obligation Bonds

General Obligation bonds are issued by the Community College Districts for the purpose of supporting Community College facilities. The bonds are general obligations of the community college districts in which the Community Colleges reside and are payable solely out of general (ad valorem) taxes which are levied against all taxable property in each respective district. The Community College District's governing board is made up of school board members residing in each school district. Management of the University has determined the Community College Districts are not component units of the University.

Taxes collected by the respective district's tax assessor are deposited in bank accounts for the purpose of servicing the debt and are reflected as cash in the University's Statement of Net Position. At June 30, 2016 and 2015, the cash balances available to make the next semi-annual payments were $567,372 and $995,478 for the Alamogordo Community College, $518,674 and $50,395 for the Carlsbad Community College, and $4,546,387 and $3,773,078 for the Doña Ana Community College, and $217,317 and $0 for the Grants Community College, respectively.

The following table shows the future scheduled debt payments by the Community College Districts (due semi-annually in August and February):

	Alamogordo Community College		
Year Ending June 30	Principal	Interest	Total
2017	$ 355,000	$ 107,754	$ 462,754
2018	370,000	94,252	464,252
2019	385,000	80,093	465,093
2020	405,000	64,779	469,779
2021	420,000	48,379	468,379
2022-2026	980,000	52,450	1,032,450
Total	$ 2,915,000	$ 447,707	$ 3,362,707

	Carlsbad Community College		
Year Ending June 30	Principal	Interest	Total
2017	$ 325,000	$ 33,900	$ 358,900
2018	335,000	20,700	355,700
2019	350,000	7,000	357,000
Total	$ 1,010,000	$ 61,600	$ 1,071,600

	Doña Ana Community College		
Year Ending June 30	Principal	Interest	Total
2017	$ 4,225,000	$ 527,938	$ 4,752,938
2018	2,525,000	422,000	2,947,000
2019	1,800,000	350,500	2,150,500
2020	1,800,000	287,000	2,087,000
2021	1,600,000	224,000	1,824,000
2022-2026	4,475,000	464,750	4,939,750
2027-2031	1,050,000	47,250	1,097,250
Total	$ 17,475,000	$ 2,323,438	$ 19,798,438

	Grants Community College		
Year Ending June 30	Principal	Interest	Total
2017	$ -	$ 206,470	$ 206,470
2018	275,000	204,933	479,933
2019	280,000	201,425	481,425
2020	285,000	197,006	482,006
2021	295,000	191,612	486,612
2022-2026	1,600,000	846,512	2,446,512
2027-2031	1,910,000	594,866	2,504,866
2032-2036	2,355,000	227,378	2,582,378
Total	$ 7,000,000	$ 2,670,202	$ 9,670,202

Note 14 – Natural Classification Operating Expenses

The University's and Discrete Component Unit's operating expenses by natural classification were as follows:

	2016 University	2016 Component Unit	2015 University	2015 Component Unit
Operating Expenses				
Salaries:				
Faculty	$ 96,983,251	$ -	$96,645,213	$ -
Exempt staff	107,645,639	2,263,377	113,501,631	1,805,154
Non-exempt staff	16,830,106	-	18,226,341	-
Student/graduate assistant	29,490,950	38,110	28,557,130	54,901
Other compensation	2,680,882	6,710	4,220,577	7,077
Total salaries	253,630,828	2,308,197	261,150,892	1,867,132
Other Operating Expenses:				
Benefits	91,631,135	-	86,525,122	-
Travel	13,324,742	89,059	15,049,453	176,769
Scholarship and fellowships and other program support	34,174,208	9,890,271	37,941,496	10,824,897
Utilities	13,100,911	8,198	13,530,372	5,139
Professional fees	17,204,519	225,627	17,251,683	428,334
Supplies and other services	80,596,596	885,102	94,337,113	1,357,041
Depreciation	35,546,359	103,103	34,125,832	107,115
Total operating expenses	$ 539,209,298	$ 13,509,557	$ 559,911,963	$ 14,766,427

Note 15 – Unrestricted Net Position

Unrestricted net position supports the missions of the University in current and future years. The following is a breakdown of the University's unrestricted net position as of June 30, 2016 (unaudited):

	2016	2015
Unrestricted Net Position	$ (366,508,136)	$ (367,228,109)
Less: Unfunded Pension	(450,953,967)	(444,175,060)
Less: Long-Term Compensated Absenses	(14,439,948)	(15,262,912)
Less: Other Post Employment Benefits	(31,006,000)	(28,478,000)
Adjusted Unrestricted Net Position	**$ 129,891,779**	**$ 120,687,863**
Designated for Operations - Instruction and General	$ 31,493,378	$ 31,436,586
Designated for Operations - Research	17,234,789	16,081,983
Designated for Operations - Public Service	9,436,193	7,120,794
Designated for Operations - Other	9,748,402	7,240,698
Quasi Endowment Funds	12,747,515	15,744,494
Renewals and Replacements - Building	18,200,256	15,709,344
Renewals and Replacements - Auxiliary Enterprises	6,467,857	7,658,249
Renewals and Replacements - Internal Service Units	4,955,208	5,154,994
Renewals and Replacements - Equipment	7,745,706	6,737,725
Unexpended plant - Designated to Projects	8,606,763	6,184,886
Unexpended plant - Future Projects/ Contingency	3,255,712	1,618,110
Total	**$ 129,891,779**	**$ 120,687,863**

Note 16 – New Accounting Standards

GASB Statement No.73 (*Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments to certain Provisions of GASB Statements 67 and 68)* will be effective in fiscal year 2017. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement does not apply to the University.

GASB Statement No. 74 (*Financial Reporting for Postemployment Benefit Plans Other than Pension Plans)* will become effective for fiscal year 2017. The objective of the statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement does not apply to the University.

GASB Statement No. 75 (*Accounting and Financial Reporting for Postemployment Benefits other than Pensions)* will become effective for fiscal year 2018. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits, or OPEB). The University has not concluded its assessment of the impact of this Statement.

GASB Statement No. 77 (*Tax Abatement Disclosures)* will become effective for fiscal year 2017. The objective of this statement is to provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The University has not yet determined the impact of this statement.

GASB Statement No. 78 *(Accounting and Financial Reporting for Pensions)* is effective for fiscal year 2017. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement does not apply to the University.

GASB Statement No. 79 *(Certain External Investment Pools and Pool Participants)* is effective fiscal year 2016. The primary objective of this statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The University does not participate in an external investment pool and thus this statement does not apply to the University.

GASB Statement No. 80 *(Blending Requirements for Certain Component Units)* will become effective for fiscal year 2017. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement requires blending of certain entities if they are incorporated as a non-for-profit where the primary government is the sole corporate member. Since both Arrowhead Inc. and Aggie Development Inc. are already reported as blended component units pursuant to GASB Statement No.39, this additional requirement does not apply to the University.

GASB Statement No. 81 *(Irrevocable Split Interest Agreements)* will become effective for fiscal year 2017. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The University is not a beneficiary to any of these types of agreements and thus this statement does not apply to the University. Note: The Foundation does include Irrevocable Split Interest Agreements and are included in their financial statements.

GASB Statement No. 82 *(Pension Issues amendments to Statements No. 67, No. 68 and No. 73)* Statement No. 82 addresses issues raised by stakeholders during the implementation of GASB's accounting and financial reporting standards for state and local governments: Statements 67, 68 and 73 and will become effective fiscal year 2017. The University is already reporting in compliance with GASB 82.

Note 17 – Subsequent Events

The University has evaluated subsequent events from the balance sheet date through November 2, 2016, the date at which the financial statements were available to be issued, and determined there are no items to disclose.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following are excerpts from the parameters Bond Resolution, adopted March 6, 2017 (the "Bond Resolution").

Definitions

Throughout the Bond Resolution, the following terms as used therein will have the meaning set forth below:

"Acquisition Fund" means the Regents of New Mexico State University Revenue Bonds, Series 2017 Acquisition Fund, established by Section 12 of the Bond Resolution, to be maintained by the Regents.

