NEW MEXICO FINANCE AUTHORITY PUBLICLY DISTRIBUTED BOND ISSUANCE and UNDERWRITER POLICY

A. **General Considerations**. The Finance Authority will pursue the following policies when issuing Public Project Revolving Fund bonds ("PPRF"), New Mexico Department of Transportation bonds ("NMDOT") at the direction of the State Transportation Commission ("STC"), and conduit or other publicly funded and distributed standalone bonds of the Finance Authority ("Standalone") that are not PPRF or NMDOT bonds.

B. **Bond Issuance – Public Project Revolving Fund and Standalone.**

1. **Competitive Sales.** The Finance Authority is committed to issuing bonds in the manner most beneficial to the Finance Authority's clients. The Finance Authority's initial preference will be to issue PPRF and Standalone bonds on a competitive sale basis but the Finance Authority will offer PPRF and Standalone bonds on a negotiated sale basis when it is in the interest of the Finance Authority's clients to do so.

2. **Negotiated Sales.** Reasons for issuing PPRF and Standalone bonds on a negotiated basis include, but are not limited to, out-of-the-ordinary bond structures with targeted investor appeal, recognition of a unique market opportunity, the need to issue bonds into an uncertain market, structural complexity, unique modeling requirements integral to issuance of the bond, and changes in markets that preclude successful competitive sales. The Finance Authority's Chief Executive Officer ("CEO") will report to the Finance Authority's Board the reasons for issuing bonds on a negotiated basis rather than on a competitive basis.

3. **PPRF Simultaneous Bonds and Loans.** PPRF loans in the amounts of $10 million and greater are required to be simultaneously funded with a PPRF bond issue so that interest rates on the loans and the bonds effectively match. Loans up to $25 million may be closed within a period starting with the sale date of a bond issue ("interest rate setting date") and the closing date of a bond issue ("permanent funding date"). As a special case, loans of up to $15 million may be closed up to one month after the closing date of a bond issue to meet borrower timing requirements. Loans of greater than $25 million must be closed simultaneously with the closing of the bond issue funding the loan. The PPRF line-of-credit or available cash are used to fund loans closed before the date bonds are closed and funded.

4. **Timeline.** The target timeline when issuing PPRF and Standalone bonds will be:

   a. **Finance Authority Board Meeting Month One.** The Finance Authority's Chief Executive Officer will advise the Board of the Finance Authority's intent to issue bonds and state whether the issue will be competitive or negotiated. If negotiated, the CEO will advise the Board as to the reasons the transaction will be negotiated.

   b. **Finance Authority Board Meeting Month Two.** A formal resolution will be passed by the Board that authorizes: (i) the issuance and sale of the bonds to fall within relevant parameters; (ii) the Preliminary Official Statement for the bonds to be issued; and, (iii) the underwriter or underwriters selected for a negotiated sale using the methodology delineated in Section 5. Below.

      The CEO's advice to issue bonds, the adoption of the authorizing resolution and the approval of the Preliminary Official Statement including underwriters for a negotiated sale may take place at the same Finance Authority Board meeting, designated Month Two, when necessary to respond to market conditions and marketing needs or to otherwise accommodate the Finance Authority's policy objectives.

   c. **Finance Authority Board Meeting Month Three.** The results of the PPRF bond sale will be reported to the Board. The Board will pass a sale resolution approving the sale. Typically, competitive sales will take place during the two hours directly prior to the Board meeting. Negotiated sales will take place beginning no sooner than five business days before the Board meeting.

   d. **Month Four.** Closing typically will take place for PPRF and Standalone bond issues 10 to 30 days following the Board's approval of the sale.

5. **PPRF and Standalone Underwriter Pool for Negotiated Sales.** The method for selection of the PPRF and Standalone Underwriter Pool will be by Request for Proposal (RFP) issued once a year:

   a. Six financial institutions will be selected for the fiscal year period as senior managers/co-managers (primary underwriters) and two firms will be selected as alternative co-managers (alternative co-managers).

   b. PPRF RFP proposals will be evaluated by at least: 1) three Finance Authority staff members appointed by the CEO; and, 2) the Finance Authority's outside Financial Advisor. The Chairman may appoint additional evaluators.

c. The RFP will be approved by the Contracts Committee in April and issued during May of each year.

d. The six primary underwriters proposed by RFP evaluators will be presented to the Finance Authority's Board for approval no later than the July Board meeting with underwriters selected for the PPRF and Standalone pool ordered from one to six. Board approval will include the underwriter takedown committed to by each potential senior manager.

e. Two alternative co-managers will also be selected. An alternative co-manager will take the place of any primary co-manager unable to serve in a designated slot due to a conflict of interest or for any other reason. One alternative co-manager will be selected from RFP responders seeking to be either a senior or co-manager. The other alternative co-manager will be selected from RFP responders seeking only to be a co-manager.

f. Each year's underwriter pool members will serve from July 1 through June 30.

g. Underwriter assignments for negotiated bond sales for the year will be:

Sale Number	Senior Manager	Co-Manager	Co-Manager
Sale # 1	U/W ranked 1	U/W ranked 5	U/W ranked 6
Sale # 2	U/W ranked 2	U/W ranked 3	U/W ranked 4
Sale # 3	U/W ranked 3	U/W ranked 1	U/W ranked 2
Sale # 4	U/W ranked 4	U/W ranked 5	U/W ranked 6
Sale # 5	U/W ranked 5	U/W ranked 3	U/W ranked 4
Sale # 6	U/W ranked 6	U/W ranked 1	U/W ranked 2

The table will repeat if more than six negotiated sales take place in any year.

h. A firm acting as a Financial Advisor for a Standalone bond or for a simultaneous PPRF loan to be included in a bond issue cannot also be an underwriter for that bond issue. In such cases, a financial advisory firm designated to be a senior underwriter unable to serve would exchange places with the next designated senior underwriter as necessary to maintain a fair distribution of senior underwriting positions based on the ordering of underwriters.