"Act" means the general laws of the State, including Sections 6-17-1 through 6-17-19 NMSA 1978, as amended, 6-14-1 through 6-14-12 NMSA 1978, as amended, and the enactments of the Regents relating to the issuance of the Series 2013 Bonds, including the Bond Resolution and the Sale Resolution.

"Advance Refunded Bonds" means certain maturities of the Series 2010 Bonds and the Series 2013 Bonds as set forth and designated in the Sale Resolution.

"Bond Purchase Agreement" means the agreement for purchase and sale of the Series 2017 Bonds to be entered into between the Regents and the Purchaser and to be approved at the time of adoption of the Sale Resolution.

"Bond Resolution" means the Bond Resolution adopted by the Regents on March 6, 2017, as amended or supplemented from time to time.

"Business Day" means any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions or the New York Stock Exchange are authorized or obligated by law or executive order to be closed.

"Capitalized Interest Account" means the account in the Interest and Retirement Fund designated as the "Regents of New Mexico State University Revenue Bonds, Series 2017 Capitalized Interest Account", established by Section 12 of the Bond Resolution, to be maintained by the Regents for the deposit of capitalized interest, if any, on the Bonds allocated to the Improvement Project.

"Code" means the Internal Revenue Code of 1986, as amended, including when appropriate, the statutory predecessor of the Code, and all applicable regulations whether proposed, temporary or final, including regulations issued and proposed pursuant to the statutory predecessor of the Code, and, in addition, all official rulings and judicial determinations applicable to the Series 2017 Bonds, and under the statutory predecessor of the Code and any successor provisions to those sections or regulations.

"Continuing Disclosure Undertaking" means the Continuing Disclosure Undertaking with respect to the Series 2017 Bonds to be executed on the day of issuance and delivery of the Series 2017 Bonds to the Purchaser and to be approved at the time of adoption of the Sale Resolution.

"Current Refunded Bonds" means the Series 2006 Bonds maturing on and after April 1, 2018.

"Debt Service Grants" means, collectively, the aggregate of the payments received or to be received by the Regents, whether as grants or otherwise, pursuant to agreements of the Regents with the United States of America, or any of its agencies, within the meaning of the provisions of Section 6-17-14 NMSA 1978, as amended.

"Escrow Agreement" means an escrow agreement for the Refunded Bonds for deposit of all or a portion of the Refunded Bond Requirements on the date of delivery of the Series 2017 Bonds.

"Expenses" means all expenses relating to the issuance of the Series 2017 Bonds, including, without limitation, costs of advertising and publication of the Bond Resolution, rating agency fees and expenses, costs of printing the Preliminary Official Statement, the Official Statement and the Series 2017 Bonds, financial advisor fees and expenses, legal fees and expenses, escrow agent and accounting fees and expenses, fees and expenses of the Purchaser, and all reasonable and necessary fees and administrative costs of the Regents related thereto.

"Fiscal Year" means the twelve-month period used by the University for its general accounting purposes as the same may be changed from time to time, presently being a period beginning on July 1 of each year and ending on June 30 of the next succeeding year.

"Government Obligations" means direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"Improvement Project" means purchasing, erecting, altering, remodeling, expanding, improving, repairing, furnishing and equipping of buildings, improvements and facilities for the use of the University, including but not limited to student housing facilities, funding capitalized interest, and paying Expenses.

"Income from the Permanent Fund" and *"Income from the Income Fund"* mean the gross income from the Permanent Fund of the University and the gross income from the Income Fund of the University derived from the lease or rentals of such of the University's lands as remain unsold or its other property, as in part established and provided for by Article XII of the New Mexico Constitution, which income may be pledged to the payment of the obligations of the Regents pursuant to Sections 6-17-1 through 6-17-19 NMSA 1978.

"Independent Accountant" means (a) an accountant employed by the State of New Mexico and under the supervision of the State Auditor of the State of New Mexico, or (b) any certified public accountant, registered accountant or firm of such accountants duly licensed to practice and practicing as such under the laws of the State of New Mexico, appointed and paid by the University who (i) is, in fact, independent and not under the domination of the University or the Regents, (ii) does not have any substantial interest, direct or indirect, with the University, and (iii) is not connected with the University or the Regents as an officer or employee of the University or the Regents, but who may be regularly retained to make annual or similar audits of the books or records of the University and the Regents.

"Insured Bank" means a bank or savings and loan association whose deposits are insured by an agency of the United States.

"Interest and Retirement Fund" means that fund for the deposit of Pledged Revenues from the Revenue Fund to be used for the payment of principal of and interest on the Parity Bonds, previously established by the Regents and maintained by the University.

"Operating and Maintenance Expenses" means the reasonable operating and maintenance expenses of the System which will be deemed to include all costs of heating and lighting the buildings, improvements or facilities comprising the System, insurance, the cost of services of employees operating and maintaining the buildings, improvements or facilities comprising the System, the cost of food, repairs, costs of reasonable replacements of equipment and any other incidental costs not specifically enumerated, but which are reasonably necessary to operate and maintain the buildings, facilities, improvements and equipment comprising the System.

"Outstanding" or *"outstanding"* when used in reference to bonds of the Regents means, on any particular date, the aggregate of all such bonds delivered under the applicable resolution authorizing the issuance of such bonds, except:

(a) those cancelled at or prior to such date or delivered or acquired by the Regents at or prior to such date for cancellation;

(b) those otherwise deemed to be paid in accordance with Sections 23 and 24 of the Bond Resolution or similar section of any resolution of the Regents authorizing the issuance of the applicable bonds;

(c) those in lieu of or in exchange or substitution for which other bonds will have been delivered, unless proof satisfactory to the Regents and the paying agent for the applicable bonds is presented that any bond for which a new bond was issued or exchanged is held by a bona fide holder in due course; and

(d) those which have been refunded in accordance with the Bond Resolution or similar section of any resolution of the Regents authorizing the issuance of the applicable bonds.

"Paying Agent" or *"Paying Agent/Registrar"* means the Senior Vice President for Administration and Finance of the University, or successor in function, and any substitute paying agent/registrar appointed by the University pursuant to Section 8 of the Bond Resolution, as agent of the Regents for the payment, registration, transfer and exchange of the Series 2017 Bonds.

"Permitted Investments" means direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, or any of its agencies other than Farm Credit Consolidated System wide Discount Notes, Federal Farm Credit Banks Consolidated System wide Bonds, Federal Land Banks, Federal intermediate Credit Banks, Banks for Cooperatives and Farmers Home Administration, or obligations fully guaranteed by the United States of America, to the extent permitted under the Investment Policy of the Regents.

"Pledged Revenues" means:

(a) The gross income and revenues of whatever nature derived from the operation or ownership of the System (except as otherwise excluded under the definition of System).

(b) All gross proceeds of student tuition and fees of every nature collected from students at the University, except (i) the fees now known as "Student Activity Fees," "Bus Fees" and "Equipment Maintenance Fees" and (ii) fees expressly imposed for the use or availability of buildings, structures or facilities excluded from the System under the definition thereof.

(c) The gross amounts received by the University from the Income from the Permanent Fund and the Income from the Income Fund.

(d) The proceeds of Debt Service Grants and the proceeds of any interest subsidy with respect to Parity Bonds (to the extent any such Debt Service Grant or interest subsidy is applicable with respect to a series of Parity Bonds) paid for or on account of the Regents or the University by any governmental body or agency.

(e) All other income or revenues received by the University from proprietary activities carried on by the University, but excluding: (i) the proceeds of ad valorem taxes, (ii) State appropriations, and (iii) the proceeds of any University appropriations, gifts, contracts, grants and endowments, whether from or with public, private or governmental sources, which are restricted as to use. If the pledge of any one or more sources of other income or revenue to the payment of the Parity Bonds shall ever be held by final decision of a court of competent jurisdiction to be invalid or to make the Parity Bonds invalid because of constitutional restrictions on State indebtedness, the income or revenue derived from such source or sources shall not be subject to the pledge contained in the Bond Resolution; and provided further, that there shall not be included in the other income or revenue which is the subject of this paragraph any income or revenue excluded under the provisions of paragraphs (a) or (b) of this definition.