A financial advisory firm designated to be a co-manager unable to serve would be replaced by an alternative co-manager.

6. **The PPRF and Standalone Underwriter Pool RFP evaluation criteria will be**:

RFP Points (maximum 100 points in total)

- 25 Points – For Pricing, Structuring, and Marketing proposals with requirements defined within the RFP issued

- 40 Points – For Level of Involvement with the Finance Authority considering ideas provided to NMFA, opportunities provided to NMFA to meet with investors, in person meetings with NMFA staff, performance in underwriting PPRF and Standalone negotiated and competitive bond sales, and performance working with NMFA involving banking relationships other than for the issuance of bonds.

- 25 Points – For performance as a New Mexico and National underwriter of municipal bonds and presence in New Mexico as defined specifically and generally by the RFP issued.

- 10 Points – For Overall Reputation of a firm in New Mexico and Nationally as defined specifically or generally by the RFP issued considering, to the extent evident and for example purposes only, information such as credit ratings, industry rankings, media coverage, regulatory activity, litigation, SEC and other corporate filings, results of reference inquiries, ethical behavior and intellectual capital.

C. **Bond Issuance – New Mexico Department of Transportation.**

1. **Competitive Sales and Negotiated Sales.** The State Transportation Commission may from time-to-time direct the New Mexico Finance Authority to issue NMDOT bonds through the New Mexico Finance Authority using a competitive sale process. However, historically, the State Transportation Commission has directed the New Mexico Finance Authority to issue NMDOT bonds using a negotiated sales process. The Finance Authority will issue NMDOT bonds as directed by the State Transportation Commission.

2. **Timeline.** The target timeline when issuing NMDOT bonds will be:

   a. **State Transportation Commission and Finance Authority Board Meetings Month One.** The STC will determine that NMDOT bonds will be issued. The Finance Authority's Chief Executive Officer will advise the Finance Authority's Board of the intent to issue NMDOT bonds and state whether the issue will be competitive or negotiated.

   b. **State Transportation Commission and Finance Authority Board Meeting Month Two.** Formal resolution will be passed by the STC and the Finance Authority Board that authorizes: (i) the issuance and sale of the bonds to fall within relevant parameters; (ii) the Preliminary Official Statement for the bonds to be issued; and, (iii) the underwriter or underwriters, if any, selected for the issue.

      The authorizing resolution, the approval of the Preliminary Official Statement, and the appointment of underwriters, if any, may take place at the same State Transportation Commission and Finance Authority Board meetings, designated Month Two, when necessary to respond to market conditions and marketing needs or to otherwise accommodate the State Transportation Commission's policy objectives.

   c. **Finance Authority Board Meeting Month Three.** The results of the NMDOT bond sale, as approved by designated members of the STC, will be reported to the Finance Authority Board and the Board will pass a sale resolution approving the sale. Typically, competitive sales will take place during the two hours directly prior to the Board meeting. Negotiated sales will take place beginning no sooner than five business days before the Board meeting.

   d. **Month Four.** Closing will take place for the NMDOT bond issue approximately 10 to 30 days following the Board's approval of the sale.

3. **NMDOT Underwriters for Negotiated Sales.** The method for selection of the NMDOT underwriters will be by RFP for each negotiated sale.

   a. An RFP will be approved by the Finance Authority's Contracts Committee in a timely manner to coincide with the NMDOT bond timetable.

b. NMDOT RFPs will be evaluated by: 1) at least two State Transportation Commission members appointed by the Chairman of the STC; 2) the Finance Authority staff member overseeing the NMDOT bond issuance; 3) one or more NMDOT staff members appointed by the NMDOT Cabinet Secretary; and, 4) the State Transportation Commission's outside Financial Advisor.

c. Based on the RFP evaluation, the State Transportation Commission Chairman will make the decision on which underwriters to use for NMDOT bond issues.

4. **The NMDOT Underwriter RFP evaluation criteria will be**:

RFP Points (maximum 100 points in total)

- 40 Points – For Pricing, Structuring, and Marketing of the proposed NMDOT bond issue

- 40 Points – For Level of Involvement with the NMFA and NMDOT in terms of ideas provided, opportunities provided to NMFA to meet directly with investors, attendance at NMFA Board and STC meetings, record as a New Mexico and National Underwriter, and presence in New Mexico as defined specifically or generally by the RFP issued

- 20 Points – For Overall Reputation of a firm in New Mexico and Nationally as defined specifically or generally by the RFP issued including plus or minus points for actual performance as an underwriter for NMDOT negotiated sales.

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