"Preliminary Official Statement" and *"Official Statement"* mean the disclosure documents of the University to be used by the Purchaser in connection with the offer and sale of the Series 2017 Bonds to the public and to be approved at the time of adoption of the Sale Resolution.

"Project" means, collectively, the Improvement Project and Refunding Project.

"Purchaser" means the purchaser of the Series 2017 Bonds as provided in the Sale Resolution

"Rebate Fund" means "The Regents of New Mexico State University Refunding and Improvement Revenue Bonds Series 2017 Rebate Fund," established by Section 12 of the Bond Resolution, to be maintained by the Regents.

"Record Date" means the 15th day of the month preceding any interest payment date of the Series 2017 Bonds.

"Refunded Bonds" means, collectively, the Advance Refunded Bonds and the Current Refunded Bonds.

"Refunded Bonds Deposit" means an amount to be designated in the Sale Resolution from proceeds of the Series 2017 Bonds and any other legally available moneys of the Regents (which total amount may be increased or decreased by the Senior Vice President for Administration and Finance of the University, if such increase or decrease shall be required to comply with applicable United States

Treasury Regulations or to otherwise provide sufficient funds to pay the Refunded Bond Requirements) to be used to pay the Refunded Bond Requirements.

"Refunded Bonds Requirements" means the principal of and the interest on (i.e., all debt service requirements for) the Refunded Bonds required to pay and defease the Advance Refunded Bonds on and until their first optional prior redemption date.

"Refunding Project" means refunding, refinancing, discharging and paying the Refunded Bonds, including, but not necessarily limited to, the payment of Expenses and to the payment and discharge of the Refunded Bonds.

"The Regents of New Mexico State University" or *"Regents"* means the body corporate in which is vested the management and control of the University pursuant to Article XII, Section 13 of the State Constitution and Section 21-8-5 et seq., NMSA 1978.

"Renewal and Replacement Fund" means "The Regents of New Mexico State University Revenue Bonds Renewal and Replacement Fund" previously established by the Regents and maintained by the University.

"Revenue Fund" means the fund of the Regents for the deposit of Pledged Revenues previously established by the Regents and maintained by the University.

"Sale Resolution" means a resolution to be adopted by the Regents after the sale of the Bonds which shall approve documents related to the issuance and sale of the Bonds, specify the exact aggregate principal amount of the Bonds, the maturity dates, series designations, the amounts maturing on each maturity date, the interest rates, and the redemption features applicable to the Bonds, and which may contain such other terms and provisions as the Regents may determine; provided that in no event shall the Sale Resolution specify a net effective interest rate on the Bonds in excess of the statutory maximum of twelve percent (12%) per annum.

"Senior Lien Debt Service Account" means that account which is part of the Interest and Retirement Fund for the deposit of Pledged Revenues to be used for the payment of the principal of, premium, if any, and interest on the Senior Lien Parity Bonds, previously established by the Regents and maintained by the University.

"Senior Lien Parity Bonds" means all bonds or obligations of the Regents now outstanding or hereafter issued or outstanding payable from and constituting a first lien on the Pledged Revenues on a parity with the outstanding Series 2006 Bonds, the Series 2010A Bonds, the Series 2010B Bonds, the Series 2010C Bonds, the Series 2010D Bonds, the Series 2013A Bonds, the Series 2013B Bonds, the Series 2013C Bonds, and the Series 2017 Bonds.

"Series 2006 Bonds" means The Regents of New Mexico State University Improvement Revenue Bonds, Series 2006.

"Series 2010 Bonds" means collectively, the Series 2010A Bonds, the Series 2010B Bonds, the Series 2010C Bonds, and the Series 2010D Bonds.

"Series 2010A Bonds" means the Regents of New Mexico State University Improvement Revenue Bonds, Series 20I0A.

"Series 2010B Bonds" means the Regents of New Mexico State University Improvement Revenue Bonds, Series 2010B (Taxable Direct Payment Build America Bonds).

"Series 2010C Bonds" means the Regents of New Mexico State University Taxable Improvement Revenue Bonds, Series 2010C.

"Series 2010D Bonds" means the Regents of New Mexico State University Refunding Revenue Bonds, Series 2010D.

"Series 2013 Bonds" means, collectively, the Series 2013A Bonds, the Series 2013B Bonds, and the Series 2013C Bonds.

"Series 2013A Bonds" means the Regents of New Mexico State University Improvement Revenue Bonds, Series 2013A (Tax-Exempt).

"Series 2013B Bonds" means the Regents of New Mexico State University Refunding Revenue Bonds, Series 2013B (Tax-Exempt).

"Series 2013C Bonds" means the Regents of New Mexico State University Taxable Refunding and Improvement Revenue Bonds, Series 2013C.

"Series 2014 Note" means the Regents of New Mexico State University Subordinate Lien Improvement Revenue Note, Series 2014.

"Series 2017 Bonds," "2017 Bonds" and *"Bonds"* means the bonds designated as "The Regents of New Mexico State University Refunding and Improvement Revenue Bonds, Series 2017" authorized by the Bond Resolution to be issued, in one or more series, in the original principal amount not to exceed $73,625,000.

"State" means the State of New Mexico.

"Subordinate Lien Bonds" means all bonds or obligations of the Regents now outstanding or hereafter issued or outstanding payable from and constituting a lien on the Pledged Revenues subordinate and junior to the lien thereon of the Senior Lien Parity Bonds on a parity with the lien of the Series 2014 Note on the Pledged Revenues.

"Subordinate Lien Debt Service Account" means that account which is part of the Interest and Retirement Fund for the deposit of Pledged Revenues to be used for the payment of the principal of, premium, if any, and interest on the Subordinate Lien Bonds, after payment of the principal of, premium, if any, and interest on the Senior Lien Parity Bonds as set forth in Section 14 of this Resolution and as previously established by the Regents and maintained by the University.

"System" means all housing facilities (student, faculty and other) and all other buildings, structures, improvements and facilities located on any campus of the University from the use and availability of which income or revenue (including in the term "income or revenue" the proceeds of student tuition and fees, other than the fees now known as Student Activity Fees, Bus Fees and Equipment Maintenance Fees) is produced, present and future, owned or operated by the University or the Regents, including, without limitation, dormitories, student unions, auditoriums, dining halls, bookstores, stadiums, golf courses, swimming pools, hospitals or infirmaries, utility facilities, and printing plants owned or operated by the University or the Regents; provided that as additional

housing and other facilities are acquired by the University or the Regents from time to time hereafter, and as existing facilities in the System are improved or extended, such additional, improved or extended facilities shall become part of the System; except that the Regents retain the right to acquire, construct, improve or extend any one or more such facilities hereafter and to provide by resolution that any such facility so acquired, constructed, improved or extended shall not become a part of the System, and any such facility so excepted shall not become a part of the System and the income and revenues derived therefrom shall not be part of the Pledged Revenues.

"Tax Compliance Certificate" means the Tax Compliance Certificate to be executed and delivered by the Regents at the time of the issuance of the Series 2017 Bonds and to be approved at the time of adoption of the Sale Resolution, as the same may be amended or supplemented in accordance with its terms.

"University" or *"New Mexico State University"* means the state educational institution designated as New Mexico State University and so confirmed by Section 11 of Article XII of the New Mexico Constitution, as amended.

"2006 Bond Resolution" means the Resolution of the Regents of April 13, 2006 authorizing issuance of the Series 2006 Bonds.

"2010 Bond Resolution" means the Resolution of the Regents of November 19, 2009, as amended by a Resolution adopted by the Regents on January 13, 2010 authorizing the issuance of the Series 2010A Bonds, the Series 2010B Bonds, the Series 2010C Bonds, and the Series 2010D Bonds.

"2013 Bond Resolution" means the Resolution of the Regents adopted on January 28, 2013, as amended by a Resolution adopted by the Regents on April 3, 2013 authorizing the issuance of the Series 2013A Bonds, the Series 2013B Bonds, and the Series 2013C Bonds.

"2014 Bond Resolution" means the Resolution of the Regents adopted on January 31, 2014, as amended by a Resolution adopted by the Regents on April 16, 2014 authorizing the issuance of the Series 2014 Note.

Bond Funds

(a) *Funds Continued*. The Regents continue the following special and separate funds previously established by the Regents:

(i) *Revenue Fund*. "The Regents of New Mexico State University Revenue Bonds Revenue Fund" for the deposit of Pledged Revenues shall be maintained in an account or accounts in one or more regular depositories of the Regents.

(ii) *Interest and Retirement Fund*. "The Regents of New Mexico State University Revenue Bonds Interest and Retirement Fund" shall be maintained in an account or accounts in one or more depositories of the Regents. The Debt Service Account has been established as a separate account of the Interest and Retirement Fund.

(iii) *Renewal and Replacement Fund*. "The Regents of New Mexico State University Revenue Bonds Renewal and Replacement Fund" shall be maintained with one or more regular depositories of the Regents.

(b) *Acquisition Fund*. The Regents established in the Bond Resolution, "The Regents of New Mexico State University Revenue Bonds, Series 2017 Acquisition Fund" for the deposit of certain of the Bond proceeds.

(c) *Rebate Fund*. The Regents established in the Bond Resolution, "The Regents of New Mexico State University Revenue Bonds, Series 2017 Rebate Fund" for the purposes set forth in Section 32 of the Bond Resolution.

Disposition of Pledged Revenues. So long as any of the Parity Bonds are outstanding, either as to principal or interest, or both, the Regents shall cause the Pledged Revenues to be collected and deposited as received on a regular basis in the Revenue Fund and to make the payments from the Revenue Fund into the Interest and Retirement Fund, the Renewal and Replacement Fund and as otherwise required or permitted by Section 14 of the Bond Resolution.

Deposits and Use of Pledged Revenues.

(a) *Debt Service Account*. While any Parity Bonds are outstanding, Pledged Revenues shall first be transferred from the Revenue Fund into the Debt Service Account as provided below:

(i) such amounts, at least five days prior to the applicable interest payment date, as will be sufficient, together with other monies, if any, then on deposit therein for such purpose, to pay the interest scheduled to come due on the Parity Bonds on the next interest payment date; and

(ii) such amounts, at least five days prior to the applicable principal payment date, as shall be sufficient to pay the next maturing principal payment on the Parity Bonds.

In order to allow for seasonal variations in Pledged Revenues, the Regents may make the payment of such installments in an amount greater than the above required amounts. If on or before the applicable payment date there has been accumulated in the Debt Service Account an amount in excess of the amount required to then be on deposit therein, the payment required by such date may be appropriately reduced by the excess on deposit in the Debt Service Account; provided that the amount accumulated in the Debt Service Account on the fifth day prior to an interest payment date for Parity Bonds must always be sufficient to pay in full all principal and interest becoming due on such interest payment date on all Parity Bonds then outstanding. Except as provided in paragraph (c) of this Section, the moneys in the Debt Service Account shall be used only to pay the principal of and interest on Parity Bonds as the same become due and shall be transferred to the Paying Agent/Registrar by 1:00 p.m. New York City time at least five days preceding the due date thereof.

(b) *Debt Service Reserve Account*. There is no debt service reserve account for the Series 2017 Bonds.

(c) *Termination upon Deposits to Maturity*. No payment need be made into the Debt Service Account if the amount on deposit in the Interest and Retirement Fund totals a sum at least equal to the entire amount of principal and interest due and to become due on the Outstanding Parity Bonds to their respective maturities, both accrued and not accrued. In such case, moneys in the Interest and Retirement Fund shall be used solely to pay principal and interest on Parity Bonds as the same become due, and any moneys in excess thereof in the

Interest and Retirement Fund and any other Pledged Revenues may be used as provided below in this Section.

(d) *Defraying Delinquencies in Debt Service Account*. If at any time a deposit due pursuant to paragraph A of this Section for the debt service payable on the Series 2017 Bonds shall not be paid, for any reason, into the Debt Service Account, then the difference between the amount paid and the amount required shall be paid therein from the first Pledged Revenue hereafter received not required to be otherwise applied.

(e) *Renewal and Replacement Fund*. The Renewal and Replacement Fund may be used for the purpose of paying the costs of improvements, replacements, enlargements, extensions, additions, or other capital expenditures relating to the facilities of the University or the acquisition of land in connection therewith, and for paying extraordinary repairs and maintenance of University facilities, or for paying principal of and interest on any Parity Bonds, when and to the extent the amount in the Interest and Retirement Fund is insufficient for such purpose.

After making the required deposits from the Revenue Fund as set forth in paragraphs (a) and (d), the Regents may make deposits from the Revenue Fund into the Renewal and Replacement Fund in each Fiscal Year until the amount therein is equal to a maximum amount of 10% of the value of the University's buildings, equipment, furnishings and library books as stated in the Regents' annual audit for such Fiscal Year. If the amount on deposit in the Renewal and Replacement Fund is reduced to an amount less than such maximum amount, or if the Regents provide for an increase in such maximum amount in any resolution authorizing Additional Bonds, the Regents may, after making the deposits required by Paragraphs (a) and (d) of this Section, make additional deposits from the Revenue Fund into the Renewal and Replacement Fund up to the then applicable maximum amount. Notwithstanding anything to the contrary set forth in the Bond Resolution, the Regents may use interest earned on the amounts on deposit in the Renewal and Replacement Fund for any lawful purpose or purposes authorized by the Constitution and laws of the State.

(f) *Use of Surplus Pledged Revenues*. After making the payments required to be made under this Section and except as provided in Section 32 of the Bond Resolution, the remaining Pledged Revenues, if any, may be applied to payment of junior lien obligations, and as determined by the Regents to any other lawful purpose or purposes authorized by the Constitution and laws of the State or as the Regents may direct and Pledged Revenues shall be budgeted for the Operating and Maintenance Expenses as is necessary from that portion of the Pledged Revenues which may be used by the Regents for such purposes.

General Administration of Funds. The funds and accounts designated in the Bond Resolution shall be administered as follows:

(a) *Investment of Money*. Money in the Revenue Fund may be invested in any manner allowed by the laws of the State and money in the Debt Service Account may be invested in Permitted Investments maturing prior to the date on which the money so invested shall be needed for the payment of principal of or interest on Parity Bonds. Money in the Renewal and Replacement Fund may be invested in Permitted Investments maturing not more than 10 years from the date of purchase. Moneys in each such Fund may also be invested in any of the following as may hereafter be permitted by the laws of the State:

(i) interest bearing demand or time deposits (including certificates of deposit) i) Insured Banks, which deposits are fully insured by the Federal Deposit Insurance Corporation or continuously secured by Permitted Investments (valued at least every 14 days) not less than the amount so invested; and

(ii) investment agreements with Insured Banks, which agreements are fully insured by the Federal Deposit Insurance Corporation or continuously secured by Permitted Investments (valued at least every 14 days) not less than the amount so invested.

Except as otherwise set forth in the Bond Resolution, the obligations so purchased as an investment of moneys in any such fund or account shall be deemed at all times to be part of such fund or account, and the interest accruing thereon and any profit realized therefrom shall be credited to such fund or account (subject to withdrawal at any time as permitted by Section 14 of the Bond Resolution), and any loss resulting from such investment shall be charged to the fund or account. Any obligations so purchased as an investment of moneys in any fund or account shall be presented for redemption or sale on the prevailing market whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such fund or account.

(b) *Deposits of Funds*. The moneys and investments comprising the funds designated in the Bond Resolution shall be maintained and kept in an Insured Bank or Banks. Each payment shall be made into and credited to the proper fund at the designated time, except that when the designated time shall be a Saturday, a Sunday or a legal holiday, then such payment shall be made on the next succeeding Business Day; provided that moneys for the payment of the Parity Bonds shall be deposited with the Paying Agent by 1:00 p.m. New York City time at least five days prior to the applicable payment date. Nothing in the Bond Resolution shall prevent the establishment of one or more such accounts in Insured Banks for all of the funds and accounts in Section 12 of the Bond Resolution or shall prevent the combination of such funds with any other Insured Bank account or accounts for other funds and accounts of the Regents. The moneys in funds which are not invested shall be secured at all times in a manner required by the laws of the State for the securing of public moneys of the Regents. The depository holding the amounts on deposit in the Interest and Retirement Fund shall make such credit arrangements with any other bank or banks at which Parity Bonds are payable as shall assure, to the extent of the moneys in the Interest and Retirement Fund, prompt payment of the principal of, premium, if any, and interest on the Parity Bonds as set forth in the applicable resolution of the Regents.

Lien on Pledged Revenues; Equality of Parity Bonds. The Series 2017 Bonds are secured by an irrevocable first lien, but not an exclusive first lien, on the Pledged Revenues. The Regents pledge and grant to the owners of Parity Bonds, now owned or hereafter acquired, a security interest in the Pledged Revenues and in the moneys and securities on deposit in the Revenue Fund and Interest and Retirement Fund for the payment of the principal of, premium, if any, and interest on the Parity Bonds.

The owners of Series 2017 Bonds and other Parity Bonds from time to time outstanding shall not be entitled to any priority one over the other in the application of the Pledged Revenues, regardless of the time or times of their issuance.

Refunding Bonds. The provisions of Section 17 of the Bond Resolution (relating to Additional Bonds) are subject to these exceptions (see "THE SERIES 2017 BONDS—Additional Bonds"):

(a) *Privilege of Issuing Refunding Obligations*. If at any time the Regents shall find it desirable to refund bonds or other obligations payable from and constituting a lien upon Pledged Revenues, the bonds or other obligations, or any part thereof, may be refunded (but the owners of bonds to be refunded may not be compelled to surrender their bonds, unless the bonds or other obligations, at the time or times of their required surrender for payment shall then mature, or shall then be callable for prior redemption at the Regents' option upon proper call), regardless of whether the priority of the lien for the payment of the refunding obligations on the Pledged Revenues is changed (except as provided in paragraph (c) of Section 17 of the Bond Resolution, i.e., prohibiting superior lien bonds, and except as provided in paragraphs (b), (c) and (d) of this Section). Any bonds issued for refunding purposes may be delivered in exchange for the outstanding bonds authorized to be refunded, or sold at public or private sale, or sold in part and exchanged in part.

(b) *Limitations upon Issuance of Parity Refunding Obligations*. No refunding bonds or other refunding obligations payable from Pledged Revenues shall be issued on a parity with the Series 2017 Bonds unless:

(i) the outstanding obligations so refunded are Parity Bonds and the refunding bonds or other refunding obligations do not increase annual principal and interest obligations evidenced by such refunded obligations; or

(ii) the refunding bonds or other refunding obligations are issued in compliance with paragraph (a) of Section 17 of the Bond Resolution.

(c) *Refunding Part of an Issue*. The refunding bonds or other refunding obligations issued shall enjoy complete equality of lien on the Pledged Revenues with the portion of any bonds or other obligations of the same issue which are not refunded, if any; and the holder or holders of such refunding bonds or other refunding obligations shall be subrogated to all of the rights and privileges enjoyed by the owner or owners of the same issue refunded thereby.

(d) *Limitations upon Issuance of Any Refunding Obligations*. Any refunding bonds or other refunding obligations payable from Pledged Revenues shall be issued with such details as the Regents may by resolution provide, subject to the inclusion of any such rights and privileges designated in paragraph (c) of this Section but without impairment of any contractual obligation imposed upon the Regents by any proceedings authorizing the issuance of any unrefunded portion of such outstanding obligations of any one or more issues (including but not necessarily limited to the Series 2017 Bonds). If only a part of the outstanding bonds and any other outstanding obligations of any issue or issues payable from the Pledged Revenues is refunded, then such obligations may not be refunded, unless:

(i) the refunding bonds or other refunding obligations do not increase any annual principal and interest requirements for any Fiscal Year evidenced by such refunded obligations and by the then outstanding obligations not refunded; or

(ii) the lien on the Pledged Revenues for the payment of the refunding obligations is subordinate to each such lien for the payment of any obligations not refunded; or

(iii) the refunding bonds or other refunding obligations are issued in compliance with paragraph (a) of Section 17 of the Bond Resolution (relating to Additional Bonds).

General Covenants. The Regents covenant and agree that:

(a) The Regents will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Bond Resolution and in each and every Parity Bond. The Regents will promptly pay or cause to be paid from the Pledged Revenues the principal of and interest on every Parity Bond, on the dates and in the places and manner prescribed in such Parity Bonds. The Regents will, at the times and in the manner prescribed in the Bond Resolution, deposit or cause to be deposited, from the Pledged Revenues, the amounts of money specified in the Bond Resolution.

(b) The Regents are duly authorized under the laws of the State to issue and deliver the Series 2017 Bonds. All action on the Regents' part for the authorization, issuance and delivery of the Series 2017 Bonds has been duly and effectively taken, and the Series 2017 Bonds in the hands of the owners thereof are and will be valid and enforceable special obligations of the Regents in accordance with their terms.

(c) The Regents lawfully own and are lawfully possessed of the lands upon which the existing campuses, buildings and facilities constituting the University are located. The Regents are lawfully qualified to pledge the Pledged Revenues to the payment of Parity Bonds in the manner prescribed in the Bond Resolution, and have lawfully exercised such rights.

(d) The Regents will, from time to time, and before the same become delinquent, pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon the University, or the campus, buildings and facilities of the University.

(e) The Regents will, if necessary to meet the payment to the Interest and Retirement Fund, adopt such reasonable regulations and requirements relating to the residence of the students attending the University and the use of the University's facilities as will be necessary to assure that the facilities will be as fully occupied and utilized as reasonably possible.

(f) The Regents will continuously and efficiently operate and maintain in good condition, the University and the facilities and services thereof, so long as any Parity Bonds are outstanding.

(g) While the Parity Bonds are outstanding and unpaid, the Regents will not additionally encumber the Pledged Revenues in any manner, except as permitted by the Bond Resolution.

(h) Proper books of record and account will be kept in which full, true and correct entries will be made of all dealings, activities and transactions relating to the Pledged Revenues, and all books, documents and vouchers relating thereto will at all reasonable times be available for inspection upon request of any owner of Parity Bonds.

(i) Each year while any of the Parity Bonds are outstanding, an audit will be made of the University's books and accounts relating to the Pledged Revenues by a certified or registered public accountant, such audit to be based on the Fiscal Year of the University.

(j) While any Parity Bonds are outstanding and unpaid, the Regents shall keep the System in reasonable repair and shall not sell, convey, mortgage, or in any manner transfer title to, or lease (except to provide professional management of auxiliary facilities or services after the chief financial officer of the University certifies that the Regents reasonably anticipate that (a) the University will receive increased Pledged Revenues as a result of such lease or that (b) the Operating and Maintenance Expense of the University will be reduced as a result of such lease), or otherwise dispose of any property providing Pledged Revenues, except that whenever the Regents deem it necessary to dispose of any furnishings and equipment, they may sell or otherwise dispose of such furnishings and equipment when they have made arrangements to replace the same or provide substitutes therefor. However, the Regents reserve the right to abandon the use of, or sell at fair market value, any facilities that provide Pledged Revenues, provided that:

(i) the Regents are in full compliance with all covenants and undertakings in connection with all of the Parity Bonds outstanding;

(ii) the Regents will, in the event of sale, apply the proceeds to either (A) redemption of outstanding Parity Bonds in accordance with the provisions governing repayment of Parity Bonds in advance of maturity, or (B) replacement of the facility disposed of by another facility and in such case the revenues of such facility will be part of the Pledged Revenues, or (C) depositing such proceeds in the Debt Service Account for payment of the next ensuing payments of principal of and interest on Parity Bonds;

(iii) the chief financial officer of the University certifies, prior to any abandonment of use, that (A) the facility to be abandoned is of substandard quality and no longer capable of producing positive net revenues after payment of operation and maintenance expenses thereof, and/or (B) the conversion, abandonment, razing or removal is necessary to carry out the University's campus master plan and/or (C) the conversion, abandonment, razing or removal is in the best interest of the University;

(iv) the chief financial officer of the University certifies that the Pledged Revenues during either the University's prior Fiscal Year or the twelve calendar month period immediately preceding such abandonment, sale or other disposition would have been at least 175% of the maximum annual principal and interest requirements on all outstanding Parity Bonds for such Fiscal Year or twelve month period, if such sale, abandonment or disposition had occurred at the beginning of such Fiscal Year or twelve month period; and

(v) the chief financial officer of the University certifies that the estimated Pledged Revenues for the then succeeding Fiscal Year plus the estimated revenues of the facility, if any, to be added to the Pledged Revenues satisfy the earnings test required in Section 17 for the issuance of Additional Bonds.

(k) Insurance on the University's facilities and equipment will be maintained in an amount equal to 80% of the full insurable value thereof. In case of loss, the proceeds of such insurance will be used to repair, restore or replace such facilities, if necessary to the University's function. If the insurance proceeds are not sufficient to repair, restore or replace such facility, any available revenues of the Regents may be used for such purpose. If the Regents determine that the repair, restoration or replacement of such facilities is not necessary to the function of the University or other revenues are not available at the time to make such repairs, restoration or replacement, then the insurance proceeds will be used promptly as follows:

(i) for the redemption prior to maturity of Parity Bonds, if any, ratably in the proportion that the outstanding principal of each series or issue of Parity Bonds bears to the total outstanding principal of all Parity Bonds; provided that if on any such occasion the principal of any such series or issue of Parity Bonds is not subject to redemption within 12 months of the date that such proceeds are available to the Regents, such series or issue will not be regarded as outstanding in making the foregoing computation; or

(ii) for payment of the next ensuing payments of principal of, premium, if any, and interest on Parity Bonds in the same proportion as prescribed in clause (i) above;

(iii) if Parity Bonds are available for purchase, insurance proceeds may be used for the purchase on the open market and retirement of Parity Bonds, in the same proportion as prescribed in the foregoing clause (i), to the extent practicable; provided that the purchase price for any such Parity Bond will not exceed the redemption price of such Parity Bond on the first date upon which it thereafter becomes subject to redemption; or

(iv) to the extent that the foregoing clauses (i), (ii) and (iii) cannot be complied with, the insurance proceeds, or the remainder thereof, will be deposited in a special and separate trust fund, at an official depository of the Regents, to be designated the Insurance Account. The Insurance Account will be held until such time as either clause (i), (ii) and/or (iii) can be complied with, or until other revenues become available which, together with the moneys in the Insurance Account, will be sufficient to make the repairs or replacements originally required.

(l) The Regents will at all times impose and collect rates and charges for the use of all buildings and facilities comprising the System and for all commodities and services sold or supplied therein or furnished thereby, and will impose and collect such student tuition and fees for the use and availability of the System, as will be fully sufficient, together with the other income and revenues of the University received from sources other than (i) sources excluded from the System, (ii) the proceeds of ad valorem taxation, (iii) State appropriations, or (iv) the proceeds of any University appropriations, gifts, contracts, grants and endowments, whether from or with public, private or governmental sources, which are restricted as to use, to permit the performance of all the covenants in and requirements of the Bond Resolution, including the prompt payments required by Section 14 of the Bond Resolution into the Debt Service Account, the Renewal and Replacement Fund, the Rebate Fund and the payment of Operating and Maintenance Expenses.

Events of Default. Each of the following events is declared to be an "event of default":

(a) *Nonpayment*. The failure to make any payment of principal of, premium, if any, or interest on any Parity Bond on the date the same becomes due and payable.

(b) *Default of Any Provision*. Default in the due and punctual observance or performance of any of the covenants, conditions and agreements on the part of the Regents in the Parity Bonds or in any resolution of the Regents authorizing the issuance of outstanding Parity Bonds, other than as specified in paragraph (a) of this Section, and failure to remedy such default for a period of 60 days after written notice thereof specifying such failure and requiring the same to be remedied shall have been given to the Regents by the holders of not less than 25% in aggregate principal amount of the outstanding Parity Bonds.

(c) *Bankruptcy*. The Regents shall file a petition seeking relief or a petition shall be filed against the Regents seeking relief, which shall not be stayed or dismissed within 60 days, under any bankruptcy law or similar law for relief of debtors.

Rights and Remedies. Upon the occurrence of any event of default, the owners of not less than 25% in aggregate principal amount of the Parity Bonds, including a trustee or trustees for the owners of Parity Bonds, shall, in addition to all other remedies and rights of owners of any of the Parity Bonds, have the right and power for the equal benefit and protection of all owners of the Parity Bonds similarly situated, by suit, action, mandamus or proceeding, at law or in equity, to protect, enforce and compel performance by the Regents and any of the officers, agents and employees of the Regents, to perform and carry out its and their duties and obligations under the resolution or the law pursuant to which the Parity Bonds have been issued, or to enforce the covenants and agreements of the Regents with the owners of the Parity Bonds. Nothing in this Section shall be construed to authorize any action by or on behalf of such owners which is contrary to any presently existing law, nor to require the Regents to perform any act or to do anything which shall require the expenditure in any manner or for any purpose of any funds by the Regents other than the Pledged Revenues.

Amendment of Resolution.

(a) *Limitation upon Amendments*. The Bond Resolution and the Sale Resolution may be amended without the consent of the owners of Series 2017 Bonds to cure any ambiguity, to cure, correct or supplement any defect or inconsistent provision contained therein or to cause or continue to cause interest on the Series 2017 Bonds to be excluded from gross income for federal income tax purposes, if applicable. Except as provided above, the Bond Resolution and the Sale Resolution may only be amended or supplemented by resolutions adopted by the Regents in accordance with the laws of the State, with the written consent of the owners of a majority in aggregate principal amount of the Series 2017 Bonds then outstanding (not including in any case any Series 2017 Bonds which may then be held or owned for the account of the Regents, but including such refunding bonds as may be issued for the purpose of refunding any of the Series 2017 Bonds if such refunding bonds are not owned by the Regents); provided, however, that no such resolutions shall have the effect of permitting:

(i) an extension of the maturity of any Series 2017 Bond; or

(ii) a reduction in the principal amount of any Series 2017 Bond, the rate of interest thereon, or the redemption premium payable thereon; or

(iii) the creation of a lien upon or a pledge of Pledged Revenues ranking prior to the lien or pledge created by the Bond Resolution; or

(iv) a reduction of the principal amount of Series 2017 Bonds required for consent to such amendatory or supplemental resolution; or

(v) the establishment of priorities as between Series 2017 Bonds issued and outstanding under the provisions of the Bond Resolution; or

(vi) the modification of, or otherwise affecting, the rights of the owners of less than all of the Series 2017 Bonds then outstanding (other than as originally permitted by the Bond Resolution); or

(vii) the modification of the terms of payment of principal of or interest on the Series 2017 Bonds or the imposition of any conditions with respect to such payment.

(b) *Notice of Amendment*. Notice of a proposed amendment requiring the consent of the owners of Series 2017 Bonds shall be mailed to the owners of the Series 2017 Bonds then Outstanding at their addresses as the same last appear in the registration books kept by the Paying Agent/Registrar. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies of the resolution pertaining to such amendment are on file at the office of the Paying Agent/Registrar for inspection by all owners of Series 2017 Bonds. If within 60 days, or such longer period as shall be prescribed by the Regents following the giving of such notice, the owners of a majority in aggregate principal amount of the Series 2017 Bonds Outstanding shall have consented to and approved the amendment as provided in the Bond Resolution, the amendment shall become effective and no owner of any Series 2017 Bond shall have any right to object to such amendment, or the operation thereof.

(c) *Proof of Instruments*. The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

Defeasance. When all principal, interest and prior redemption premiums, if any, in connection with the Series 2017 Bonds have been duly paid, the pledge and lien therefor on the Pledged Revenues and all obligations of the Regents under the Bond Resolution shall thereby be discharged and the Series 2017 Bonds shall no longer be deemed to be Outstanding within the meaning of the Bond Resolution. There shall be deemed to be such payment when the Regents have caused to be placed in escrow and in trust with a bank doing business in the State which is a member of the Federal Deposit Insurance Corporation and exercising trust powers, an amount sufficient (including the known minimum yield from Government Obligations or Tax Exempt Obligations, defined below, in which such amounts are initially invested) to meet all requirements of principal, interest and prior redemption premium, if any, on the Series 2017 Bonds as the same become due to their final maturities or upon designated prior redemption dates. The Government Obligations or Tax Exempt Obligations shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the Regents and such bank at the time of the creation of the escrow, or the Government Obligations or Tax Exempt Obligations shall be subject to redemption at the option of the holders or owners thereof to assure such availability as needed to meet such schedule. Tax Exempt Obligations within the meaning of this Section are those obligations exempt from federal income tax having a rating within the highest rating category assigned to such obligations by Moody's Investor Services or Standard & Poor's Ratings Services to the extent then allowed by the laws of the State to be purchased by the Regents for the purpose of paying the Series 2017 Bonds. If any Series 2017 Bond is to be redeemed prior to maturity, notice of redemption shall have been given or arrangements satisfactory to the Paying Agent/Registrar shall have been made for the giving of such notice. No Series 2017 Bonds may be refunded unless they mature or are callable for prior redemption under their terms within 15 years, or such other period as may then be allowed by the laws of the State, from the date of issuance of the refunding bonds or unless the owners thereof voluntarily surrender them for exchange or payment.

Series 2017 Bonds Not Presented When Due. If any Series 2017 Bonds shall not be duly presented for payment when due at maturity or on the redemption date thereof, and if moneys sufficient to pay such Series 2017 Bonds are on deposit with the Paying Agent/Registrar for the benefit of the owners thereof, and in the case of Series 2017 Bonds to be redeemed, if notice of redemption has been given as provided in the Bond Resolution or other applicable resolution, all liability of the Regents to such owners for the payment of such Series 2017 Bonds shall be completely discharged, such Series 2017 Bonds shall not be deemed to be Outstanding and it shall be the duty of the Paying Agent/Registrar to segregate and to hold such moneys in trust, without liability for interest thereon, for the benefit of the owners of such Series 2017 Bonds for a period of four (4) years, after which time such moneys shall be returned to the Regents for use in any lawful manner.

Covenants Regarding Tax Exemption. The University covenants that it will restrict the use of the proceeds of the tax exempt Series 2017 Bonds in such manner and to such extent, if any, as may be necessary so that the tax exempt Series 2017 Bonds will not constitute arbitrage bonds under Section 148 of the Code. The President and other officers of the University having responsibility for the issuance of the tax exempt Series 2017 Bonds will give an appropriate certificate of the University, for inclusion in the transcript or proceedings for the tax exempt Series 2017 Bonds, setting forth the reasonable expectations of the University regarding the amount and use of all the proceeds of the tax exempt Series 2017 Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of interest on the tax exempt Series 2017 Bonds.

With respect to the Series 2017 Bonds intended to be tax exempt under the Code, the University covenants that it (a) will take or cause to be taken such actions which may be required of it for the interest on the tax exempt Series 2017 Bonds to be and remain excluded from gross income for federal income tax purposes, and (b) will not take or permit to be taken any actions which would adversely affect the exclusion, and that it or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the tax exempt Series 2017 Bonds to the governmental purpose of the borrowing, (ii) restrict the yield on investment property acquired with those proceeds, (iii) if required, make timely rebate payments to the federal government, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. The President and other appropriate officers are authorized and directed to take any and all actions, make calculations and rebate payments, and make or give reports and certifications, if any, as may be required or appropriate to assure such exclusion of that interest.

In order to facilitate compliance with the above covenants the University will make any necessary deposits into the Rebate Fund for the sole benefit of the United States of America, and such Fund will not be subject to the claim of any other person, including without limitation the bondholders.

It is the understanding of the University that the covenants contained in the Bond Resolution are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or ruling are hereafter promulgated which modify, or expand provisions of the Code, as applicable to the tax exempt Series

2017 Bonds, the University will not be required to comply with any covenant contained in the Bond Resolution to the extent that such modification or expansion, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interests on the tax exempt Series 2017 Bonds under Section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the tax exempt Series 2017 Bonds, the University agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the tax exempt Series 2017 Bonds under Section 103 of the Code.

APPENDIX D

FORM OF BOND COUNSEL OPINION

July __, 2017

The Regents of New Mexico State University
Las Cruces, New Mexico

$73,240,000
THE REGENTS OF NEW MEXICO STATE UNIVERSITY
$40,740,000 Refunding and Improvement Revenue Bonds, Series 2017A
$18,975,000 Taxable Refunding Revenue Bonds, Series 2017B
$13,525,000 Refunding Revenue Bonds, Series 2017C (Crossover Refunding)

Ladies and Gentlemen:

We have examined the transcript of proceedings (the "Transcript") relating to the issuance of The Regents (the "Regents") of New Mexico State University (the "University") $40,740,000 Refunding and Improvement Revenue Bonds, Series 2017A (the "Series 2017A Bonds"), the $18,975,000 Taxable Refunding Revenue Bonds, Series 2017B (the "Series 2017B Bonds"), and the $13,525,000 Refunding Revenue Bonds, Series 2017C (Crossover Refunding) (the "Series 2017C Bonds" and, together with the Series 2017A Bonds and the Series 2017B Bonds, the "Bonds"). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the "State") and resolutions of the Regents adopted on March 6, 2017 and June 16, 2017 (collectively, the "Resolution"). Any capitalized term used herein and not defined herein shall have the same meaning ascribed thereto in the Resolution unless the context shall clearly otherwise require.

The Series 2017A Bonds are issued for the purpose of providing funds to (i) purchase, erect, alter, remodel, expand, improve, repair, furnish and equip buildings, improvements and facilities for use by the University, including, but not limited to student housing facilities, (ii) pay capitalized interest on a portion of the Series 2017A Bonds related to the Improvement Project through April 1, 2019, and (iii) pay the costs of issuance of the Series 2017A Bonds. The Series 2017A Bonds are also issued for the purpose of providing funds to (i) current refund the Regents' outstanding Improvement Revenue Bonds, Series 2006, (ii) advance refund, refinance and defease a portion of the Regents' outstanding Improvement Revenue Bonds, Series 2010A, (iii) refund, refinance and defease a portion of the Regents' outstanding Improvement Revenue Bonds, Series 2010B (Taxable Direct Payment Build America Bonds), and (iv) advance refund, refinance and defease a portion of the Regents' outstanding Refunding Revenue Bonds, Series 2013B. The Series 2017B Bonds are issued for the purpose of providing funds to (i) refund and refinance a portion of the Regents' outstanding Refunding Revenue Bonds, Series 2010D, (ii) refund and refinance a portion of the Regents' outstanding Refunding Revenue Bonds, Series 2013B, and (iii) pay the costs of issuance of the Series 2017B Bonds. The Series 2017C Bonds are issued for the purpose of providing funds to (i) refund, on a crossover basis, $14,005,000 of the Regents' outstanding

Improvement Revenue Bonds, Series 2010B (Taxable Direct Payment Build America Bonds) maturing in the years 2021, 2022, 2025 and 2030 (the "Prior Bonds") on April 1, 2020 (the "Crossover Date"), and (ii) pay the costs of issuance of the Series 2017C Bonds.

We have examined the Resolution and such other laws, certified proceedings, legal opinions, including the opinion of the University Counsel and other documents as we deem necessary to deliver this opinion. Based on our examination, we are of the opinion that, under the law existing on the date of this opinion, subject to the provisions of federal bankruptcy law and other laws affecting creditors' rights and further subject to the exercise of judicial discretion in accordance with general principles of equity:

1. The Bonds constitute valid and binding special obligations of the Regents enforceable in accordance with the terms and provisions thereof.

2. The Bonds, together with any bonds of the Regents now outstanding or hereafter issued on a parity therewith pursuant to the Resolution, are payable solely from, and such payment is secured by a first pledge (but not an exclusive first pledge) of, Pledged Revenues (as defined in the Resolution) except that for so long as the Prior Bonds are outstanding, the Series 2017C Bonds are special obligations of the Regents payable solely from the investment escrow established for the Series 2017C Bonds and the Prior Bonds and are not secured by the Pledged Revenues. Subject to the redemption of the Prior Bonds on the Crossover Date, from and after the Crossover Date, the Series 2017C Bonds are payable from and secured by the Pledged Revenues on a parity with the Bonds. The owners of the Bonds have no right to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Bonds. The Regents do not have taxing power.

3. Interest on the Series 2017A Bonds and the Series 2017C Bonds (collectively, the "Tax-Exempt Bonds") is excludable from gross income for federal income tax purposes, and interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"); provided, however, such interest will be included in the alternative minimum taxable income of certain corporations, and each such corporation is required to include in its calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt Bonds. The Regents have covenanted in the Resolution to comply with certain covenants designed to assure that interest on the Tax-Exempt Bonds will not become included in gross income for federal income taxation purposes. Failure to comply with these covenants may result in interest on the Tax-Exempt Bonds being included in gross income from the date of issue of the Tax-Exempt Bonds. Our opinion assumes compliance with such covenants.

The accrual or receipt of interest on the Tax-Exempt Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Except as stated above or in paragraph 4 below, we express no opinion as to any tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Tax-Exempt Bonds.

4. Under the laws of the State of New Mexico as enacted and construed on the date hereof, the interest on the Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities as of the date of issuance and delivery of the Bonds that we deem relevant to render such opinions and are not a guarantee of result. We express no opinion with respect to any pending legislation.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. This opinion 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 opinion without our express prior written consent. This opinion may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent. We have not assumed any responsibility with respect to the creditworthiness of the security for the Bonds, and our engagement as Bond Counsel with respect to the transaction referred to herein terminates upon the date of this opinion. We assume no obligation to review or supplement this opinion subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking ("Disclosure Undertaking") is executed and delivered by The Regents of New Mexico State University ("Regents") on behalf of New Mexico State University ("University") in connection with the issuance by the Regents of the Improvement Revenue Bonds, Series 2017A-C (the "Bonds"). The Bonds are being issued pursuant to Bond Resolutions adopted by the Regents on March 6, 2017 and June 16, 2017 (collectively, the "Resolution").

BACKGROUND

1. The Bonds are being issued to finance the Project as defined in the Resolution, including paying costs of issuance associated with the Bonds.

2. In order to allow the underwriters of the Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), to the date hereof, the Regents are required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds.

3. This Disclosure Undertaking is intended to satisfy the requirements of Rule 15c2-12, as in effect on the date hereof.

COVENANTS AND AGREEMENTS

Section 1. Definitions.

"Annual Financial Information" means the financial information or operating data with respect to the University, delivered at least annually pursuant to Section 2(a) and 2(b) hereof, described in "APPENDIX A – NEW MEXICO STATE UNIVERSITY ORGANIZATION, PROGRAMS AND SUMMARY FINANCIAL INFORMATION" of the final Official Statement.

"Audited Financial Statements" means the annual financial statements for the University, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

"EMMA" means the MSRB's Electronic Municipal Market Access System located on its website at emma.msrb.org.

"Events" means any of the events listed in Section 2(d) of this Disclosure Undertaking.

"Fiscal Year" means the Fiscal Year of the University, ending June 30.

"MSRB" means the Municipal Securities Rulemaking Board.

"Official Statement" means the final Official Statement delivered in connection with the original issue and sale of the Bonds.

"Owners" means the registered owners of the Bonds, and so long as the Bonds are subject to the book-entry system, any Beneficial Owner, as such term is defined in the Resolution.

"Rule 15c2-12" shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission.

Section 2. <u>Provision of Annual Information and Reporting of Events</u>.

(a) Annually while the Bonds remain outstanding, the Regents shall provide or cause to be provided to EMMA Annual Financial Information and Audited Financial Statements.

(b) Such Annual Financial Information shall be provided on or before March 31 of each year. If the Audited Financial Statements are not available by the time the Annual Financial Information must be provided, unaudited financial statements shall be provided as part of the Annual Financial Information. If not provided as a part of the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The Regents may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the Regents, which have been submitted to each Repository; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must also be available through EMMA.

(d) At any time the Bonds are outstanding, the Regents shall provide, in a timely manner, not in excess of ten business days, to EMMA notice of any of the following events with respect to the Bonds (provided that notice of any event under clauses (ii), (vii), (viii), (x), (xiii) and (xiv) will be provided only if material):

i. Principal and interest payment delinquencies;

ii. Non-payment related defaults;

iii. Unscheduled draws on debt service reserves reflecting financial difficulties;

iv. Unscheduled draws on credit enhancements reflecting financial difficulties;

v. Substitution of credit or liquidity providers, or their failure to perform;

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

vii. Modifications to rights of Bond holders;

viii. Bond calls or tender offers;

ix. Defeasances;

x. Release, substitution or sale of any property securing repayment of the securities;

xi. Rating changes;

xii. Bankruptcy, insolvency, receivership or similar proceedings;

xiii. Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated person or their termination; and

xiv. Appointment of a successor or additional trustee or the change of name of a trustee.

(e) At any time the Bonds are outstanding, the Regents shall provide, in a timely manner, to EMMA notice of any failure of the Regents to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the Regents shall employ such methods of electronic or physical information transmission as is requested or recommended by the MSRB unless otherwise required by law.

Section 4. Enforcement. The obligations of the Regents hereunder shall be for the benefit of the owners (including the beneficial owners) of the Bonds. The owner or beneficial owner of any Bonds is authorized to take action to seek specific performance by court order to compel the Regents to comply with their obligations under this Disclosure Undertaking, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the Bonds. Any such action shall be brought only in a State court of competent jurisdiction in Las Cruces, New Mexico. Breach of the obligations of the Regents hereunder shall not constitute an event of default under the Resolution and none of the rights and remedies provided by the Resolution shall be available to the owners (including the beneficial owners) of the Bonds.

Section 5. Additional Information. Nothing in the Disclosure Undertaking shall be deemed to prevent the Regents from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not Event information, in addition to that which is required by this Disclosure

Undertaking; provided that the Regents shall not be required to do so. If the Regents choose to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the Regents shall have no obligation under this Disclosure Undertaking to update such information or include it in any future annual filing or Event filing.

Section 6. Term. This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earliest of (i) the date all principal and interest on the Bonds shall have been paid or legally defeased pursuant to the terms of the Resolution; (ii) the date that the Regents shall no longer constitute an "obligated person" with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

Section 7. Amendments and Waivers. Notwithstanding any other provision of this Disclosure Undertaking, the Regents may amend this Disclosure Undertaking from time to time, and any provision of this Disclosure Undertaking may be waived, without the consent of the owners or beneficial owners of the Bonds upon the Regents' receipt of an opinion of counsel experienced in federal securities laws to the effect that such amendment or waiver will not adversely affect compliance with the Rule. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Regents shall provide notice of any such amendment or waiver to EMMA.

Section 8. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the owners (including beneficial owners) from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 9. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State.

Dated: July __, 2017

THE REGENTS OF NEW MEXICO STATE UNIVERSITY

By___________________________________
Chair

By___________________________________
Secretary and Treasurer

APPENDIX F

PRINCIPAL PAYDOWN FACTOR TABLE

PRO RATA PASS-THROUGH DISTRIBUTION OF PRINCIPAL

$6,075,000 April 1, 2037

Principal Paydown Date	Mandatory Sinking Fund/Paydown Amounts[(1)]	Paydown Amount per $1,000	Remaining Balance per $1,000	Paydown Factor	Remaining Bond Factor
April 1, 2033	$1,125,000	185.19	814.81	0.185185	0.814815
April 1, 2034	1,165,000	191.76	623.05	0.191770	0.623045
April 1, 2035	1,215,000	200.00	423.05	0.200000	0.423045
April 1, 2036	1,260,000	207.41	215.64	0.207407	0.215638
April 1, 2037	1,310,000	215.64	--	0.215638	0.000000

(1) Subject to change in the event of certain optional redemptions or purchases of Series 2017B Bonds and subject to DTC's (or other securities depository) operational procedures on the date such mandatory sinking fund redemption.